PARPÚBLICA
PARTICIPAÇÕES PÚBLICAS (SGPS) S.A.

DOCUMENTS
ANNUAL ACCOUNTS

2014

GOVERNING BODIES

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(ROC nr 427)
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DOCUMENTS - ANNUAL ACCOUNTS

FINANCIAL YEAR OF 2014

VOLUME I - FINANCIAL REPORT

DECLARATION OF THE BOARD OF DIRECTORS

(ACCORDING TO ARTICLE 245º OF "CÓDIGO DOS VALORES MOBILIÁRIOS" – PORTUGUESE SECURITIES' CODE)

CERTIFICATION/AUDIT DOCUMENTS

STATUTORY AUDIT CERTIFICATION AND AUDITORS' REPORT ON THE SEPARATE FINANCIAL STATEMENTS

STATUTORY AUDIT CERTIFICATION AND AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

REPORT AND OPINION OF THE AUDIT COMMISSION

Volume I

Financial Report

➢ MESSAGE FROM THE CHAIRMAN

The year of 2014 relating the present Report was marked by the ending of the Program of Financial Assistance (PAEF) beginning on May 2011 and also by the reversal of the growing rhythm that became positive after three years of economic contraction. Internal demand became again the leader of the registered growth which stood at 0,9% of GDP.

Concerning PARPÚBLICA, 2014 was still marked by the execution of privatization's program foreseen in *"Troika's Memorandum"* (MoU), which provided the basis for the implementation of the referred Financial Assistance Program.

During the year, REN re-privatization processes were achieved (9,9%), through a market operation IPO and CTT (31, 5%), through an accelerated book building process, while the re-privatization of *Empresa Geral de Fomento, S.A.* (EGF) happened.

In the end of 2014, the indirect privatization of TAP's capital share was formerly initiated under Decree-Law nr 181-A/2014. The referred privatization will be concluded during 2015.

The Steering Committee was formed under the strategic partnership Agreement, as planned in the privatization process of ANA – Aeroportos de Portugal, S.A., in order to monitoring the cooperation between the parties (PARPÚBLICA, ANA and Vinci) and the related strategic commitments.

Concerning PARPÚBLICA Group, a re-structuring process of the Real Estate segment has begun in which the merger of "Sagestamo" (a real estate holding) in PARPÚBLICA is foreseen as well as the merger in "Estamo", wholly owned by "Sagestamo", of real estate companies namely "Lazer e Floresta". Therefore with the foreseen re-structuring process, there will be only two companies from a universe of five: PARPÚBLICA and Estamo, wholly owned by the former, representing a contraction of three companies in the corporate public sector.

This restructuring process will generate significant value as a result of the several advantages and benefits that will be generated, namely the synergies resulting from the concentration of assets and the integration of several functional, administrative, financial and operating structures, as well as the simplification and improvement of management by removing the spread of means through streamlining of technical, human and financial resources. This operation aims to promote savings as a result of the significant reduction of costs and expenses incurred by the public resources.

In order to satisfy the funding needs related to its operating activity and debt refunding in 2014, PARPÚBLICA ensured the required funding through two bond issues: one of 750 million euro placed on the domestic market and other of 600 million euro placed on the international market through a Eurobonds issue. This way, PARPÚBLICA diversified its funding sources and reduced the interest rate comparing with previous issues.

The year 2014 was also marked by the beginning of PARPÚBLICA's integration process at the perimeter of public accounts, with practical effect from 1st January 2015. In this perspective and to fully comply with the legal rules established by the State Budget Law, the company increased its human resources and new procedures were implemented in order to cope with the company integration in the public administrative sector..

In terms of economic and financial performance, the year 2014 was marked by a decrease in the consolidated results of the Group compared with 2013 and presented the negative amount of 367 million euro due to the results of PARPÚBLICA's holding and of segment "Air Transport and Related" within the TAP Group. The "Water and Waste" segment, with the contribution of the subsidiary "Águas de Portugal, S.A.", positively contributed to profit and loss. At the end of 2014, the consolidated asset of PARPÚBLICA Group reached the amount of 17 billion euro whereas the consolidated liabilities reached about 13,3 billion euro.

Individually, PARPÚBLICA reached the negative amount of 461,9 million euro at the end of the year, being worth mentioned the debt charges and interests paid in the amount of 214,2 million euro, the loss concerning the book of the impairment related to GALP shares held by PARPÚBLICA, of which the great majority represents the underlying asset of an exchangeable bond issue, estimated in 204,8 million euro, and an accounting reinforcement of a provision in TAP's subsidiary through thereduction of its equity in the amount of about 138,5 million euro.

It is worth mentioned the strong impact caused by the devaluation of GALP shares in PARPÚBLICA's profit and loss during 2014. Indeed, the valuation of GALP suffered a decline of 29,24% during the year, being the lowest level observed at the end of the year. However, it should be noted that in the first months of 2015, the referred devaluation and related loss was completely cancelled, since the current GALP valuation is similar to the beginning of 2014 with the related positive impact in PARPÚBLICA' profit and loss.

In conclusion, a word of appreciation to our supervising members of the Government, to the remaining members of the Board of Directors I had the privilege to preside, to PARPÚBLICA's employees for their commitment in the fulfilment of the Company's mission. Also a word of appreciation to our financial partners for the trust and contribution they have shown during 2014.

It is my belief that PARPÚBLICA will continue to provide significant skills to its performance within its mission defined by Law, namely the centralized monitoring of the supervisory companies management, especially in the real estate sector, and technically support the financial responsible entity mainly with the *know-how* concerning the structuring and execution of privatizations and concessions operations.

Pedro Ferreira Pinto

➢ YEAR 2014

▪ Macroeconomic environment[1]

In 2014, the growth of the world economy was similar to previous year – the product presented a variation of 3,4%, similar to 2013 -, in a still not optimistic dynamic but far from the recessive period experienced during the end of the first decade of the century.

The developing countries economy showed a bigger dynamism with a product from 1,4% in 2013 to1,8% in 2014. Firstly, the European Union with an accelerated growth from 0,1% to 1,4%, mainly in the United Kingdom, Germany, Spain and Ireland (4,8%), but also the American economy showed a small acceleration – from 2,2% to 2,4% -, and Canada (from 2% to 2,5%). However the scenario is not homogeneous both at European level (for instance, in Italy the recession got worst), and other geographical areas, such as Japan (from 1,6% to -0,1%).

Representing more than 2/3 of the world growth, concerns remaining focus on developments in emerging markets where the instability of the financial markets befall with an impact on the weakest economic structures, and where factors such as the drop of the oil prices, geopolitical tensions, vulnerability of credit and investment policies, or economic and social depressive environment, led to defensive behaviours of the economic players with production shortfall in key areas from tradable goods to real estate, and therefore in employment and wealth creation. The Russian growth went from 1,3% to 0,6%, the Latin America and Caribbean countries from 2,9% to 1,3%, China from 7,8% to 7,4%, South Africa from 2,2% to 1,5% and Brazil from 2,7% to 0,1%. However Mexico, Saudi Arabia, Nigeria and India registered some improvement in product variation.

In Europe, the reduction of the pressures over the sovereign debt and over the constraints to credit, together with the drop in oil prices and interest rates, led to an increase in consumers and entrepreneurs' confidence positively reflected in the growth of the domestic demand and in the economic business recovery. However in the Euro Zone the process is slower (the product went from a variation of -0,5% only to 0,9%),

[1] *World Economic Outlook: short and long-term factors* – FMI, April 2015.

either due to the budgetary and public/ private debt tensions of some countries or due to the still weak dynamic of the investment and productivity evolution. Despite the expansionary monetary policy adopted by the Euro Zone, the downward pressures persist to stay and are cause of concern since they negatively affect consuming expectations and, at the same time, short and medium term growth assumptions.

In 2014, the Portuguese economy[2] presented a real growth of 0,9%, an unquestionable progress regarding the drop of 1,6% recorded in 2013, profiting from the dynamism of the domestic demand given the slowdown of the external demand, mainly the negative impact of the energy products' export.

In 2014 the budget deficit decreased again to -4,5%, comparing with -4,8% of 2013 and -11,2% of 2011. The unemployment rate decreased from 16,2% to 13,9%, while the consumer price index continued to drop till -0,3% (0,3%, in 2013) and was still one of the lowest Euro Zone rates.

➢ OUTLOOK FOR 2015

The Outlook for 2015 aims at the consolidation of the economic growth in the Euro Zone mainly due to the oil prices reduction and the monetary policy flexibility connected to the euro depreciation.

In Portuguese economy, the confidence and economic sentiment indicators at the end of 2014 support the Outlook for 2015 that indicates a GDG growth around 1,5% based on the recovery of the domestic consumption and external demand, with an exports increase of 4,7%, i.e. above the value verified in 2014 and, again, above imports. Investment is also expected to recover although the high levels of companies' indebtedness may prevent to get the most out of the low interest rates currently verified in results, namely, of the monetary policy adopted by the ECB and of the drop of the risk level of the Portuguese economy. The unemployment level will go also downward as verified in the last months, although it should maintained at levels that will not ease employment creation that will become a big challenge to overcome. However, in what

[2] Stability Program 2015-2019

investment is concerned, the new support EU frame is expected to give a little more dynamism to investment with effects in the employment creation level.

In what the public finance is concern, the policies correcting the main discrepancies shall continue and together with the recovery of the economic growth will allow that both the budget deficit and mainly the ratio of the public debt in relation to the GDP will sustainably continue downward.

The year of 2015 was the first one in which PARPÚBLICA and some subsidiaries (Sagestamo, Estamo, Consest, TAP, SGPS and SPE) will be part of the public management perimeter that will have an effect either in the performance and reporting rules, or in financing model. Concerning the latter aspect, all financing needs will now be supported by the State Budget, through DGTF by allocation of foreseen resources.

In what business is concern, it is expected that during the year the contracted transactions (EGF) or in a preparation stage (TAP), whose assets are classified as held for sale in the financial statements, will take place. Up till now no other significant re-privatization is planned.

At corporate level, the main purpose of the management refers to the corporate reorganisation of the real estate business in order to reinforce the real estate business development of the Group in its multiple aspects, based on a corporate structure that ensures structure and operating costs rationalization. Those changes will allow reinforcing the performance of the PARPÚBLICA Group as a management and profitability instrument of the public real estate heritage. The strategy will include the concentration of some companies of this sector, creating synergies, emphasis in the business and significant cost savings.

The necessary primary studies are almost done and the process is expected to be concluded still during the first half of the year.

Concerning the investment portfolio, the sales process of EGF, SA, company of the AdP, SGPS, SA Group (indirectly will affect the consolidated accounts of the Group) is expected to be concluded, as well as the sale of 66% of TAP-SGPS, SA, a process that has begun in the end of 2014.

➢ FUNDING AND RISK MANAGEMENT

▪ Structure and Maturity of Funding

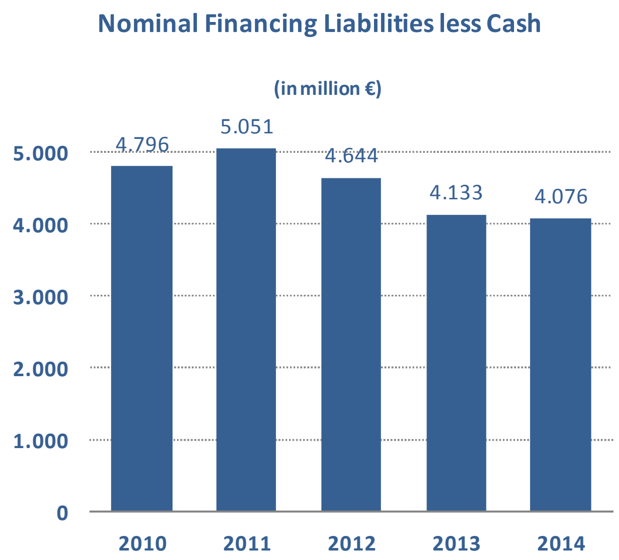
In the end of 2014, the finance liabilities of PARPÚBLICA, considering its nominal values, were 4.094 million euro corresponding to a contraction of 559 million euro, i.e. 4% in relative terms, relating to the end of 2013 (4.279 million euro).

During the last five years, the evolution of the PARPÚBLICA's financing liabilities, in nominal terms was as follows:

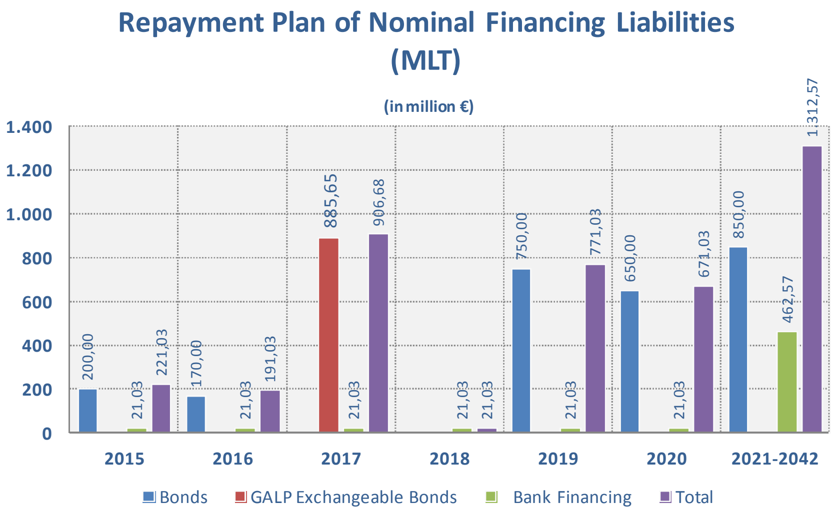
Nominal Financing Liabilities
(in million €)

	2010	2011	2012	2013	2014
Short Term	710	1.050	1.595	875	0
Bonds	2.200	2.199	2.349	1.919	2.620
EDP Exchangeable Bonds	1.015	1.015	8	0	0
GALP Exchangeable Bonds	886	886	886	886	886
Bank Financing				599	589
Total	4.811	5.150	4.838	4.279	4.094

Considering the assets in the end of each year, the net finance liabilities, in nominal terms, registered in end of 2014 an amount of 4.076 million euro, similar to previous year value of 4.133 million euro. It is worth mentioned the downward trend of these liabilities during last years, with 19% in the last four years.



Concerning PARPÚBLICA's financing liabilities maturity, the following table shows the related schedule in nominal terms:



In the end of 2014, the nominal weighted average maturity of finance liabilities at medium and long term was about 6,2 years. Bond loans presented a weighted average maturity of 5,5 years and the convertible bonds an average maturity of about 2,8 years. On the other hand, bank funding reached a weighted average maturity of 14,2 years.

Weighted Average Interest Rate Evolution of Financing Liabilities Cost

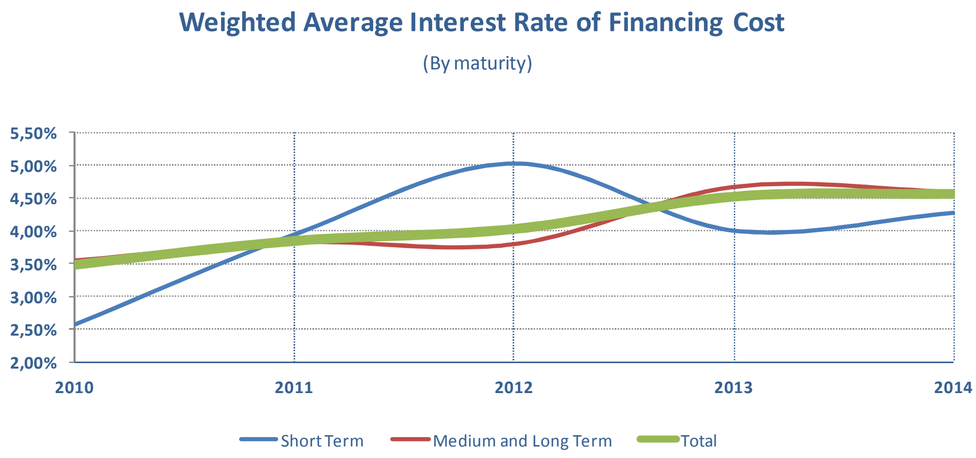
In the estimation of the weighted average rate on financing liabilities it was considered the interests paid, the financial fees, the flows associated to *swap* operations and the annual costs of the set-up of financing operations.

In this context, the weighted average rate of financing liabilities cost of PARPÚBLICA was about 4,56% in 2014, reflecting a margin worsening of 4 *basis points* relating to 2013 (4,52%).

At the medium and long term maturity, the financing liabilities average cost was 4,59%, in 2014, related to 4,67% in 2013, showing an improvement of 8 *basis points*.

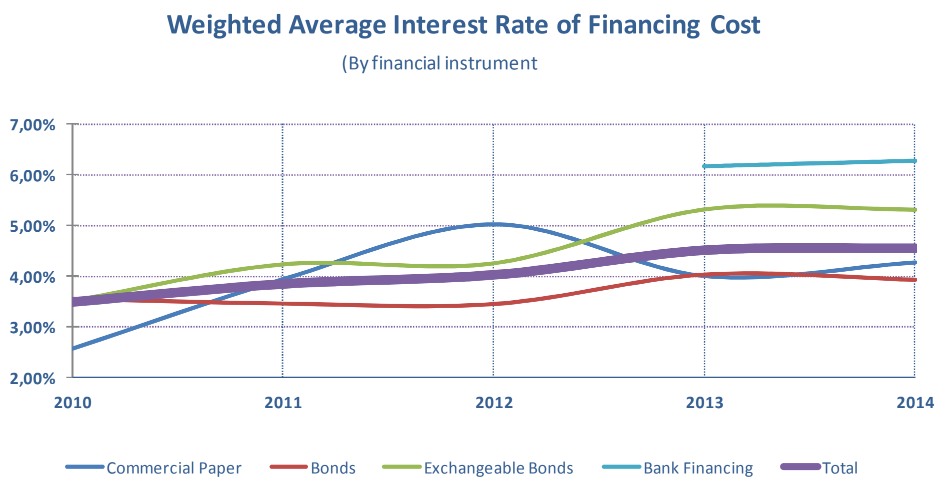
In 2014, at the short term maturity, the financing liabilities average cost was about 4,28%, while in the previous year reached the 4,01%. However it should be noted that at the end of the year, short term indebtedness was completely paid.

The average weighed rate organized by maturities has the following evolution, since 2010:



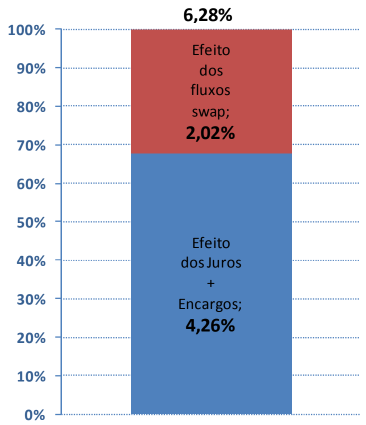
Considering the type of financial instrument, the weighted average rate for bond loans during 2014 was 3,93% and 5,32% for exchangeable bonds. In what the bank funding is concerned, the average cost rate was 6,28%, while for the commercial paper (paid at the end of the 1st half of 2014) was 4,28%.

The evolution of the weighted average rate of the finance liabilities cost, according to financial instruments, as from 2010, was as follows:



The bank funding average rate of about 6,28% is affected by the three *swaps* of the interest rates connected to that funding and whose total *notional* amount was 457 million euro at the end of 2014.

This graph details the referred average rate showing the two effects: (i) interest rate and interests related to the bank funding and (ii) flows generated from the 3 related *swaps*:



Evolution of associated Cash Flows in the finance perspective

In 2014, the interest paid and accrued, including paid fees, amortization of expenses incurred in transactions funding and cash flows of associated *swaps* amounted to 201 million euro.

This amount is slightly lower than last year, with 203 million euro, representing a decrease of 0,90%.

In 2014, the value of the average weighted financing liabilities was 4.404 million euro, 1,8% lower than last year with an amount of 4.485 million euro.

The average weighted finance liabilities and interest paid and accrued was as follows:

Evolution of Weighted Average Financing and Expenses Liabilities
[in million € and as a percentage (ref.2013)]

	2013	2014
Average Financing Liabilities (value)	4.485,4	4.404,2
Interests and expenses (value)	202,82	200,98

Being PARPÚBLICA a public investments shareholding's management company, its main source of income are dividends received from subsidiaries and the interest of loans granted to them.

In 2014, the positive flows in the total amount of 109,24 million euro mainly derived from dividends in the amount of about 85 million euro (78% of the total amount) and from accrual of interests from granted loans in the amount of 22,43 million euro (21% of the total amount). The negative flows, mainly associated to funding, amounted to 201 million euro.

During 2013, the positive flows, mainly associated with the portfolio, reached the amount of about 172,3 million euro, while the negative flows, associated to funding, amounted 203 million euro.

The evolution of the financial flows associated to the portfolio and to funding in 2013 and 2014 was as follows:

Financial Flows Related to Financing and Portfolio
(in million €)

	2013	2014	Variação
Dividends	136,09	84,98	-38%
Interests of Borrowings	31,80	22,43	-29%
Interests of Investments	4,36	1,84	-58%
Total	172,26	109,24	-37%
Interests and expenses *(1)*	202,82	200,98	-1%
Balance	**-30,56**	**-91,74**	**200%**

(1) Interests paid and accrued and other annual expenses

Financial Risk Management

In carrying out its business, PARPÚBLICA identifies the following areas of financial risks that may affect its assets value:

(i) credit risk,

(ii) liquidity risk, and

(iii) market risk

In the market risk, it may be considered the risk concerning *spreads* changes, the interest rate risk, capital risk and the risk associated to current *swaps* and to the embedded derivative of exchangeable bonds.

(i) Credit Risk

The Credit Risk that PARPÚBLICA is exposed to is related to the investments of its cash surpluses, with the counterparties in *swaps* arrangements and the loans granted to its subsidiaries. The loans granted are normally in favour of subsidiaries whose management is controlled by PARPÚBLICA and where the application of funds is targeted for investments that show an adequate return. The remuneration of the loans reflects the average cost of PARPÚBLICA's debt for maturities. The approval of the loans is the responsibility of PARPÚBLICA's Executive Commission and it also can decide based on occasional guidelines from its single shareholder. Investments are mainly made at the IGCP in compliance with the Principle of State Treasury Unity and occasionally at the CGD.

(ii) Liquidity Risk

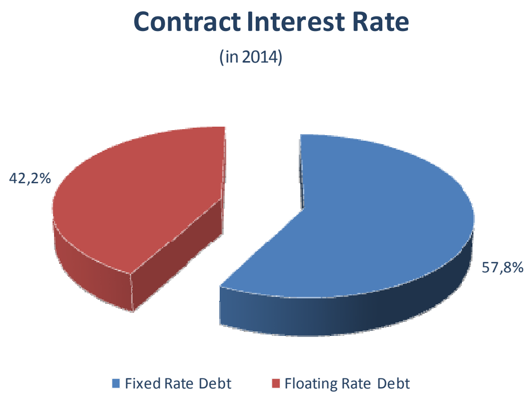
The liquidity risk, related to the possibility that the entity doesn't have the financial resources to comply with its commitments, is covered by the State Budget, after Parpública's integration in the State's consolidated budgetary perimeter. The financing needs, that are not covered by Parpública own resources, are now satisfied by DGTF loans.

(iii) Market Risk

Interest Rate Risk

The interest rate risk means a severe increase in the cost of financing due to the bad variation of market interest rate on the debt issued at a floating rate. In relation to the existing fixed tax fundings, a medium and long term reduction of the interest rates means that current fundings are more expensive in comparison with the rates demanded by the market, because although it can favour the investors, it harms the issuer as he would find cheaper funding alternatives. However, in what financing liabilities are concerned, these value fluctuations are not reflected in the results. However, financing is initially measured at fair value resulting from the related transaction and subsequently by the amortized cost using the effective interest method. PARPÚBLICA mostly issued debt at fixed rate.

So, 57,8% of PARPÚBLICA medium and long term debt is due at fixed rate and about 42,2% at a floating rate. This funding structure, that embodies such a high percentage of fixed issued rate debt, allows PARPÚBLICA to have a balanced exposure to the fluctuation of the interest rates in terms of *cash flow*:



However, the interest rate variations had positive and negative effects in profit and loss in what measured at fair value liabilities and assets (i.e. *swaps*) are concerned.

PARPÚBLICA has three active *swaps* of interest rate structures in order to restrain its interest rate risk (*swap* of fixed rate / floating rate) related to the 599,2 million euro loan.

At the end of 2014, the total *notional* of these three structures amounted to 456,9 million euro equivalent to about 11,2% of the medium and long term funding liabilities.

In the 2013 and 2014, the *swap* structures recorded, the following values in terms of net *cash flow* and change in fair value:

***Swaps* - Cash Flow and Variation at Fair Value**
(in million €)

	2013	2014
Cash Flow for the Year	0,2	-12,1
Variation at Fair Value for the Year	-111,2	-92,3

In what the provisional undiscounted medium and long term funding liabilities and *swaps* cash flows are concerned, the values were the following, at the end of 2014 and of 2013:

Cash Flows Projections

31 of December of 2014 (in million €)

Undiscounted Cash Flows Projections	Up to 1 year	From 1 go 5 years	Over 5 Years	Total
M.L.T. Debt Interests to be paid	-157,0	-484,6	-486,8	**-1.128,5**
Swaps Flows	-16,3	-69,7	-129,9	**-215,9**

31 of December of 2013 (in million €)

Undiscounted Cash Flows Projections	Up to 1 year	From 1 go 5 years	Over 5 Years	Total
M.L.T. Debt Interests to be paid	-152,5	-418,0	-589,5	**-1.159,9**
Swaps Flows	-11,8	-50,3	-62,5	**-124,7**

Capital Risk

With the exception of the issue of exchangeable bonds in the scope of re-privatizations processes, the decision of issuing debt until the end of 2014 is taken by the Executive Commission and presented for approval to the relevant bodies of the Shareholder with the previous binding opinion of the Audit Committee and of ICGP (according to legislation concerning the State Corporate Sector[3]).

The decision of issuing debt was always based on policies and investment /divestment decisions carried out accordingly with the aims and guidelines of the supervisory entity, the forecast of dividends to be earned and paid and the optimization of the cost of capital.

The capital structure, considering the weight of debt in total equity, presented by PARPÚBLICA in the development of its activity, remains at adequate levels of company's exposure to financial risk, in order to not compromise both its normal activity and its ability to comply with the debt service.

The evolution of the Gearing *Ratio*, usually used to measure the weight of equity comparing to total equity employed, between 2013 and 2014, was as follows:

Gearing Ratio
(in thousand €)

		2013	2014
Interest Bearing Debt (book value)	(1)	4.221,2	4.042,8
Cash and Equivalents	(2)	146,0	18,4
Net Financing Liabilities	(3)=(1)-(2)	4.075,1	4.024,4
Equity	(4)	3.046,1	2.566,6
Total Equity	(5)=(3)+(4)	7.121,2	6.590,9
Gearing Ratio	(6)=(4)/(5)	**43%**	**39%**

Between the two years, a decrease from 43% to 39%, of the *Gearing Ratio* can be verified not only by a debt drop but also by a decrease in equity from profit and loss.

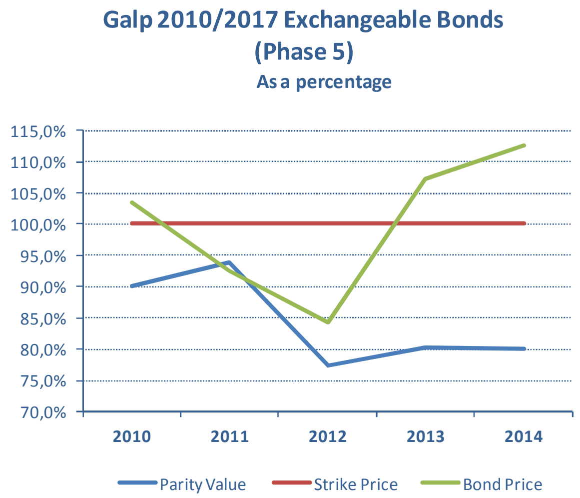
Risk from Debt related with Exchangeable Bonds

As part of the 5th stage of Galp's re-privatization, PARPÚBLICA issued exchangeable bonds, having as underlying asset 7% of the company shares under re-privatization.

[3] Decree-Law nr 133/2013, of 3 October

The bondholders have the right to be reimbursed at maturity date at the nominal value or, if they prefer, to an anticipated reimbursement at a specified date. They may also choose to change the bonds for shares of the underlying asset. In this case, PARPÚBLICA may choose to pay in cash the estimated shares value

The evolution of the value of the parity issue of Galp exchangeable bonds 2010/2017 (*parity value*), determined by the evolution of share market prices and related underlying assets, compared with the nominal value of the issue (*strike price*) and the annual average price of the bonds in the market (*bond price*), showing that the issue has always been *out-of-the money*, was as follows:



According to the accounting standards in force, the embedded option on these loans and the respective underlying assets are measured at fair value with impact in profit and loss.

The evolution combined of the fair value of options and of the underlying assets determines the gain or loss recognized at the end of each fiscal year. The increase in the value of the option represents a loss for PARPÚBLICA, while the increase in the underlying assets value represents a profit.

The following table shows the variation of the options value and of the underlying asset of the changeable bonds for Galp 2010/2017 for 2014 and 2013.

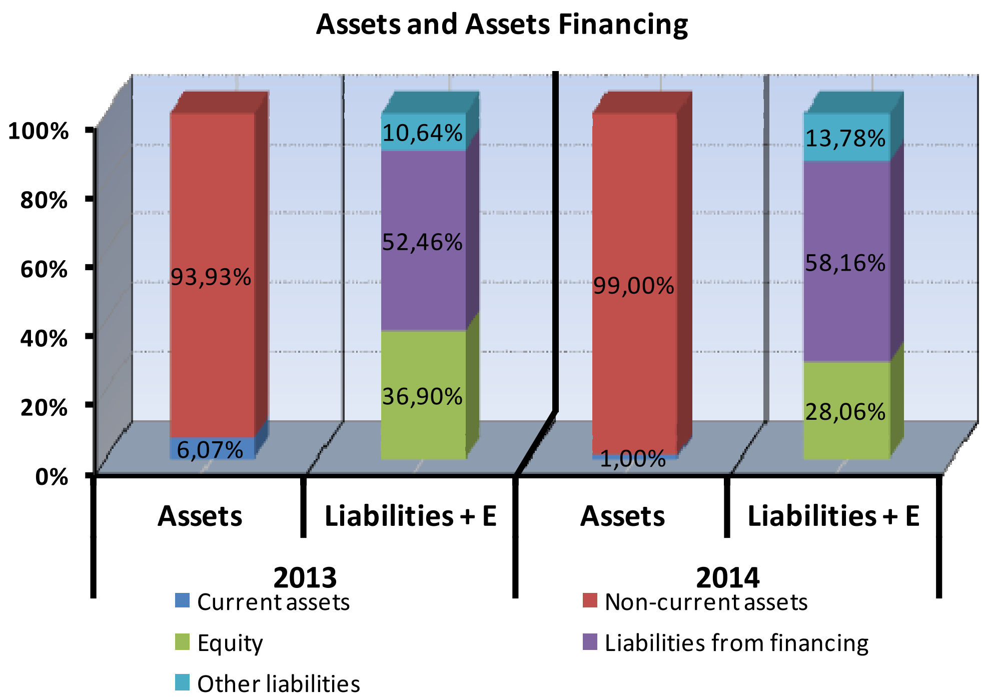
Variation of Options Value and Underlying Assets
(in million €)

	2013	2014
Variation of Options Value	101,1	11,7
Variation of Underlying Assets	11,3	-199,7
Net Result	**112,4**	**-188,0**

The variation of the options value may be justified by the decrease of the underlying assets price (Galp shares), the decrease of the interest rates and of the maturity term.

➢ FINANCIAL POSITION AND PERFORMANCE OF THE SGPS

The analysis is performed based on the separate financial statements which make part of the annual report, in which derivatives, liabilities related to options embedded in bonds, the assets relating to the underlying shares under such options and other shares issued by other participated companies that are not associates or subsidiaries are all measured at fair value. Investments in subsidiaries and associates are measured at cost less accumulated impairment losses, if any. The bond loans are initially measured at fair value and afterwards at amortised cost, by a lower amount than their nominal value due to issuing expenses not yet charged based on the effective interest. The financial investments subject to market trading are also measured at fair value.

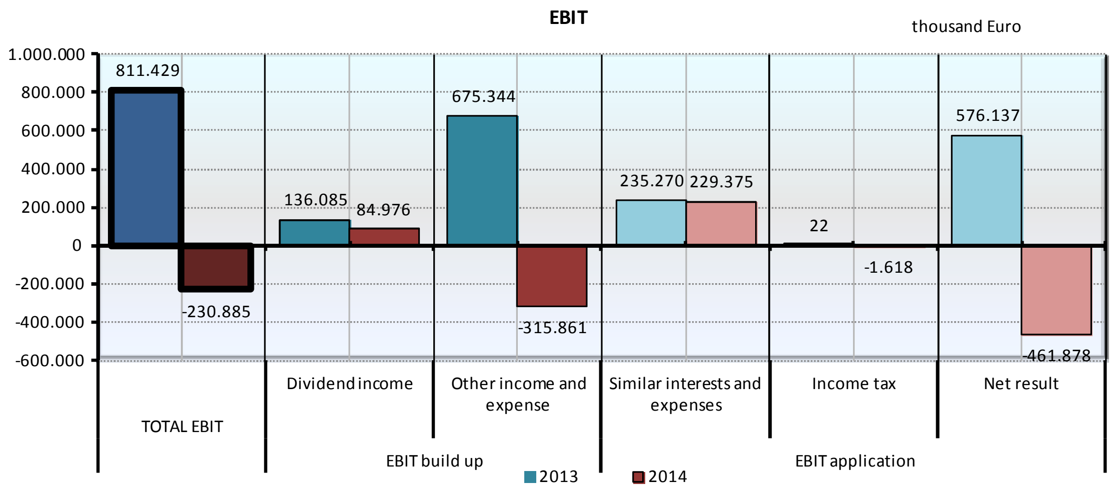


- **Assets and Profitability**

At the end of 2014, the total asset was 7.818 million euro (8.256 million euro at the end of 2013) mainly represented by non-current assets related to company's key businesses in the management and privatization/ re-privatization of public investments.

Non-current assets of 7.740 million euro consist mainly of investments in subsidiaries, associates and other companies, of loans to subsidiaries and of payments in advance for new investments purchases classify as a credit over the State. The amounts of 4.589 million euro in 2014 and 4.205 million euro in 2013 are payments in advance for investments and are related to proceeds from not yet compensated privatizations and re-privatizations delivered to the State.

The current assets amount to 80 million euro is compound mainly by loans granted (Sagestamo loans) 42% and by cash and bank deposits in the amount of 18 million euro.



▪ Structure and Cost of Capital

PARPÚBLICA's assets amounts 2.000 million euro consisting of 400 million of nominal shares of 5 euro, each held by the Portuguese State and partially paid in the amount of 1.027 million euro.

PARPÚBLICA's equity amounts to 2.567 million euro (3.046 million euro at the end of 2013), reflecting a net profit or loss of -462 million euro (463 million euro in 2013).

The strengthening of TAP's provision, the loss related to GALP shares underlying to the embedded option in exchangeable bonds, losses related to the *swaps* related to the 599.238Meuro loan, as well as the financing interests and similar expenses have contributed for the net result. It should also be worth mentioned the strong contraction in dividends resulting from investments sale in accordance with the Privatization Program carried out during the recent years.

At the end of 2014, PARPÚBLICA's funding liabilities was 4.094 million euro comparing to 4.279 million euro of 2013, representing a contraction of 4% relating previous year.

It is also worth noted that PARPÚBLICA has shares from TAP classified as liabilities associated to non-current assets held for sale to be in an ongoing privatization process which is expected to be finished in a year. As a matter of fact, the deadline for the submission of binding offers for shares acquisition was established under Order nr 1469-A/2015 of February 11. The specified requirements for the direct sale of shares representing 61% of TAP, SGPS, S.A.'s share capital as well as some constraints related to the open bid for employees were approved under the Council of Ministers Resolution nr 4-A/2015 of January 20.

➢ GROUP'S CONSOLIDATED FINANCIAL POSITION AND CONSOLIDATED RESULTS

The business of the Group's companies continued to be decisively regulated by the restraint guidelines of the State for the private corporate sector, namely in what debt increase is concerned with a natural impact on the reduction of investment levels.

Despite the general restrained framework, the financial position and the consolidated income of PARPÚBLICA Group recorded a significant decrease in 2014.

▪ Financial Position and Consolidated Results

The consolidated assets of PARPÚBLICA universe's companies decreased 10,5% in comparison with 2013, with 3.668,5 million euro at the end of 2014. As in previous years, all segments present positive assets with the exception of "Air transport and related" where it has been recording a growing of TAP's group equity degradation.

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CONSOLIDATED FINANCIAL POSITION *million euro*

	2014	2013	Δ
NON CURRENT ASSETS	12.492	14.334	-12,8%
CURRENT ASSETS	4.477	3.366	33,0%
TOTAL ASSETS	**16.969**	**17.699**	**-4,1%**
EQUITY	3.669	4.101	-10,5%
NON CURRENT LIABILITIES	8.811	9.794	-10,0%
CURRENT LIABILITIES	4.490	3.804	18,0%
TOTAL EQUITY AND LIABILITIES	**16.969**	**17.699**	**-4,1%**

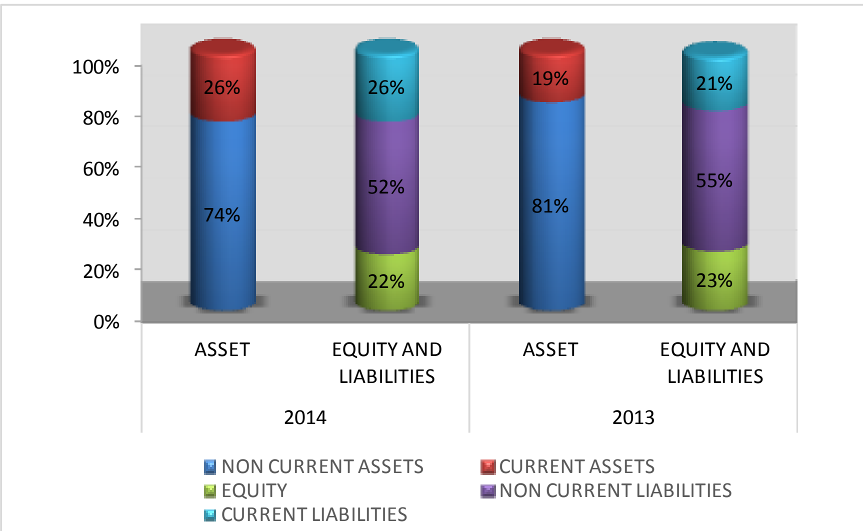
In what the consolidated assets (16.969 million euro in 2014 relating to 17.699 million euro in 2013) are concerned, it should be mentioned a contraction of 730 million euro mostly due to the decrease in the Holding.

Total liabilities registered a decrease of 298 million euro with the total amount of 13.300 million euro at the end of 2014 relating the 13.598 million euro in 2013. In consolidated terms, the Group's indebtedness registered a reduction of 1.593 million euro mainly justified by the debt reduction of PARPÚBLICA, TAP Group in the "Air Transport and Related" segment, and also in the "Water and Waste" segment and in the reduction of borrowings from AdP Group.

The consolidated results had a significant decreased, even becoming negative, mainly due to the results of the Holding and of the TAP's Group "Air Transport and Related" segment. PARPÚBLICA Group's consolidated result registered a negative amount of 367 million euro.

On the other hand, it should be mentioned that as in recent years the "Water and Waste" segment continued to positively affect the result.

Despite the evolution of the result, the financial structure of PARPÚBLICA Group remains balanced and its fixed asset (74%) is mainly financed by own capital (22%) and by M/L term resources (52%), as showed in the following graph:



➢ BUSINESS SEGMENT ANALYSIS

PARPÚBLICA Group presents some peculiar characteristics due to PARPÚBLICA being a public *holding* company. This situation determines not only the composition of the Group, with a variety of economic businesses, but also its own dynamic with significant inputs and outputs mainly due to PARPÚBLICA's instrumental role in the execution of the privatizations program.

As an instrumental SGPS owned by the State and within the framework established by Law and related statutes, the purpose of PARPÚBLICA's performance is the public interest according to the Government political decisions concerning the management of the State assets portfolio.

Therefore, PARPÚBLICA's performance is at a large extent, framed by the strategic guidelines established by the Government.

The year of 2014 is marked by the selling of the remaining of CTT capital share in PARPÚBLICA's portfolio (31,5%), generating proceeds of 342,6 million euro. Also the remaining 9,9% of REN's capital share were privatized, generating proceeds of 141,7 million euro.

In the segments report, the SGPS business is separated from the operating activities related to the different activities of the Group's companies, namely:

- Parpública (Holding)
- Real Estate Management
- Agriculture, Livestock Breeding and Forestry
- Mint, Publications and Safety Products
- Air Transport and Related
- Water and Waste
- Wholesale Markets

- Sundries

PARPÚBLICA

PARPÚBLICA, as an individual company within the Group, is of utmost importance either in assets or in profit and loss terms and even more in 2014.

The detailed analysis of the *holding* activity was already presented in the present report, so it shall hereinafter analyzed its place in the Group.

Financial Position/Activity Results

In 2014, the holding's financial position presents a negative evolution due to the strengthening of TAP's Group provision for the negative equity, to losses related to GALP shares underlying to the embedded option in the exchangeable bonds, to losses related to financing swaps, to interests and similar expenses from financing, as well as to the significant contraction of dividends paid by the invested and subsidiary companies, mainly during their alienation. This impact is reflected in the consolidated result of the PARPÚBLICA Group with the negative amount of 367 million euro.

Also in liabilities, the holding has again a significant weight and it is responsible for 40% of the consolidated debt. On the other hand, PARPÚBLICA assets represent about 46% of the total consolidated assets.

Business Activities

- **Real Estate Management**

In 2014, the turnover in PARPÚBLICA Group real estate segment, operationally grounded in Sagestamo' Group, Baía do Tejo Group and Lazer & Floresta, had again a decrease with a negative variation of more than 33%, and an amount of 76 million euro.

The segments assets reduced 3% due to the variations at fair value of the properties, while liabilities registered a contraction of 8% as result of the decrease of 8,3% of the segment companies' debt, with a current total amount of 427,7 million euro. Equity had again a decrease during 2014, reflecting the poor results (-6,1 million euro) in comparison with 2013 (-4,6 million euro) due to Estamo, SA situation. However, there was a slight improvement in the financial structure, due to the reduction of loans from the shareholder. As Estamo, SA is not buying properties for its portfolio, *cash flow* has been generated and the shareholder Sagestamo SGPS has taken the opportunity to reduce its debt with the shareholder PARPÚBLICA.

Together with the sales, the lack of real estate acquisitions to the State and some portfolio depreciation, the assets value decreased about 7,5% (3,5% in 2013), for an amount of 1.381,4 million euro, representing an accumulated loss of about 21% during the last three years.

	For Sale (b)		Rented / For Rental		Urban Recovery		Other		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Group Sagestamo (a)	219,9	82,0	541,1	548,0	306,4	541,8	1,2	1,2	1.068,7	1.173,0
Baía do Tejo (b)	10,9	11,4	115,8	119,8	123,3	123,6	3,3	4,2	253,3	258,9
Lazer e Floresta	12,8	13,7	--	--	36,9	38,6	9,7	9,7	59,4	62,0
TOTAL	**243,6**	**107,1**	**657,0**	**667,8**	**466,6**	**704,0**	**14,2**	**15,1**	**1.381,4**	**1.493,9**

(a) Includes Investment Funds; (b) Includes land available for sale or rental, land from Margueira and Inventories

Showing the general environment of the real estate market in 2014, with more optimistic vectors, such as offices, the portfolio presents a reorganization of its segments, mainly due to Estamo, with on one hand an increase in the supply of real estate for sale and on the other hand a decrease of real estate for urban reconversion and territorial requalification, with a more complex and slower selling, and the stabilization of renting.

Sale and Rental of Real State

Unit: million euro

	For Sale (*)					Rental (**)				
	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
Group Sagestamo (a)	11,9	40,8	34,7	78,4	68,2	53,2	54,0	51,8	44,2	18,3
Baía do Tejo (b)	--	--	--	0,1	0,3	7,5	8,2	8,7	9,1	9,3
Lazer e Floresta	4,5	1,2	8,4	2,6	1,5	--	--	--	--	--
TOTAL	**16,4**	**42,0**	**43,1**	**81,1**	**70,0**	**60,7**	**62,2**	**60,5**	**53,3**	**27,6**

(*) Deeds Contracted; (**) Rentals and Compensation for Real State ocupation

The frame above shows the business evolution of the two business segments, where is recorded a severe drop in sales, due to not only the bad period of the market in the last two years, but also to a period of contracts issuing with a special impact in Sagestamo' Group due to the amounts involved. The renting income slightly decrease, mainly in

Baía do Tejo, where the business parks renting has a contraction of 9% relating to average value of the previous year.

The following paragraphs present the main features regarding the activity of the three subsidiaries of PARPÚBLICA' Group responsible for the Real Estate Management segment.

SAGESTAMO GROUP

In 2014, the **Sagestamo Group**, composed by the Sagestamo (SGPS) and three subsidiaries, Estamo, Consest and Fundiestamo, kept the general guidelines of recent past, but with a big selling and renting effort and with a big weight in terms of revenue. Despite the improvement of its financial structure, due to the financing decrease with PARPÚBLICA and the decrease of financial expenses with loans interests, the Group results were affected by the accumulated impairity/reduction at fair value of the assets, that, despite a positive EBIT, caused a negative net aggregated result of 94,7 million euro (the accumulated loss by imparity of the investment in Estamo was 88,3 million euro), in comparison with the positive 1,2 million euro in 2013.

The Group assets amounts to 1.068,7 million euro, registering a decrease of 8,9% relating 2013, due mainly to inventory impairments and reductions at fair value of investment assets (57 million euro). As in the last years, the related portfolio has been re-oriented to renting (with more than 51%) and highly decreasing in real estate to 29% of the total, in which there are some estates under evaluation, namely for construction feasibility studies. The remaining 20% of the assets in the portfolio are available for sale. During 2014 there were no new acquisitions to the State.

The Group's carrying sales amount reached the lowest level since the beginning of the decade (11,9 million euro, comparing with 40,8 million euro of 2013 and 68,2 million euro of 2010), although the contract sales, i.e., sales signed with sale contracts and whose deed is expected to be executed during 2015, amounted to 65,4 million euro (comparing with 14,8 million euro in 2013). The renting and compensations for area occupation income amounted to 53,2 million euro in the year, 68% of invoicing was received generating proceeds of 36 million euro. At the end of the year, the public entities debt was higher than 82 million euro, 24% more than in 2013, although about 30 million were received at the beginning of 2015.

At the end of 2014, the total value managed by the real estate investment funds in Portugal had decrease relating to the previous year[4], reflecting the low average profitability levels recorded. This situation was not followed by the funds managed by Fundiestamo SGFII – Estamo, Fundiestamo I e Imopoupança -, which have registered a slight increase in the total net value to 187 million euro (about 1,2%) and at the end of the year a related net result of about 4,2 million euro was determined.

With the interest bearing liabilities falling, in the amount of 410,9 million euro (448,3 million euro in 2013), with related expenses of 19,3 million euro (23,8 million euro in 2013), the Group registers again a slight improvement in the related companies' solvency and debt what is of the outmost importance for its role in the real estate market, namely in de development of real estate promoting projects and to carry out rehabilitation and conversion works of properties for sale and/or renting.

The outlook for 2015 is more optimistic, mainly relating to an expected increase in sales as a result of an ongoing promoting effort as well as of a more regular payment of renting and compensations for area occupation by the public entities. It is also expected the conclusion of several urban conversion processes currently under examination which are expected to have positive developments. No real estate acquisitions from the State or other public entities are foreseen.

BAÍA DO TEJO GROUP

The business area where Baía do Tejo Group, SA currently operates, showed again a regressive trend with impact on the management of the business parks of Barreiro, Seixal and Estarreja, namely on renting and lending rates received which keep on a downward trend since the beginning of the decade due to relocation, closure and contracts renegotiations with client companies.

The turnover of Baía do Tejo fell again to about 7,9 million euro, i.e., 8,7% regarding 2013, despite all the commercial efforts with some positive impact in the number of

[4] APFIPP

clients and occupied area. Nevertheless, there was a net positive result of 852,6 thousand euro, regarding the negative 2,0 million euro of 2013, due to the decrease of operating costs and of losses by the contraction at fair value of the company assets.

Together with the engaged municipalities, the company continued with the strategic projects of Arco Ribeirinho Sul, as well as with the territorial and environmental requalification of the area directly managed by the company. However, in 2014 there was no significant action on the environmental liabilities and therefore there is still no financing model of national investment for the projects.

The decision to build a new *deep-sea* container terminal in the Tagus estuary and the narrow relationship between such a structure and the surrounding area, led Baía do Tejo to sign a Cooperation Protocol with the Municipality of Barreiro, the APL, the Estradas de Portugal and the REFER, in order to make a detailed study of the implementation of the referred structure, as well of the related Logistics Industrial and Technological Connected Area (ALITA).

Baía do Tejo, SA owns the Ambisider - Recuperações Ambientais, SA shares (company 100% owned that presented a turnover of 1,7 million euro) and 51% of the Ecodetra – Sociedade de Tratamento e Deposição de Resíduos, SA shares which remains deactivated. In both cases, the shares selling process has not yet found favourable market conditions

It is worth mentioned that despite the environment and the obtained results, the parent-company and the Group still registered a financial health and no debt situations.

LAZER E FLORESTA

In 2014, Lazer e Floresta S.A. with the corporate goal of planning, promoting and developing projects in the scope of agriculture and cattle breeding, forest planting, real-estate, tourism and hunting, generated a turnover of 5,7 million euro (4,5 million euro related to properties sale and the remaining amount to forest planting) with a positive net result of 423 thousand euro.

This result shall however be analysed together with the surplus from the assets valuation in the amount of 38,8 million euro and with the generated cash-flows (4 million euro) which enabled not only the high financial health of the company but also its funding exclusively by equity.

At the end of 2014, the company assets were composed by 16.150 hectares of both rustic and mixed real estate and by 937 hectares of renting with long term contracts.

	2014	2013	2012	2011
Own State (total area - ha)	16.150	17.717	18.402	21.139
Rended Area (ha)	937	1.544	2.449	2.462
Biological Assets (€)	**19.425.776**	**20.411.884**	**19.841.164**	**23.939.340**
Total Area (ha):	**7.835**	**8.543**	**9.063**	**11.215**
Pine forest and other softwoods (€)	4.046.984	4.264.979	3.534.091	3.734.923
Area (ha):	1.019	992	1.089	1.138
Eucalyptus (€)	6.448.917	7.280.436	6.831.253	9.695.018
Area (ha):	4.351	5.106	5.482	7.284
Cork-oak (€)	5.996.993	5.836.521	6.131.265	6.374.161
Area (ha):	1.556	1.536	1.648	1.670
Stone pines (€)	2.932.882	3.029.948	3.344.555	4.135.238
Area (ha):	909	909	844	1.123

The total value of the properties and biological assets under management amounted to 80,8 million euro and the most representative component being still the set of farms with a touristic and real estate potential with a total area of about 8 thousand hectares whose biological assets amounted to around 19,4 million euro, predominantly of eucalyptus and cork-oak.

In 2014, the company has the propose to continue with the main principal guidelines adopted in the recent past years, i.e., properties sale, exploitation of agro-forestry and hunting resources, as well as to continue with the strategy of valuation of properties with touristic and real estate potential.

- **Agriculture, Livestock Breeding and Forestry**

Within PARPÚBLICA Group, this activity continues to be exclusively managed by Companhia das Lezírias, SA, public capital company whose equity is wholly owned by PARPÚBLICA.

The assets and liabilities related to this activity are relatively marginal either to the operating activities or to PARPÚBLICA' Group. However its contribution to the consolidated results is still positive although very reduced due to company size.

The company has shown a solid and stable financial position with the assets almost exclusively funded by equity (more than 80%) and annual accounts show no bank debt situations. The assets growing to 109,5 million euro and the liabilities decrease to 19 million euro, show the general behaviour registered by big aggregates.

The agricultural year was very good for the Spring-summer crops, namely corn and rice, and also for forestry, equine selling, namely in the Coudelaria de Alter, wine business and even agro-tourism area registering related profitability improvement.

Unit: thousand euro	Dec-14	Dec-13	Dec-12	Dec-11	Dec-10
Sales and Services Rendered	5.364	4.834	3.997	5.418	4.294
Sales	**5.088**	**4.616**	**3.830**	**5.212**	**4.099**
Agriculture Produce	1.802	1.797	1.559	1.642	848
Wine and Oil	1.117	1.063	795	852	947
Forest Produce	1.173	864	622	1.653	1.468
Livestock	996	892	854	1.065	836
Services Rendered	276	218	167	206	195
Hunting	71	74	87	101	110
Agro-Turism	194	132	72	90	77
Other	11	12	8	15	8

The overall activity performance of Companhia das Lezírias in 2014 was one of the best ever relating to revenues, operating results and public reputation and recognition. During the year, total proceeds grew 9% comparing to 2013, amounting 9,8 million euro, mainly due to sales increase and the positive impact of the operating Government grants which absorbed the integration costs of Coudelarias da Fundação Alter Real and the still weak results of the agro-tourism business. This situation was the consequence of a re-structuring and rationalizing process of resources that led to the increase of the share capital profitability of the company.

Relating the future outlook, the performance and results of Companhia das Lezírias will increasingly depend on management decisions which will have to consider the results of studies and ongoing practices of *benchmarking*. While, of course, the unpredictable weather conditions will also have to be considered.

- **Wholesale Markets**

SIMAB, SA - Sociedade Instaladora dos Mercados Abastecedores, SA founded in 1993, with the purpose to install in Portugal a strategic set of public interest wholesale markets became 100% owned by PARPÚBLICA Group at January 2013. Concerning the big aggregates, the total assets and liabilities of SIMAB Group represent less than 1% of the related consolidated aggregates of PARPÚBLICA Group.

The SIMAB Group is composed by the *holding* and by four managing companies – MARB, SA, MARL, SA, MARE, SA and MARF, SA, located in Braga, Lisboa, Évora and Faro respectively, the former being responsible for giving managing support to the subsidiaries as well as technical, legal, financial, administrative and commercial advice which is also extended to all operators in the several supply markets who asked for it.

Bank loans, despite continuously decreasing (drop almost 33 million euro from 2009 up till now) are considered as a key-point of the SIMAB Group management. It is now consolidated at a medium/long term in the amount about 73 million euro, due to the drop of the interest rates and the upgrading of funding *pricing* (the average rate came from 3,74% in 2013 to 2,34% this year) as a result of the concentration of the parent company loans with the significant drop of the related financial expenses. It should be mentioned that the most important amount of bank loans of the Group concerns to IEB loans for the construction of the wholesale markets of Lisbon, Faro and Braga, in the total amount of 40,6 million euro in 2014.

Unit: euro	2014	2013	2012
BEI	40.611.111	44.722.222	51.907.731
Bank loans MLP	2.526.292	4.062.579	1.920.000
Commercial Paper	29.000.000	29.000.000	250.000
Short term lines	860.958	670.884	28.575.250
Other	32.634	44.890	59.929
Total	**73.033.009**	**78.502.588**	**82.711.922**
Cash	233.108	508.876	915.177
Financial debt (consolidated)	**72.799.901**	**77.993.712**	**81.796.745**
SIMAB	29.860.958	29.670.884	23.000.000
MARL	34.470.344	38.035.425	44.849.092
MARÉ	33.027	39.887	46.744
MARF	6.500.000	8.250.000	11.772.250
MARB	2.166.667	2.504.380	3.041.824

However, after 2013 with the liabilities consolidation and losses higher than 38 million euro being assumed after the impairment study of the tangible and intangible assets, the SIMAB Group have obtained the best result ever in 2014. However, it should be noted that both MARF and MARB continue to present repeatedly insufficient results due to the payment of borrowings for the construction of the related infrastructures and their debt continues to grow due to loans from the parent company. The balance sheet of both companies records negative equity.

The Group turnover grew 3% comparing to 2013, to 15,8 million euro, a variation highly justified by the increase of the usage fees. Excluding the non-recurring items, the operating result grew +1,1 million euro, to about 7,2 million euro, and the net result from +144 euro, to 3,2 million euro positive. The mentioned results are the outcome of the conjunction between a growing commercial activity with a severe contraction of the Group financial expenses (-41%) and the decrease of amortisations due to the assets evaluation process in 2013.

In 2015, the SIMAB Group's planned strategy is mainly based on the continuing consolidation of the affiliates and on the financial recovery plan which would rationalise the financial and operating costs and boost the improvement of the economic performance relating to 2013, but also on exploring other business opportunities generated by the business and the related infra-structures.

- **Mint, Publications and Safety Products**

The INCM continues to present a solid financial and assets position, reinforced by several positive results. In 2014, INCM closed the year again with a profit of 17,5 million euro.

At the corporate level, the year 2014 was marked by the approval of an amendment to the Statutes in order to comply with the new company position relating the State and the market namely due to legal amendments occurred during previous years. The statutory amendments had the following main purposes:

- ***to adapt the company purpose*** to the progressive increase and diversification of the activities developed by the company in market competition, in several areas related with ICTs, the authentication and certification of documents, acts, assets and persons; document management and archives; and foreseeing the eventual issue of other official journals, namely from Portuguese-speaking world, thus contributing for the internationalisation of the company;

- to adapt the corporate governance structure to the legal amendments relating corporate issues (Trade Companies Code) and the public corporate sector (DL nr 133/2013) and to the law that defines Public Interest Entities namely the composition and functioning of the supervision body through ***the introduction of the Fiscal Board (the ROC is not a member of this Board) replacing the Sole Fiscal***;

Together with the statutory amendment, an extraordinary distribution of accumulated reserves was carried out in the scope of a "harmonium" operation. As part of this operation, the share capital increased initially from 27,4 million euro to 69 million euro due to the incorporation of reserves but afterwards it decreased to the current 30 million euro due to the extraordinary distribution above mentioned.

At the economic performance level, as already mentioned, 2014 was a profit year generation for INCM with a positive evolution of several profitability indicators.

The activity evolution was positive showing a growing turnover above 10% and mainly with growing sales profitability. This result is connected to the enhancement of the related weight of higher added value products sales, such as security products – cards (bank cards and citizen ID card) and passports – representing about 53% of total. This evolution is also related to the significant production increase of citizen ID cards since the first issued cards have already to be renewed.

Unit: thousand euro	2014		2013		2012	
Sales and Services Rendered	**83.995**		**75.900**		**79.944**	
Main Product						
Bank and citizen ID cards	29.651	35,3%	22.143	29,2%	22.890	28,6%
Passports	15.131	18,0%	16.338	21,5%	15.491	19,4%
Prints	10.521	12,5%	11.076	14,6%	10.683	13,4%
Local Mint	10.456	12,4%	5.847	7,7%	11.002	13,8%
Ads	3.107	3,7%	3.202	4,2%	3.278	4,1%
Metalic products	5.555	6,6%	6.324	8,3%	6.998	8,8%

Thus, this year net result amounted to 17,5 million euro, well above the 14,5 million euro net result of 2013. This result is even more significant taking into consideration that the 2013 result was affected by the impairment reversal in the amount of 5 million euro, while the 2014 result was not affected by any extraordinary issue.

Unit: thousand euro

	2014	2013	Δ (%)
Turnover	83.995	75.899	10,7%
EBITDA	29.186	24.687	18,2%
EBITDA margin sales	*34,7%*	*32,5%*	*6,8%*
Operating Result	24.398	19.513	25,0%
Net Result	17.536	14.512	20,8%
Total Asset	130.711	160.602	-18,6%
Trade debtors	*16.461*	*4.772*	*244,9%*
Cash and cash equivalents	*33.710*	*67.732*	*-50,2%*
Total Liabilities	43.144	38.536	12,0%
Equity	87.567	123.067	-28,8%
Asset covered by Equity	67,0%	76,6%	-12,6%
Return on Assets	13,4%	9,0%	48,5%
Return on Equity	20,0%	11,8%	69,8%

Therefore, in 2014 and at the operating profitability level, the company was able to recover what is a positive factor and should continue in the future, in accordance with the guidelines in due time established by the shareholder.

On the other hand, the company continue with no financial debts and, despite the significant impact in treasury relationships with the shareholder during 2014 together with the payment of dividends and the distribution of reserves – both exceeded 50 millions euro - INCM keeps high levels of cash resources corresponding to about 25% of total assets. That is an important issue, since at the same time the clients' debts increased from 4,7 million euro in 2013 to 16,4 million euro in 2014.

It should be noted that in what liabilities are concerned, the increase is mainly related to the increase of post-employment benefits responsibilities amounting to 26,5 million euro (+3,1 million euro than at the end of 2013).

- **Air Transport and related**

During the last years, the TAP economic position showed losses mainly due to the negative business evolution of maintenance in Brazil which cancelled the profits of the air transport business. In 2014, this trend is reflected in the financial statements that showed a loss originated mainly by the *core* business due to an abnormal semester affected by the delay in airplane delivery, a bigger competition in the routes to Brazil due to the World Football Cup and the strike in the end of the year. The remaining businesses show a positive evolution.

At consolidated terms, in 2014 the companies of TAP Group originated a negative net result of 85,1 million euro and a drop of ticket reservation of 52,4 million euro. Thus, the Group's equity (after considering minority interests) is negative in about 520 million euro negative. As already mentioned, this loss was mainly originated by the air transport and therefore TAP, SA registered the biggest loss followed by the maintenance business in Brazil.

Net Results

Unit: thousand euro

	2014	2013	2012
Group TAP	-85.100	-5.868	-25.500
TAP, SGPS, SA	-12.043	-65.075	-62.549
TAP, SA	-46.400	34.005	23.800
PGA	-987	5.026	10.327
SPDH	2.400	2.100	-1.500
TAPGER	5.280	5.546	5.146
ME Brasil	-22.603	-40.351	-50.362

In 2014 and unlike the 2008 situation (the biggest loss since 2000) ***TAP, SA*** loss is the result only of internal factors, since the international situation during the year showed bigger sector profitability, according to IATA data.

As it is well known that TAP, SA situation was determined by disturbances during the second half of the year together with the delay in new airplane delivery and labour instability in several occasions. Both situations had negative impacts either in the service provision and obtaining revenues with related image damages, or causing extraordinary costs to the company. Therefore, and despite of maintenance services to third parties have favourably evolved, the operating proceeds in 2014 have stagnated while operating costs increased 4%, causing a drop of EBITDA. So, TAP, SA suffered a loss of 46, 4 million euro relating to a profit of 34 million euro in 2013, breaking a succession of positive results during several years.

It should be also mentioned that in 2014, TAP, SA adopted some alterations in several aspects of its accounting policy (mainly through an increase of airplanes' useful life) that allowed a significant contraction (about 26 million euro) in TAP, SA amortisations value relating to 2013.

In what ***TAP – Manutenção e Engenharia Brasil, SA*** is concerned, there is a positive evolution of the results, despite the negative operating results (-3 million euro) and losses of the company. The improvement of the situation and results of the company is related to the implementation of the re-structuring plan since 2011 and decrease of contingencies, including in profit and loss the cancellation of 70% (75 million Real) of the debt with the Brazilian Government in exchange to the payment of 30% of the referred debt.

The remaining businesses showed positive results consolidating the recovery trend of last years.

At consolidated terms, it should be also mentioned that, despite several difficulties during the year, there was a stabilization of the Group financial indebtedness with a growth of only 1%.

However and relating to the significant drop of treasury resources, the TAP Group net debt increased about 18%, i.e., more 140 million euro, due also to the difficulty to repatriate TAP, SA revenues. At the end of 2014 were retained more than 100 million euro in Venezuela and 19 million euro in Angola.

In conclusion, it is important to bear in mind that the causes of this situation were mainly connected to extraordinary factors which if repeated in the future can originate a critical situation for the company. However a correct position of all the parties involved with the real interests of the Group, of their employees and the domestic economy in general could prevent it. This fact together with the positive outlook concerning international air transport business evolution, the expected upturn consolidation of the Portuguese economic growth and also the foreseen success of the strategies adopted relating the restructuring of some deficit businesses, it leads to a belief that the Group will be able to be again on a positive evolutionary track, although always within the unstable and challenging environment of air transport business.

- **Water and Waste**

Within PARPÚBLICA Group universe, Water and Waste was one of the most significant segments either in assets and liabilities terms (almost similar to PARPÚBLICA), or in profit and loss terms, with the highest profit among all segments. This situation happens despite that only the investment of PARPÚBLICA in AdP (80,9 % of the related equity) was consolidated by PARPÚBLICA Group.

The year 2014 was a period of significant changes for AdP Group either in the business regulatory frame, or in the Group structure and composition.

The direct cause was the Decree-Law nr 45/2014, of March 20, approving the privatization of EGF – Empresa Geral de Fomento, S.A., a Group *sub-holding* for urban solid waste. In November 2014, this alienation process led to the signature of the sale contract of the AdP's financial position in EGF's equity and that is waiting for approval from the related regulatory entities, namely from the Competition Authority. For this reason EGF assets and liabilities are still consolidated, despite classified as held for sale.

On the other hand, 2014 was equally important since a new regulatory frame was created under the approval of the new Statutes of the Regulatory Authority of Water and Waste services and a tariff regulation adequate to the new regulatory model.

The Group reacted to all these framework alterations by elaborating necessary studies and actions aiming its reorganization through the territorial and corporate restructuring that will be carried out during 2015.

At the business result level, it was a quite positive year with a profit higher than 100 million euro similar to the previous year despite a slight drop in turnover meaning a favourable sales profitability. On the other hand, it is worth noted that this result includes a net effect of tariff deviations of 16,2 million euro, therefore a much lower amount than the 24,2 million euro of 2013. This contraction is mainly due to the decrease of the interest rate of the Treasury Bonds (that is the indexed rate used to assess the guaranteed remuneration) and it also shows an improvement in the results of the invested companies. In accumulated terms, the gross value of tariff adjustments in the Group assets is already higher than 590 million euro, while liabilities amounted to 138,3 million euro.

It should be mentioned that half of the AdP Group profit was generated by EPAL businesses, a company that in 2014 registered a profit of 54 million euro, a higher amount than in previous year (40 million euro). This increase was mainly due to non-recurring effects related with the EPAL recognition of the value of the lands from CHL.

The Group financing structure is closely connected to the need of funding investments and working-capital needs mainly affected by receivables from municipality clients of the AdP Group dealers.

At the end of 2014, it should be noted that bank debt kept a downwards trend amounted to 2.738,6 million euro, meaning a contraction of 97,5 million euro relating to the same period of previous year. It should be emphasised that the long term financing weight, amounted to about 78% of the Group gross debt relies basically on EIB contracted loans.

In 2014 and in what investment is concerned there was a significant increase up to 210,5 million euro, while in previous year it amounted to 162,4 million euro. This investment is mainly related to projects established by the concession contracts of multi-municipal systems resulting from the goals established in the strategic plans for the water and waste sectors.

It should be mentioned that, as result of several actions carried on during the last years and referring to the municipal clients debts, the related amounts not subject to payment agreements recorded a decrease of about 33,0 million euro, which was reflected in the decrease of the working-capital needs that together with the decrease of cash resources helped to support the contraction of the Group gross debt.

- **Sundries**

This segment integrates investments held by PARPÚBLICA in companies such as SAGESECUR – Sociedade de Estudos, Desenvolvimento e Participação em Projetos, SA, SPE – Sociedade Portuguesa de Empreendimentos, SA and CE – Circuito do Estoril, SA. The referred companies present very different assets and financial situations relating to their specific business characteristics.

Circuito do Estoril, SA, 100% owned by PARPÚBLICA, is the owner of the Estoril racetrack and responsible for its activity and profitability. In 2014, after several years of losses due to an accelerated program of amortisations of its fixed assets and mainly to the need to adjust its assets value to business through the recognition of significant impairments, a balanced result was found that although still negative (-144 thousand euro), is much better than those of previous years (-11,9 million euro in 2013 and -3,4 millions euro in 2012). As mainly a result of a new and more dynamic commercial strategy carried on during 2014 based on a better use of the market conditions, the 2015 prospects included a stronger improvement trend and the turnover is expected to grow more than 5% - more than 2 million euro - with profit results. But, above all, the ongoing strategy will allow supporting in a sustained way the business level and the operating conditions consistent with an appropriate return of the capital invested in the company.

SAGESECUR is an instrumental company of PARPÚBLICA Group in which PARCAIXA, a company of CGD Group, holds a minority stake relating to 19,5% of equity. The main activity of the company is focused in the management of several businesses mainly rolling stock used in the Northern/Southern railway. During 2014, the company generated a profit of 640 thousand euro decreasing its financing liabilities – entirely covered by the shareholders – in about 2,5 million euro.

SPE is majority a public owned company and PARPÚBLICA owns 81,13% of its share capital. The sole assets of the company is the investment in the SML – Sociedade Mineira do Lucapa, which is currently inoperable due to the revocation in 2011 of the diamond mining concession from the Angolan Government leading to an arbitral proceeding (together with other legal procedures in Luanda) against the concessionary authorities. The activity of SPE has been focused in managing this litigation and the related costs in order to safeguard the interests of the company. As there are no operating proceeds, the SPE activity has been ensured by PARPÚBLICA, as major shareholder. In 2014, SPE registered a loss of about 690 thousand euro, mainly justified by financial expenses and costs of the ongoing legal and arbitral proceeds.

➢ SUMMARY AND CREDITS

At the end of the report of a year, which was demanding at several levels, the Board of Directors wishes to express its recognition and gratitude to all public services, in particular to the Ministry of Finance, acting as shareholder, and also to those to which PARPÚBLICA had a closer professional relationship such as the Ministry of Economy and the Ministry of Environment.

We should also emphasize the rigorous and cooperative work of the supervision and controlling entities, of the Statutory Auditor and external Auditor, following the activity developed in the company and essential for the compliance with the good practices of PARPÚBLICA's good governance.

The Board of Directors also underlines and thanks the commitment, professionalism and exhaustive dedication of all the employees during the performance of their duties.

The Board wishes in this occasion express the feeling of regret of all its members, as well as of all PARPÚBLICA's employees for the decease of Dr. António Gervásio Lérias, that was for several years a committed employee and whose knowledge and experience we all benefited and will miss.

➢ RESULTS APPLICATION PROPOSAL

The separate financial statements concerning the year ended at December 31, 2014, present a negative net income of 461.877.977,96 euro.

Therefore, under paragraph f) of nr 5 of Article 66 and for the purpose of paragraph b) of nr.1 of Article 376, both of the Trade Companies Code, the Board of Directors suggests that the net value of the income should remain in the retained earnings account.

Lisbon, 30th of April of 2015

The Board of Directors

Pedro Macedo Santos Ferreira Pinto
Chairman

Carlos Manuel Durães da Conceição
Director

José Manuel Pereira Mendes de Barros
Director

Fernanda Maria Mouro Pereira
Director

Pedro Miguel Nascimento Ventura
Director

Maria João Dias Pessoa Araújo
Director

VOLUME II

Compliance with Legal Guidelines

➢ INTRODUCTION

This chapter deals with disclosures in accordance with Order nr 1211/2015-DGTF of 27 February that establishes the need of the Management Report to have a sole chapter regarding the legal guidelines disclosure.

➢ COMPLIANCE WITH THE MANAGEMENT OBJECTIVES

According to article 38 of Decree-Law nr 133/2013 of October 3, approving the legislation to be applied to the public corporate sector, the shareholder has the power/duty to establish both the objectives and results to be achieved in each year and quarter, particularly, the economic and financial ones, and the guidelines to be applied during the fulfillment of the business activity to be reported each quarter.

This way the ministries responsible (in PARPÚBLICA case, the Ministry of Finance) issued the related guidelines applicable to each company and they establish the objectives for the public companies. PARPÚBLICA elaborated its Activity and Budget Plan for 2014[5] in accordance with those parameters and management contracts were signed with the Company Directors.

In what the established general economic-financial objectives are concerned, it is worth mentioned that it was possible to continue the operating costs reduction policy, to reduce the average payment term (APT) as well as the debt level in 4.3% in relation to previous year.

As specific goals established for 2014, PARPÚBLICA will continue the re-privatization program set by the Government. Thus, at June 2014, the 2nd stage of REN – Redes Energéticas Nacionais, SGPS, S.A. re-privatization was concluded with the sale of 58.740.000 ordinary shares, representing 11% of the share capital still owned by the Portuguese State through PARPÚBLICA and CGD.

This operation took place by a public offering (OPV) in the domestic market together with a direct institutional sale for national and international qualified investors.

[5] Aprovado através do Despacho n.º 2520/14-SET, de 11/12/2014.

Following the privatization program, in September 2014, was also concluded the 2nd stage of CTT's privatization. The investment of 31,503% of CTT's equity held by PARPÚBLICA was subject to a special offer of shares sale through an accelerated *book building* process only for institutional investors.

In compliance with the Government decisions concerning the privatizations' program, the process of shares sale of Empresa Geral do Fomento, S.A. (*sub-holding* AdP Group for wastes) was formalized still in 2014 and the purchase contract was signed. The closure of this process depends on the fulfillment of the pre-established conditions, namely its approval by the Autoridade da Concorrência (Competition Authority).

Finally and in the end of 2014, the privatization process of the total TAP – Aeroportos de Portugal, S.A.' equity was re-launched under Decree-Law nr 181-A/2014 of 24 December. The process is expected to be ended during the first quarter of 2015.

➢ FINANCIAL RISK MANAGEMENT AND INDEBTNESS

The following frame shows in a detailed and individual way the issues to be considered relating the financial risk management:

Financial risk management	Fulfilled			Description of the adopted measures
	Yes	No	Not applicable	
Procedures adopted concerning risk evaluation and measures for hedging				
- Diversification of funding instruments	X			In 2014 the M/L term funding was possible through several instruments and programs. Taking into account company's reclassification as an EPR, funding will be gradually concentrated at DGTF.
- Diversification of available interest rates	X			Diversification of interest rate indexes and types
- Diversification of creditors	X			Among capital markets (bonds)). Ibidem in what the company's reclassification is concerned.
- Contract of hedging instruments considering market conditions	X			Existence of 3 structures of *Interest Rate Swap,* linked to an investment

				transferred to PARPÚBLICA. According to the law, these structures are now followed by IGCP.
Adoption of active policy to strength permanent capital structures				
- Consolidation of the remunerated debt: transformation of short term debt into medium/long term debt, with favorable conditions	X			With better market conditions, the short term Commercial Paper funding was replaced by M/L term funding.
- Contract of operations that minimize financial expenses *(all-in-cost)* of the operation	X			Always the criteria of decision
- Minimizing provision of collaterals			X	
- Minimizing restrictive clauses *(covenants)*	X			Whenever possible. To apply what previously said relating the company's re-classification as EPR.
Measures regarding the optimization of the financial structure of the company				
- Adoption of policy that minimizes the allocation of debt to financial hedge of investments	X			Whenever possible.
- Option for investments with proved social/business return, benefit from EU Funds and equity	X			In performed investments and attribution of loans to Group companies
- Use of self funding and revenue from disinvestment	X			Disposal of re-privatization revenues and liabilities amortization
Inclusion in the Annual Report and Financial Statements				
- Description of the evolution of the average annual rate of funding in the last 5 years	X			Annual Report
- Interest annually paid regarding remunerated debt and other annual expenses	X			Annual Report and Notes
- Analysis of the efficiency of the funding policy ad of the usage of financial risk management instruments	X			Annual Report and Notes
Inclusion in the financial statements of 2013 of the effect of fair value changes in *swap* agreements in portfolio	X			Notes

In what the indebtedness limit is concerned, PARPÚBLICA was able in 2014 to reduce its nominal debt in 4,31% comparing to previous year and therefore the upper limit established both by Law nr 83-C/2013, of 31 December[6], or by the circular letter with instructions for the projected management instruments for 2014[7] was accomplished.

[6] Cf. nr 5 of article 61
[7] Circular-Letter nr 7037, of 21/11/2013

Interest-bearing Liabilities (euro)	2013	2014	Absol. Var.	%Var.
Borrowings	4.278.888.426,05	4.094.375.471,21	-184.512.954,84	-4,31%
...of DGTF	0,00	0,00	0,00	-
Capital Allocation Increase	0,00	0,00	0,00	-
Capital Increase by credit allocation	0,00	0,00	0,00	-
Adjusted Debt	4.278.888.426,05	4.094.375.471,21	-184.512.954,84	-4,31%

Since 2010, the quantitative evolution of company financial expenses shows the worsening of the market conditions:

Years	2010	2011	2012	2013	2014
Financial expenses (euro)	154.103.901,67	215.489.106,67	260.483.295,80	235.269.812,36	229.375.531,44
Funding Average Rate (%)	3,49%	3,85%	4,03%	4,52%	4,56%

➢ AVERAGE PAYMENTS TERM

The evolution of the Average Term Payments (ATP) to trade creditors, according to RMC nr 34/2008 of February 22, which approved the “Programa Pagar a Tempo e Horas” (Payment in Time Program), amended by Order nr 9870/2009, of the Ministry of Finance and Public Administration, of April 13, was as follows:

ATP	2013	2014	%Var. 2014/2013
Term (days)	29	92	217%

This variation is limited in time and of a one-off nature and is justified by re-privatizations’ expenses that due to eventual causes are held for payment. During the first months of 2015, the MTP has fallen below 30 days.

This is supported by the fact that there are no arrears, as shown in the following paragraph.

PAYMENT DELAY DISCLOSURE (“*ARREARS*”)

Outstanding debts	0-90 days	Outstanding debts under Art. 1 DL 65-A/2011			
		90-120 days	90-120 days	90-120 days	90-120 days
Aq. Goods and Services	446,18	0	0	0	0
Aq. Equity	0,00	0	0	0	0
Total	**446,18**	**0,00**	**0,00**	**0,00**	**0,00**

* Position Map at 31/12/2014 of Late Payments, according to Decree-Law nr 65-A/2011 of May 17

««**Payment Delay**», not paying the invoice related to the supply of goods and services referred in the article after a 90 days period, or more, over the convened date for the invoice payment or, in its absence, over the date of the invoice.

In what payments delay is concerned, it is worth mentioned that PARPÚBLICA has implemented measures in order to prevent such situations, namely through a more efficient management of the invoicing and payment procedures.

RESULTS ACCORDING TO SHAREHOLDERS RECOMMENDATIONS

No sole shareholder’s recommendations were done related to the period referred in this report.

REMUNERATIONS

Governing Bodies

- Board of the General Assembly

In 2014 and concerning the remunerations of the board of the General Assembly members, reductions took place under article 33 of Law nr 83-C/2013, of December 31, which approved the State Budget for 2014, as follows:

Mandate (Begin-End)	Function	Name	Fixed Remuneration Statute (euro)(1)	Annual Remuneration (euro)		
				Gross value(1)	Reductions (2)	Gross after reductions (3) = (1)-(2)
2013-2015	BGAC	Elsa Maria Roncon Santos	650,00	650,00	78,00	572,00
2013-2015	BGAVC	Bernardo Xavier Alabaça	525,00	525,00	63,00	462,00
2013-2015	BGAS	Maria Luísa da Silva Rilho	400,00	400,00	48,00	352,00

Caption: BGAC –Board of the General Assembly Chairman
BGAVC – Board of the General Assembly Vice-Chairman
BGAS – Board of the General Assembly Secretary

- Board of Directors

In 2014, the Board of Directors composition was as follows:

Mandate	Function	Name	Name		OOPR	
(Beg. - End)			Doc (1)	Date	[Company name]	Payer [O/D]
2013-2015	BDC	Pedro Macedo Santos Ferreira Pinto	DUE	06-01-2014	-	-
2013-2015	Executive Member	Carlos Manuel Durães da Conceição	AG	29-05-2013	-	-
2013-2015	Executive Member	José Manuel Pereira Mendes de Barros	AG	29-05-2013	-	-
2013-2015	Non-Executive Member, CAC and EvaCl member	Fernanda Mouro Pereira	AG	29-05-2013	-	-
2013-2015	Non-Executive Member, AC and EvalC member	Maria João Dias Pessoa de Araújo	AG	29-05-2013	-	-
2013-2015	Non-Executive Member, AC and EvalC member	Pedro Miguel Nascimento Ventura	AG	29-05-2013	-	-

Caption: GA – General Assembly; WUD – Written Unanimous Decision
OOFR –Option for Origin Position Remuneration ; O/D - Origin / Destination
BDC – Board of Directors Chairman
CAC – Audit Committee Chairman
EvalC – Evaluation Committee
AC – Audit Committee

PARPÚBLICA’s Directors are covered by the Public Manager Statute, approved by Decree-Law nr 71/2007 of March 27, amended by Decree-Law nr 8/2012 of January 18, in what remunerations, management contracts and other benefits are concerned.

Therefore and under nr 6 of article 28 of the Public Manager Statute[8], the remunerations earned by the social bodies’ members during 2014 were approved by the sole shareholder in the General Assembly of May 29, 2014, in which the social bodies’ members were elected under the applicable rules to public companies and legal established criteria[9]. In this context it should be mentioned that PARPÚBLICA was classified as an “A”, when fixing the monthly remuneration of public managers.

[8] Approved by Decree-Law nr 71/2007, of March 27 as amended by Decree-Law nr 8/2012, of January 18
[9] Council of Ministers Resolution nr 16/2012, of February 9 and Council of Ministers Resolution nr 36/2012 of March 26

Name	PMS			
	Fixed	Classification	Gross Monthly Remuneration euro	
			Remuneration	Representation Expenses
Pedro Macedo Santos Ferreira Pinto	S	A	5.722,75	2.289,10
Carlos Manuel Durães da Conceição	S	A	4.578,20	1.831,28
José Manuel Pereira Mendes de Barros	S	A	4.578,20	1.831,28
Fernanda Mouro Pereira	S	A	1.526,07	-
Maria João Dias Pessoa de Araújo	S	A	1.526,07	-
Pedro Miguel Nascimento Ventura	S	A	1.526,07	-

Note: PMS – Public Manager Statute

Therefore and in this context, no bonuses were paid under article 41 of Law nr 83-C/2013 of December 31, where 2014 State Budget was approved.

Likewise and concerning the remuneration of the members of the Board of Directors, the remuneration reductions established by law were made under article 33 of Law nr 83-C/2013 of December 31 and, on the other hand, the reduction of 5% was maintained under article 12 of Law 12-A/2010 of June 30.

Name	Annual Remuneration (euro)						
	Variable	Fixed **	Other	Reduction Law 12-A/2010	Reduction (Law SB)	Previous Years Reduction*	Gross after Reductions
Pedro Macedo Santos Ferreira Pinto	-	105.670,37	-	5.283,52	7.595,55	-	92.791,30
Carlos Manuel Durães da Conceição	-	86.084,33	-	4.304,22	6.205,47	-	75.574,64
José Manuel Pereira Mendes de Barros	-	86.084,33	-	4.304,22	6.205,47	-	75.574,64
Fernanda Mouro Pereira	-	21.365,46	-	1.068,27	942,35	-	19.354,84
Maria João Dias Pessoa de Araújo	-	21.365,46	-	1.068,27	942,35	-	19.354,84
Pedro Miguel Nascimento Ventura	-	21.365,46	-	1.068,27	942,35	-	19.354,84

Note: Previous years reduction: considering paid during the current year but from previous years;
*specify the underlying causes for this procedures; ** include remuneration + representation expenses

Name	Annual Remuneration (euro)				
	Variable	Fixed *	Gross (1)	Reductions (2)	Gross after reductions (3) = (1)-(2)
Pedro Macedo Santos Ferreira Pinto	-	105.670,37	105.670,37	12.879,07	92.791,30
Carlos Manuel Durães da Conceição	-	86.084,33	86.084,33	10.509,69	75.574,64
José Manuel Pereira Mendes de Barros	-	86.084,33	86.084,33	10.509,69	75.574,64
Fernanda Mouro Pereira	-	21.365,46	21.365,46	2.010,62	19.354,84
Maria João Dias Pessoa de Araújo	-	21.365,46	21.365,46	2.010,62	19.354,84
Pedro Miguel Nascimento Ventura	-	21.365,46	21.365,46	2.010,62	19.354,84

Note: Previous years reduction: considering paid during the current year but from previous years;
* include remuneration + representation expenses

The social benefits values granted to the Board of Directors members under article 34 of the Public Manager Statute were as follows for 2014:

Name	Social Benefits (euro)							
	Meal Allowance		Social Protection System		Health Insurance	Life Insurance	Other	
	Value per Day	Value per Year	Entity	Value			Entity	Value
Pedro Macedo Santos Ferreira Pinto	-	-	SS	10.406,05	2.474,40	-	-	-
Carlos Manuel Durães da Conceição	-	-	CGA	5.363,90	1.026,30	-	-	-
José Manuel Pereira Mendes de Barros	-	-	CGA	9.597,40	1.296,80	-	Pension Fund	3.706,66
Fernanda Mouro Pereira	-	-	SS	2.129,64	-	-	-	-
Maria João Dias Pessoa de Araújo	-	-	SS	-	-	-	-	-
Pedro Miguel Nascimento Ventura	-	-	SS	2.129,64	-	-	-	-

In 2014 and under article 31 of the Public Manager Statute, the remunerations granted to the Board of Directors members for accumulation of positions in other Group companies were as follows:

Name	Accumulation of Functions		
	Entity	Function	Regime
Pedro Macedo Santos Ferreira Pinto	Parcaixa, SGPS, SA	Executive Member	Public
Carlos Manuel Durães da Conceição	CVP - Soc. de Gestão Hospitalar, S.A.	Non-executive Member	Private
José Manuel Pereira Mendes de Barros	Sagesecur - Soc. De Estudos, Desenvolvimento e Participação em Projectos, S.A	Chairman of the Board of Directors	Public
José Manuel Pereira Mendes de Barros	Águas de Portugal, S.G.P.S., S.A.	Non-executive Member	Public
José Manuel Pereira Mendes de Barros	CE - Circuito Estoril, S.A.	Executive Member	Public

The maximum value for communication expenses determined by the General Assembly under article 32 of the Public Manager Statute, as well as the current annual expenses in 2014 was as follows:

Name	Cell Phones Expenses (euro)		
	Monthly *Plafond*	Value	Comments
Pedro Macedo Santos Ferreira Pinto	80,00	751,89	-
Carlos Manuel Durães da Conceição	80,00	866,07	-
José Manuel Pereira Mendes de Barros	80,00	871,97	-
Fernanda Mouro Pereira	-	-	-
Maria João Dias Pessoa de Araújo	-	-	-
Pedro Miguel Nascimento Ventura	-	-	-

The expenses with vehicles for company's executive directors under article 33 of the Public Manager Statute were in 2014 as follows:

Vehicle Expenses									
Name	Vehicle (Y/N)	Contract (Y/N)	Reference Value (euro)	Type (1)	Beginning	End	Monthly Instalment (euro)	Annual Value (euro)	Nr of Remaining Instalments
Pedro Macedo Santos Ferreira Pinto	Y	Y	40.000,00	ALD	2013	2017	417,00	5.004,00	29
Carlos Manuel Durães da Conceição (*)	Y	Y	49.961,00	Acquisition	2005	-	-	-	-
José Manuel Pereira Mendes de Barros	Y	Y	44.219,00	ALD	2012	2016	436,00	5.232,00	23
Fernanda Mouro Pereira	N	-	-	-	-	-	-	-	-
Maria João Dias Pessoa de Araújo	N	-	-	-	-	-	-	-	-
Pedro Miguel Nascimento Ventura	N	-	-	-	-	-	-	-	-

Caption: (1) acquisition / ALD(long term renting) / Leasing or other
* Contract began in 19/12/2014

Other expenses with the above mentioned vehicles for company's executive directors under article 33 of the Public Manager Statute were in 2014 as follows:

Name	Monthly *Plafond**	Vehicles Expenses (euro)				Comments
		Fuel	Tolls	Maintenance	Insurance	
Pedro Macedo Santos Ferreira Pinto	543,66	2.397,85	1.074,15	245,95	781,56	-
Carlos Manuel Durães da Conceição	434,93	1.091,26	119,10	1.031,35	557,18	-
José Manuel Pereira Mendes de Barros	434,93	1.964,81	835,74	200,00	793,20	-
Fernanda Mouro Pereira	-	-	-	-	-	-
Maria João Dias Pessoa de Araújo	-	-	-	-	-	-
Pedro Miguel Nascimento Ventura	-	-	-	-	-	-

Note: (*)Values based on the representation expenses cut by Law nr 12-A/2010

Annual travel expenses of company's executive directors were in 2014 as follows:

Name	Annual Travel Expenses (euro)					
	Travel	Lodging Expenses	Travel Allowances	Other		Total Travel Expenses (euro)
				Type	Value	
Pedro Macedo Santos Ferreira Pinto	312,33	0,00	0,00	-	-	312,33
Carlos Manuel Durães da Conceição	851,50	0,00	0,00	-	-	851,50
José Manuel Pereira Mendes de Barros	2.280,59	1.235,69	0,00	-	-	3.516,28
Fernanda Mouro Pereira	1.704,55	-	-	-	-	-
Maria João Dias Pessoa de Araújo	-	-	-	-	-	-
Pedro Miguel Nascimento Ventura	-	-	-	-	-	-

o Effective Statutory Auditor

The Statutory Auditor remuneration was reduced according to article 27 of Law nr 66-B/2012 of December 31.

Mandate	Function	SROC/ROC Name		Name			Remuneration (euro)
(Beginning-End)		Name	Nr	DOC	Date	Contract	
2013-2015	SROC	Grant Thornton & Associados, SROC, representada pelo Dr. Carlos António Lisboa Nunes (ROC nº 427)	67	WUD	25-11-2013	-	3
2013-2015	Alternate ROC	Pedro Miguel Raposo Lisboa Nunes (ROC nº 1202)	1202	WUD	25-11-2013	-	1

Name	Annual Remuneration 2014 (euro)		
	Gross (1)	Reductions (2)	Gross after reductions (3) = (1)-(2)
Grant Thornton & Associados, representada pelo Dr. Carlos António Lisboa Nunes	67.500,00	-	67.500,00
Pedro Miguel Raposo Lisboa Nunes	-	-	-

o Statutory Auditor

The company's Statutory Auditor remuneration suffered the contractions foreseen in article 73 of Law nr 83-C/2013, of December 31.

External Auditor (SROC/ROC)			Contract		Annual Remuneration [euro]		
Name	Entry number in OROC	Entry number in CMVM	Date	Period	Value of Services Rendered (*)	Reductions	Value after Reductions
Grant Thornton & Associados, represented by Dr. Carlos António Lisboa Nunes	67	314	27-11-2013	2013-2015	67.500,00	-	67.500,00

(*) The value of the Contract includes services of ROC and Statutory Auditor services

- **Remaining Workers**

The remaining company workers remunerations were reduced according to article 33 of Law nr 83-C/2013, of December 31, which approved the 2014 State Budget and prohibited at the same time increases in remunerations under article 39 of the same diploma.

- **Compliance with art. 32 of the Public Manager Statute**

According to article 32 of the Public Manager Statute, the company complies with the non-use of credit cards and other payment instruments by public managers, as well as with the refund of any expenses considered as personal representation expenses.

➢ PUBLIC RECRUITMENT

- **PARPÚBLICA compliance with the Public Recruitment Rules**

PARPÚBLICA, supported by legal advice, do not apply the public recruitment rules. The company applies an Inner Regulation called *Regulation for the acquisition of goods and services, leasings and works contracts by PARPÚBLICA* disclosed in the company´s website.

- **Internal procedures adopted to Assets and Services Purchase**

PARPÚBLICA has transparent procedures concerning the acquisition of goods and services and all purchases were made in market conditions and according to the *Regulation for the acquisition of goods and services, leasings and works contracts by PARPÚBLICA* which reflects all established related good practices..

The procedures foreseen in that Regulation follow the good practices in that subject.

In simpler contracts, the formal version is not required and a mere approval of the proposal is sufficient for its formalization.

In the scope of other contracts – namely of non specialized services, goods without *benchmarking* and not repeated works – consultations should be done to several well known qualified entities and, in case of doubt as to their qualifications, to those which applied in order of precedence of prior announcement. In what services involving intellectual property are concerned, the invitation may be delivered to potential suppliers who may ensure the best result for PARPÚBLICA, namely by their *track record* and experience/specialization and last for the Portuguese State, such as for services linked to privatizations.

In any case, a consequent selection should be made.

The criteria of the selection could be the most economically advantageous or the lowest expensive tender, taking into account the technical and know-how requirements. A jury or a duly empowered person will be in charge of the decision.

The selection for awarding a contract could be immediately made based on the proposals or could be preceded by:

- negotiations with the selected bidder and with those with similar tenders;

- electronic auction, mainly if there are many bidders that cannot know each other prices but knowing that they will only win if they bid “on the fly” by the lowest price; or

- dialogue with every bidder in case of difficult choices being necessary to talk privately with each bidder in order to keep confidentiality of each proposal during the negotiations.

In case of emergency, formal procedures of the selection process may be reduced.

- **PARPÚBLICA's Subsidiaries compliance with the Public Recruitment Rules**

- Public Contract - Companies majority owned by PARPÚBLICA	Fulfilled			Quantification	Justification
	Yes	No	Not applicable		
Sagestamo, S.A.			X		The internal Regulation **is applicable on the subject**
Baía do Tejo, S.A.	X				
Lazer&Floresta S.A.			X		The internal Regulation is applicable for acquisition and contract of goods and services, leasing and works contract.
TAP, SGPS, S.A.	X				
INCM, S.A.	X				
Companhia das Lezírias, S.A.	X				
CE - Circuito Estoril, S.A.			X		Company in competition
SPE - Sociedade Portuguesa de Empreendimentos, S.A.			X		
Sagesecur, S.A.			X		The internal Regulation **is applicable on the subject**
ADP - Águas de Portugal, SGPS, S.A.			X		As a AdP SGPS is a non contracting entity according to the Code of Public Contracts, not being subject to the previous contractual procedures designed in that Code, it has implemented good practices complying with the principles of Good Governance and the safeguard of transparency, publicity and competition...
Margueira - Sociedade de Gestão de Fundos Invest. Imob., S.A.			X		The adopted procedures regarding the acquisition of goods and services go through the following stages: request, market enquiry, order, reception, invoice, payment and accounting.
SIMAB – Soc. Instaladora dos Mercados Abastecedores, S.A.	X				

* Source: MR&FS 2014 of every participated company

- **Acts and contracts of over 5 million euro**

Not applicable.

➢ INTEGRATION IN THE NATIONAL PUBLIC PURCHASING SYSTEM AND STATE'S MOTOR VEHICLE FLEET

The company is not covered by the Sistema Nacional de Compras Públicas (SNCP) – National System for Public Purchases.

Until the year related to the present report, PARPÚBLICA, as public company, did not exercise its right to make use of the services rendered by Agência Nacional de Compras Públicas, E. P. E. (ANCP, National Agency for public purchases), in the scope of the State motor vehicle fleet management. Therefore, it is not subject to the Decree-Law nr 170/2008, of August 26, which approved the legal regime of the State motor vehicle fleet (PVE).

➢ MEASURES CONCERNING THE MOTOR VEHICLE FLEET

In 2014 and under nr 4 of article 61 of Law nr 83-C/2013, of December 31, the categories of some of the company's vehicles were reviewed and related guidelines and authorisations were fulfilled.

➢ COSTS REDUCTION PLAN

- **Costs reduction plan**

In 2014, company's SSE costs had a general considerable fall relating to 2013, according to an operating costs reduction plan under article 61 of Law nr 83-C/2013 of December 31, which approved the 2014 State Budget. Thus, in 2014 all reduction and costs structure legally foreseen changes have been satisfied mainly those related with operating costs issues (SES and remunerations).

CRP	Obj.	2014	2013	2012	2011	2010	Δ Absol.	Var. %	Δ Absol.	Var. %
							2014/2013		2014/2010	
EBITDA		-230.857.384,85	811.470.537,70	723.764.954,90	199.631.670,11	218.953.787,24	-1.042.327.922,55	-	-449.811.172,09	-
(1) CGSMC		0,00	0,00	0,00	0,00	0,00	0,00	-	0,00	-
(2) SES		2.199.172,00	2.832.114,26	3.022.517,06	2.118.566,15	3.401.338,89	-632.942,26	-22%	-1.202.166,89	-35%
Travel/Subsistence	In line with 2013	3.335,29	2.919,68	79,36	657,09	806,36	415,61	14%	2.528,93	314%
Travel Allowances	In line with 2013	0,00	312,73	0,00	0,00	625,42	-312,73	-100%	-625,42	-100%
Communications	In line with 2013	34.012,08	34.786,65	36.990,43	41.914,85	34.216,72	-774,57	-2%	-204,64	-1%
(3) Staff costs		2.135.966,00	2.200.491,39	1.802.205,04	2.158.353,81	3.459.023,00	-64.525,39	-3%	-1.323.057,00	-38%
(3.1) Compensations	n.a.	0,00	0,00	0,00	0,00	10.080,00	0,00	-	-10.080,00	-100%
(4) Total expenses = (1) + (2) + (3) - (3.1)		4.335.138,00	5.032.605,65	4.824.722,10	4.276.919,96	6.850.281,89	-697.467,65	-14%	-2.515.143,89	-37%
(5) Turnover		0,00	0,00	0,00	0,00	721.585,84	0,00	-	-721.585,84	-100%
Weight of Expenses in TO (4)/(5)										
Number of HR (*)	- 3% stage 2012	28	27	29	32	n.a			n.a	n.a
Nr of Effective Staff		27	25	27	29	n.a			n.a	n.a
Nr of Leadership Positions		5	4	4	4	n.a			n.a	n.a
Nr of Effectives / Leadership Positions		5	6	7	7					
Vehicles										
Nr of Vehicles		10	10	n.a	n.a	n.a			n.a	n.a
Vehicles expenses		74.803,08	63.752,50	n.a	n.a	n.a			n.a	n.a

(*) Governing bodies not included

- **Costs reduction with communications**

In 2014, was possible to reduce in 2% the costs associated to communications in comparison to 2013. In the meantime, the communications tariffs were re-negotiated and a major impact is expected in 2015.

- **Reduction of effective staff and leadership positions**

Despite the related guidelines determined by article 60 of Law nr 83-C/2013, of December 31 and since PARPÚBLICA as from the 1st of January of 2015 is part of the public administrative sector, the company had to be prepared and adequate to that new accounting and financial situation. So, the company hired new employees with the approval of the supervisory entity. Therefore, in 2014 the State Budget target concerning the reduction of staff in the public corporate sector was not fulfilled.

➢ PRINCIPLE OF STATE CASH UNITY

PARPÚBLICA do not have to comply with the Principle of State Cash Unity as stated in Order nr 2574/14-SET of September 19.

➢ AUDITS HELD BY THE COURT OF AUDITORS

The Court of Auditors continued the auditing to the privatization processes carried out since 2011.

➢ INFORMATION IN THE SEE (STATE ENTEPRISE SECTOR) WEBSITE

The *site* www.dgtf.pt, from the Directorate General for the Treasury and Finance, has an area for the State corporate sector where all the information is disclosed about goals and policies concerning the companies of the sector and their subsidiaries, indicators and historical and current financial information of the company, as well as the identity and curricula of all the members of the governing bodies.

In this area, PARPÚBLICA discloses and regularly updates information in the SEE *site* about the issues of the following frame. At December 31, 2014, the following information was disclosed in the SEE site:

Information to be displayed in the SEE site	Disclosure		Comments
	Y/N/N.A.	Updating Date	
Statutes	Y	2008	
Identification of the company	Y	2008	
Supervision entity and shareholder	Y	2008	
Governance Model / Ident. Governing Bodies			
- Members of the Governing Bodies	Y	07.10.2014	
- Remuneration fixed statute	Y	07.10.2014	
- Disclosure of remunerations received by the Governing Bodies	Y	07.10.2014	
- Functions and responsibilities of the members of the Board of Directors	Y	07.10.2014	
- Curricula of the members of the Governing Bodies	Y	07.10.2014	
Financial Public Effort	Y	20.02.2015	
Summary	Y	20.02.2015	
Historic and current Financial Information	Y	03.10.2014	
Principles of Good Governance	Y		
- Mandatory internal and external regulations	Y	07.10.2014	
- Relevant Transactions with related entity (ies)	Y	07.10.2014	It consists, mainly, in transactions with the shareholder, related to financial support and in services rendered to the subsidiaries
- Other transactions	N.A.		
- Study of the Company Sustainability :	Y	20.02.2015	
Economic	Y	20.02.2015	
Social	Y	20.02.2015	
Environment	Y	20.02.2015	
- Evaluation of the compliance with the PGG	Y	20.02.2015	
- Code of Ethics	Y	20.02.2015	

➢ SYSTEMATIZATION OF INFORMATION ABOUT COMPLIANCE WITH LEGAL GUIDELINES

Compliance with Legal Guidelines	Fulfilled			Quantification/ Identification	Justification/Paragraph of the report
	Yes	No	Not applicable		
Management Goals:					
General					
Reduction of operational costs	X			100%	See related item
Maximum increase of debt	X			100%	See related item
Specifics					
Fulfilment of Re-privatization Plan	X			100%	Of what was established by the Supervision Entity
Follow up of the participated companies	X			100%	
Financial Risk Management	X			Average funding rate – 4,56%	See related item
Limits of the Indebtedness Growth	X			Absolute Var. 2014/2013: (-184.512.954,84 euro); Variation %: -4,31%	See related item
Trade creditors APT evolution		X		Variation in 2014 of MTP to suppliers: +63 days than 2013	See related item
Payments Delay ("Arrears")	X			Total "*Arrears*" 31.12.2014: 0 euro	See related item
Shareholder Recommendations in the approval of last accounts:			X		
Remunerations:					
No management bonuses under art. 41of Law 83-C/2013	X				See related item
Governing Bodies– remuneration reduction in force in 2014	X				See related item
Statutory Auditor – remuneration reduction under art 73 of Law 83-C/2013	X				See related item
Remaining employees - remuneration reduction in force in 2014	X				See related item
Remaining employees - no remuneration increases under art. 39 of Law 83-C/2013	X				See related item
Article 32 of PMS					
Use of credit cards	X				See related item
Refund of representation expenses	X				
Public contracts					
Public Contract Regulations			X		
Public Contract Regulations related to participated companies	X				See related item
Contracts submitted to approval from CA			X		
Audits by the Court of Auditors	X				See related item

Motor Vehicle Fleet	X				See related item
Nr of Vehicles	X				
Expenses with Vehicles	X				
Operating Costs of Public Companies (art. 61 of Law 83-C/2013)	X				See related item
Staff Reduction (art. 60 of Law 83-C/2013)		X			
Nr of employees					See related item
Nr of governing positions					
Principle of Treasury Unity (art. 123 of Law 83-C/2013)			X		See related item
Resources centralized in IGCP	X				
Interests related with defaults of UTE and delivered through the State revenue			X		

VOLUME III
Financial Statements

Consolidated Financial Statements

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Notes	31-Dec-14	31-Dec-13 (Restated)
ASSETS			
Non current assets			
Property, Plant and Equipment	5	1.156.806	1.914.974
Investment property	6	535.512	545.833
Goodwill	7	90.984	297.530
Intangible assets	8	4.003.415	4.688.575
Biological assets	9	17.548	18.564
Investments in associates	10	479.726	485.821
Other investments	11	505.303	817.871
Other financial assets	12	4.716.335	4.350.415
Deferred tax assets	13	229.872	368.332
Other receivables	17	166.070	281.084
Deferrals	18	590.619	564.509
		12.492.191	**14.333.510**
Current assets			
Inventories	19	921.484	1.062.225
Biological assets	9	2.755	2.797
Trade debtors	14	522.988	734.100
Advances to trade creditors	15	6.225	18.328
Public administrative sector	16	11.575	61.868
Shareholders		-	54
Other receivables	17	84.408	271.071
Deferrals	18	16.333	32.773
Other financial assets	12	6.908	6.495
Cash and cash equivalents	20	404.368	926.643
		1.977.043	**3.116.352**
Non current assets held for sale	21	2.499.799	249.217
		4.476.842	**3.365.570**
Total assets		**16.969.033**	**17.699.079**
EQUITY AND LIABILITIES			
Equity			
Share capital		1.027.151	1.027.151
Legal reserves		731.245	725.556
Other reserves		16.582	9.609
Share of changes in equity of associates		(8.087)	(16.196)
Retained earnings		1.726.242	1.048.083
Net profit for the period attributable to equity holders		(367.176)	792.001
Total equity attributable to equity holders	22	**3.125.957**	**3.586.203**
Non-controling interests	23	542.588	514.512
Total equity		**3.668.545**	**4.100.715**
Non current liabilities			
Provisions	24	20.003	48.957
Borrowings	25	6.054.739	5.868.721
Retirement benefits obligations	26	33.847	77.097
Deferred tax liabilities	13	281.118	382.613
Public administrative sector	16	0	59.898
Other payables	29	121.366	618.523
Other financial liabilities	30	222.645	125.869
Deferrals	18	2.077.151	2.612.384
		8.810.870	**9.794.062**
Current liabilities			
Provisions		0	63
Trade creditors	28	37.068	184.055
Advances from trade debtors	27	497	1.722
Public administrative sector	16	32.367	79.761
Shareholders		18	18
Borrowings	25	835.226	2.564.167
Other payables	29	697.807	880.377
Deferrals	18	26.991	94.138
		1.629.974	**3.804.302**
Liabilities related with non current assets held for sale	21	2.859.644	0
		4.489.618	**3.804.302**
Total liabilities		**13.300.489**	**13.598.364**
Total equity and liabilities		**16.969.033**	**17.699.079**

CONSOLIDATED INCOME STATEMENT BY NATURES FOR THE PERIOD ENDED AT 31 DECEMBER 2014

	Notes	2014	2013 (Restated)
Revenue	31	3.681.205	4.222.465
Grants related to income	32	3.201	5.509
Share of profit and loss of associates	33	10.941	8.229
Dividend from investments at cost or at fair value	34	46.742	24.794
Gains in shareholdings' sale	35	60.799	683.241
Changes in inventories of finished goods and work in progress	36	7.966	(9.403)
Own work capitalized	37	17.183	18.130
Inventories consumed and sold	38	(349.235)	(316.279)
Material and services consumed	39	(2.087.443)	(2.125.799)
Employee benefits expenses	40	(750.499)	(933.911)
Increases and reversals of inventories adjustments	41	(7.852)	(30.264)
Increases and reversals of receivables adjustments	42	(17.268)	(4.394)
Increases and reversals of provisions	43	(4.404)	(382)
Increases and reversals of impairment of non depreciable (amortizable) assets	44	41	13.320
Net changes in fair value	45	(305.542)	109.338
Other operating income	46	185.352	133.691
Other operating expense	47	(62.088)	(108.307)
Earnings before interest, taxes, depreciation and amortization		**429.097**	**1.689.979**
Expense/reversals of depreciation and amortization	48	(351.717)	(421.907)
Impairment of depreciable (amortizable) assets (expense/reversals)	44	(1.071)	(4.749)
Grants related to assets	49	74.576	86.576
Earnings before interest and taxes		**150.886**	**1.349.899**
Interest and other financial income	50	11.492	10.528
Interest and other financial expenses	50	(423.499)	(437.841)
Profit before income tax		**(261.121)**	**922.585**
Net income tax expense	51	(61.523)	(77.723)
Net result for the year		**(322.643)**	**844.861**
Net result of non-controling interest	52	44.532	52.860
Net result for the year of the owners of the parent		**(367.176)**	**792.001**
Result on discontinued operations included in the net result for the year	53	24.601	762.679
Result on discontinued operations included in the net result of the owners of the parent	53	17.692	756.907
Earnings per share basic and diluted (euro):			
From continued operations and discontinued operations		-0,92	1,98
From descontinued operations		0,04	1,89

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED AT 31 DECEMBER 2014

	2014	2013 (Restated)
Net profit for the period	(322.643)	844.861
Other comprehensive income		
Values not afterwards reclassified in the income		
Remeasurement of benefits plan liabilities	(11.695)	11.527
Share of other comprehensive income of associates and joint ventures	(29.057)	35.476
Adjustements for deferred tax recognition	2.937	1.025
Other gains and losses recognized directly in equity	-	3.419
Other gains and losses	(1.586)	8.733
	(39.401)	60.179
Values that may afterwards be reclassified in the income		
Exchange differences on translating foreign operations	577	(6.446)
Gains and losses on the remeasurement of the assets held for sale	32.515	(95)
Gains and losses on cash flow hedges	(59.131)	14.619
Adjustements for deferred tax recognition	15.832	(1.901)
Other gains and losses recognized directly in equity	-	-
Other gains and losses	-	5
	(10.207)	6.181
Total comprehensive income for the period after income tax	(49.609)	66.360
Total comprehensive income	(372.253)	911.222
Comprehensive income		
Attributable to equity holders	(410.247)	868.378
Attributable to non-controling interests	37.995	42.844

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED AT 31 DECEMBER 2014

Statement of changes in equity	TOTAL	Share Capital	Legal Reserves	Other Reserves	Share of changes in equity of associates	Retained earnings	Net profit for the period	Subtotal (before N.C.I)	Non controling interests
Financial position at 01-01-2013	3.709.635	1.027.151	730.231	86.795	(323.862)	1.075.583	430.954	3.026.852	682.783
Retrospective adjustments and corrections	-	-	-	-	-	-	-	-	-
Financial position at 01-01-2013	3.709.635	1.027.151	730.231	86.795	(323.862)	1.075.583	430.954	3.026.852	682.783
								-	
Transactions with owners in 2013	(520.142)	-	5.594	(10.376)	(259.026)	385.736	(430.954)	(309.026)	(211.115)
Aplication of results and distribution of results and reserves	(61.446)	-	5.594	(10.376)	-	385.736	(430.954)	(50.000)	(11.445)
Other transactions	0	-	-	-	-	-	0	0	-
Acquisition (31,44%) of ANA's shares	(376.651)	-	-	-	(249.930)	-	-	(249.930)	(126.721)
Acquisition (8,82%) of AdP's shares	(82.046)	-	-	-	(9.097)	-	-	(9.097)	(72.949)
Comprehensive income in 2013	911.222	(0)	(10.269)	(66.810)	566.691	(413.236)	792.001	868.378	42.844
Net profit for the period	844.861	-	-	-	-	0	792.001	792.001	52.860
Other comprehensive income	66.360	(0)	(10.269)	(66.810)	566.691	(413.236)	-	76.376	(10.017)
Financial position at 31-12-2013	4.100.715	1.027.151	725.556	9.609	(16.197)	1.048.083	792.001	3.586.203	514.512
								-	
Transactions with owners in 2014	(59.919)	-	6.283	595	-	735.123	(792.001)	(50.000)	(9.919)
Equity	4.031	-	-	-	-	-	-	-	4.031
Aplication of results and distribution of results and reserves	(63.950)	-	6.283	595	-	735.123	(792.001)	(50.000)	(13.950)
Other transactions	0	-	-	-	-	0	-	0	-
Comprehensive income in 2014	(372.253)	0	(593)	6.379	8.110	(56.966)	(367.176)	(410.247)	37.995
Net profit for the period	(322.643)	-	-	-	-	-	(367.176)	(367.176)	44.532
Other comprehensive income	(49.609)	0	(593)	6.379	8.110	(56.966)	-	(43.071)	(6.537)
Financial position at 31-12-2014	3.668.545	1.027.151	731.245	16.582	(8.087)	1.726.242	(367.176)	3.125.957	542.588
Dividend paid in 2014 (to equity holders of parent company)	50.000								
Number of shares	400.000.000								
Dividends per share (euro)	0,13								

CONSOLIDATED CASH FLOW STATMENT FOR THE PERIOD ENDED AT 31 DECEMBER 2014

	2014	2013
Operating activities		
Receipts from trade debtors	4.052.193	4.733.098
Payments to trade creditors	(2.628.880)	(2.725.378)
Payments to employees	(560.063)	(788.341)
Cash flows generated by operations	863.249	1.219.379
Receipts/Payments from income tax	(53.064)	(94.593)
Other operating activities (receipts/payments)	(353.543)	(225.176)
Cash flows from operating activities	456.642	899.610
Investing activities		
Receipts related to:		
Plant, property and equipment	5.121	711
Investment properties	3.364	-
Other intangible assets	815	1.004
Financial investments	540.473	2.034.689
Grants related to assets	92.135	131.273
Interest and other financial income	15.990	24.287
Loans granted	3.100	227
Dividends	46.855	37.297
Other assets	119	254
	707.971	2.229.742
Payments related to:		
Plant, property and equipment	(43.342)	(42.477)
Investment properties	(3.703)	(274)
Other intangible assets	(174.447)	(175.992)
Financial investments	(436.141)	(1.512.569)
Interest and other financial expense	-	(12)
Loans granted	(2.900)	(3.100)
Other assets	(1.000)	(890)
Concession rights	-	(800.000)
	(661.533)	(2.535.314)
Cash flows from investing activities	46.438	(305.571)
Financing activities		
Receipts related to:		
Share capital increases and other equity instruments	6.412	4.406
Borrowings	1.935.308	2.426.101
Interest and other financial income	175	1.733
	1.941.895	2.432.239
Payments related to:		
Borrowings	(2.150.288)	(2.107.705)
Lease contracts	(96.816)	(107.792)
Interest and other financial expense	(346.589)	(400.621)
Dividends	(66.152)	(70.569)
Other financing operations	(2.885)	(364)
	(2.662.730)	(2.687.052)
Cash flows from financing activities	(720.835)	(254.813)
Changes in cash and cash equivalents	(217.754)	339.226
Resulting from discontinued operations (Note 53)	345.540	2.978.029
Foreign currency translation effect	(24.675)	(20.318)
Cash and cash equivalent at the beggining of the period	**758.122**	**659.562**
Cash and cash equivalent at the end of the period	**515.693**	**978.471**

Reconciliation of Cash and Cash equivalents

	2014	2013
Cash and cash equivalent at the end of the period	**515.693**	**978.471**
Bank overdrafts	185.586	168.520
Changes in cash due to business combinations	-	489.111
Other	(55.627)	-
Cash and cash equivalent classified as non current assets held for sale	(241.282)	(709.457)
Cash and cash equivalent in the balance sheet	**404.368**	**926.643**

NOTES TO FINANCIAL STATEMENTS

1 - PARPÚBLICA Group's economic activities

PARPÚBLICA – Participações Públicas, SGPS, S.A. (herein after designated by Company or PARPÚBLICA) is a whole owned public company and sets its main corporate object on management of investments (SGPS). The Company was incorporated by Decree-Law Nr. 209/2000 of September 2, with the aim to be an essential tool of the State, to intervene in the following areas:

a) Managing participations in companies undergoing a privatizing process, or able to be privatized, in a certain term;

b) Developing privatizing processes, in the scope of the law;

c) Re-structuring companies transferred to its portfolio;

d) Following participations in privatized companies, which grant special rights to the State;

e) Managing surplus public real estate patrimony, through specialized subsidiary companies;

f) Support to the work by the Finance Minister of the financial tutelage over State-owned companies and companies concessionary of general economic interest service;

g) Promotion of the use of public-private partnerships to the development of public services in better quality and efficiency conditions.

Considering the activities developed by the companies whose financial statements were included in the consolidated financial statements of the PARPÚBLICA Group, eight business segments were identified: (i) Parpública; (ii) Real estate Management and Promotion; (iii) Agriculture, Livestock breeding and Forestry; (iv) Mint, Printing/Publications and Safety products; (v) Air Transport and Related; (vi) Water and Waste; (vii) Wholesale markets; and (viii) Sundries.

Segment Reporting

31-Dec-2014											
	SGPS	Business Segments									
	Parpública	Real Estate Management and Development	Agriculture, lifestock breeding and forestry	Production of currency, publications and safety products	Air Transport	Water and waste	Supply Markets	Miscelaneous Activities	Total	**Inter-segmental Eliminations**	**Consolidated**
Assets											
Non-current Assets	7.753.698	684.034	96.462	61.049	0	5.770.564	137.413	114.561	6.864.084	(2.125.590)	12.492.191
Current Assets	80.028	1.060.562	13.029	69.661	1.560.397	1.721.178	3.028	14.877	5.226.010	(829.196)	4.476.842
(of which held for sale)	*0*	*0*	*0*	*0*	*1.560.397*	*928.619*	*712*	*0*	*3.273.007*	*(773.208)*	*2.499.799*
Total Assets	**7.833.726**	**1.744.597**	**109.491**	**130.711**	**1.560.397**	**7.491.742**	**140.440**	**129.438**	**12.090.094**	**(2.954.785)**	**16.969.033**
Liabilities											
Non- current Liabilities	4.025.034	411.436	16.579	29.759	0	4.565.740	109.688	81.177	5.214.380	(428.545)	8.810.870
(of which financing liabilities)	*3.821.618*	*373.519*	*-*	*-*	*0*	*2.139.653*	*67.687*	*80.806*	*2.661.665*	*(428.544)*	*6.054.739*
(of which government grants related to assets)	*-*	*-*	*-*	*10*	*-*	*1.630.393*	*15.753*	*-*	*1.646.157*	*-*	*1.646.157*
Current Liabilities	1.225.891	121.312	2.487	13.385	2.072.257	1.598.338	10.981	15.524	3.834.283	(570.555)	4.489.618
(of which held for sale)	*511.860*	*-*	*-*	*-*	*2.072.257*	*787.387*	*-*	*-*	*2.859.644*	*(511.860)*	*2.859.644*
(of which financing liabilities)	*221.134*	*54.233*	*-*	*0*	*0*	*598.893*	*5.344*	*6.965*	*665.435*	*(51.343)*	*835.226*
(of which government grants related to assets)	*-*	*-*	*1.085*	*-*	*-*	*-*	*466*	*-*	*1.550*	*-*	*1.550*
Total Liabilities	**5.250.924**	**532.748**	**19.066**	**43.144**	**2.072.257**	**6.164.078**	**120.669**	**96.701**	**9.048.662**	**(999.100)**	**13.300.489**
Group's Equity	**2.582.802**	**1.210.479**	**90.425**	**87.567**	**-519.795**	**799.326**	**19.796**	**27.768**	**2.498.844**	**(1.955.686)**	**3.125.957**
Non-controling interests	**0**	**1.370**	**-**	**-**	**7.935**	**528.338**	**-25**	**4.969**	**542.588**	**-**	**542.588**
Total equity	**2.582.802**	**1.211.849**	**90.425**	**87.567**	**-511.860**	**1.327.664**	**19.771**	**32.737**	**3.041.432**	**(1.955.686)**	**3.668.545**

31-Dec-2013 (Restated)											
	SGPS	**Business Segments**									
	Parpública	Real Estate Management and Development	Agriculture, lifestock breeding and forestry	Production of currency, publications and safety products	Air Transport	Water and waste	Supply Markets	Miscelaneous Activities	Total	**Inter-segmental Eliminations**	**Consolidated**
Assets											
Non-current Assets	7.767.094	716.589	97.119	71.308	1.007.696	6.606.423	143.789	117.127	8.760.052	(2.193.635)	14.333.510
Current Assets	502.627	1.081.466	11.780	97.375	694.546	990.103	4.016	13.204	2.892.490	(29.547)	3.365.570
(of which held for sale)	*248.400*	*0*	*0*	*0*	*0*	*0*	*817*	*0*	*817*	-	*249.217*
Total Assets	**8.269.721**	**1.798.055**	**108.900**	**168.682**	**1.702.242**	**7.596.526**	**147.805**	**130.331**	**11.652.542**	**(2.223.182)**	**17.699.080**
Liabilities											
Non- current Liabilities	3.646.177	441.264	17.962	27.742	820.276	5.462.652	116.872	82.050	6.968.818	(820.932)	9.794.062
(of which financing liabilities)	*2.680.609*	*397.524*	-	*0*	*660.131*	*2.423.506*	*72.892*	*81.679*	*3.635.732*	*(447.620)*	*5.868.721*
(of which government grants related to assets)	-	-	-	*14*	-	*1.943.203*	*15.718*	-	*1.958.935*	-	*1.958.935*
Current Liabilities	1.563.388	137.996	2.829	10.896	1.247.595	889.667	12.764	15.350	2.317.097	(76.180)	3.804.303
(of which held for sale)	-	-	-	-	*0*	-	-	-	-	-	*0*
(of which financing liabilities)	*1.540.583*	*69.083*	-	*0*	*390.512*	*616.695*	*5.609*	*11.001*	*1.092.900*	*(69.317)*	*2.564.167*
(of which government grants related to assets)	*0*	*0*	*1.252*	-	-	-	*771*	*0*	*2.024*	-	*2.024*
Total Liabilities	**5.209.565**	**579.259**	**20.791**	**38.638**	**2.067.871**	**6.352.319**	**129.637**	**97.400**	**9.285.915**	**(897.113)**	**13.598.365**
Group's Equity	**3.060.156**	**1.217.388**	**88.108**	**130.045**	**-374.137**	**744.307**	**18.447**	**27.956**	**1.852.116**	**(1.326.069)**	**3.586.203**
Non-controling interests	**0**	**1.408**	**-**	**-**	**8.508**	**499.900**	**(278)**	**4.975**	**514.512**	**-**	**514.512**
Total equity	**3.060.156**	**1.218.796**	**88.108**	**130.045**	**-365.629**	**1.244.207**	**18.169**	**32.931**	**2.366.627**	**(1.326.069)**	**4.100.715**

	Year 2014										
	SGPS	Business Segments									
	Parpública	Real Estate Managemen t and Developmen t	Agriculture, lifestock breeding and forestry	Production of currency, publications and safety products	Air Transport	Water and waste	Supply markets	Miscelane ous Activities	Total	**Inter-segmental Eliminations**	**Consolidated**
Sales and services rendered	-	76.244	5.365	83.995	2.698.321	792.795	15.786	8.918	3.681.424	(219)	3.681.205
Grants related to income	-	18	2.032	-	1.151	-	-	-	3.201	-	3.201
Share of profit and loss of associates	8.325	779	198	26	1.612	-	-	-	2.615	-	10.941
Dividend from investments at cost or at fair value	84.976	-	-	-	-	-	-	-	-	(38.234)	46.742
Gains in shareholdings selling	60.799	-	-	-	-	-	-	-	-	-	60.799
Changes in finished goods and work in progress and own work capitalised	-	(1.518)	(1.885)	2.415	9.685	16.453	-	-	25.150	-	25.149
Inventories consumed and sold	-	(17.123)	(2.847)	(21.087)	(276.583)	(31.594)	-	(1)	(349.235)	-	(349.235)
Materials and services consumed	(2.199)	(10.449)	(3.051)	(12.516)	(1.816.262)	(238.092)	(3.270)	(1.838)	(2.085.477)	233	(2.087.443)
Employee benefits expenses	(2.127)	(6.139)	(2.633)	(20.550)	(578.880)	(137.672)	(1.734)	(764)	(748.372)	-	(750.499)
Inventories' impairment	-	(7.490)	-	(257)	(105)	-	-	-	(7.852)	-	(7.852)
Provisions	(138.548)	1.067	-	721	(5.706)	(435)	(46)	(5)	(4.404)	138.548	(4.404)
Impairment of non depreciable (amortizable) assets	(161)	(394)	(20)	94	(14.044)	(2.674)	(29)	-	(17.066)	-	(17.228)
Net changes in fair value	(285.473)	(20.287)	2.671	-	104	(2.396)	-	(161)	(20.069)	-	(305.542)
Other income and gains	66.618	9.788	2.753	1.733	103.958	59.468	285	2.193	180.178	(61.445)	185.352
Other expenses and losses	(2.477)	(7.409)	(225)	(5.388)	(33.257)	(12.802)	(512)	(19)	(59.611)	-	(62.088)
Result before interest, tax, depreciation and amortization	**(210.267)**	**17.087**	**2.359**	**29.186**	**89.994**	**443.051**	**10.481**	**8.322**	**600.481**	**38.883**	**429.097**
Expense/reversals of depreciation and amortization	(27)	(990)	(1.196)	(4.788)	(85.437)	(249.023)	(5.043)	(5.212)	(351.689)	-	(351.717)
Impairment of depreciable (amortizable) assets (expense/reversals)	-	-	-	-	(1.984)	-	-	913	(1.071)	-	(1.071)
Grants related to assets	-	-	193	-	-	73.918	466	-	74.576	-	74.576
Operating result (before interest and taxes)	**(210.294)**	**16.097**	**1.356**	**24.399**	**2.573**	**267.946**	**5.904**	**4.023**	**322.297**	**38.883**	**150.886**
Interest expense	(214.217)	(20.540)	(0)	(12)	(44.659)	(97.527)	(1.610)	(4.195)	(168.543)	-	(382.760)
Other financing gains and losses	(15.158)	(254)	(0)	-	(36.759)	750	(163)	-	(36.426)	22.338	(29.247)
Result before taxes	**(439.670)**	**(4.697)**	**1.355**	**24.387**	**(78.845)**	**171.169**	**4.131**	**(172)**	**117.329**	**61.221**	**(261.121)**
Income tax for the period	(1.618)	(1.342)	1.041	(6.850)	(2.103)	(48.313)	(2.316)	(22)	(59.905)	-	(61.523)
Net profit or loss for the period	(441.288)	(6.039)	2.397	17.537	(80.948)	122.856	1.815	(194)	57.424	61.221	(322.643)
Net profit or loss for the period from non controlling interests	**0**	**68**	**-**	**-**	**4.147**	**39.976**	**347**	**-5**	**44.532**	-	44.532
Net profit or loss for the period attributable to equity holders	**(441.288)**	**(6.107)**	**2.397**	**17.537**	**(85.095)**	**82.880**	**1.468**	**(189)**	**12.892**	**61.220**	**(367.176)**
Net profit or loss from discontinued operations included in Net profit or or loss for the period	100.038	-	-	-	-80.948	5.511	-	-	(75.437)	-	24.601
Net profit or loss from discontinued operations included in Net profit or or loss for the period attributable to equity holders	100.038	-	-	-	-85.095	2.749	-	-	(82.346)	-	17.692

Year 2013 (Restated)												
	SGPS	**Business Segments**										
	Parpública	Real Estate Management and Development	Agriculture, lifestock breeding and forestry	Production of currency, publications and safety products	Air Transport	Water and waste	Supply Markets	Postal Services	Miscelaneous Activities	Total	**Inter-segmental Eliminations**	**Consolidated**
Sales and services rendered	-	109.124	4.835	75.900	2.893.767	809.400	15.340	344.185	9.857	4.262.408	(39.943)	4.222.465
Grants related to income	-	6	1.823	1	3.852	-	-	-	-	5.682	(173)	5.509
Share of profit and loss of associates	7.557	-	179	(215)	707	-	-	-	-	671	-	8.229
Dividend from investments at cost or at fair value	136.086	-	-	-	14	-	-	-	-	14	(111.306)	24.794
Gains in shareholdings selling	543.770	-	-	-	169.847	-	-	(30.375)	-	139.471	-	683.241
Changes in finished goods and work in progress and own work capitalised	-	(360)	(2.018)	(2.117)	(2.602)	15.680	-	146	-	8.728	-	8.727
Inventories consumed and sold	-	(41.610)	(2.941)	(15.957)	(216.028)	(31.982)	-	(7.760)	(1)	(316.279)	-	(316.279)
Materials and services consumed	(2.832)	(11.442)	(2.764)	(12.882)	(1.783.968)	(230.691)	(3.303)	(115.591)	(2.287)	(2.162.929)	39.962	(2.125.799)
Employee benefits expenses	(2.200)	(6.215)	(2.416)	(20.630)	(597.163)	(141.448)	(1.633)	(161.550)	(732)	(931.787)	77	(933.911)
Inventories' impairment	-	(23.780)	-	(387)	(5.908)	-	-	(188)	-	(30.264)	-	(30.264)
Provisions	16.092	(926)	-	98	3.623	348	(2)	(3.520)	(4)	(382)	(16.092)	(382)
Impairment of non depreciable (amortizable) assets	5.018	(151)	126	5.327	(2.107)	(342)	(548)	(1.729)	3.330	3.907	-	8.925
Net changes in fair value	83.363	(732)	12.906	-	(410)	13.681	690	-	(160)	25.975	-	109.338
Other income and gains	36.670	2.681	2.768	2.763	53.509	53.909	1.039	10.977	1.252	128.899	(31.878)	133.691
Other expenses and losses	(1.000)	(5.463)	(543)	(6.174)	(75.138)	(13.516)	(621)	(5.127)	(887)	(107.470)	162	(108.309)
Result before interest, tax, depreciation and amortization	**822.523**	**21.133**	**11.955**	**25.727**	**441.996**	**475.039**	**10.961**	**29.466**	**10.368**	**1.026.645**	**(159.190)**	**1.689.978**
Expense/reversals of depreciation and amortization	(41)	(925)	(1.258)	(5.174)	(143.629)	(246.230)	(6.731)	(12.414)	(5.506)	(421.866)	-	(421.907)
Impairment of depreciable (amortizable) assets (expense/reversals)	-	218	-	-	-	-	-	(1.031)	(3.936)	(4.749)	-	(4.749)
Grants related to assets	-	-	173	-	111	74.092	12.200	-	-	86.576	-	86.576
Operating result (before interest and taxes)	**822.482**	**20.427**	**10.870**	**20.553**	**298.478**	**302.901**	**16.430**	**16.021**	**927**	**686.606**	**(159.190)**	**1.349.897**
Interest expense	(215.139)	(25.283)	-	(220)	(19.129)	(113.768)	(2.742)	47.427	(5.174)	(118.888)	(1)	(334.029)
Other financing gains and losses	(20.131)	3.150	-	-	(60.949)	727	(274)	(47.601)	1	(104.946)	31.793	(93.283)
Result before taxes	**587.212**	**(1.707)**	**10.870**	**20.333**	**218.400**	**189.860**	**13.415**	**15.847**	**(4.247)**	**462.772**	**(127.398)**	**922.585**
Income tax for the period	(22)	(2.934)	(1.337)	(5.041)	(8.034)	(56.265)	10.339	(14.405)	(24)	(77.701)	-	(77.723)
Net profit or loss for the period	587.190	(4.641)	9.533	15.293	210.366	133.595	23.754	1.442	(4.271)	385.071	(127.398)	844.861
Net profit or loss for the period from non controlling interests	**0**	**53**	**-**	**-**	**5.073**	**45.811**	**2.018**	**174**	**(269)**	**52.861**	**-**	52.860
Net profit or loss for the period attributable to equity holders	**587.190**	**(4.694)**	**9.533**	**15.293**	**205.293**	**87.784**	**21.736**	**1.268**	**(4.002)**	**332.210**	**(127.398)**	**792.001**
Net profit or loss from discontinued operations included in Net profit or or loss for the period	543.770	-	-	-	210.366	7.101	-	1.442	-	218.909	-	762.679
Net profit or loss from discontinued operations included in Net profit or or loss for the period attributable to equity holders	543.770	-	-	-	205.293	6.576	-	1.268	-	213.137	-	756.907

Note: The values relating SGPS are different from those in the separated financial statements due to the different method of shareholding measurement.

2 - Basis of presentation and major accounting policies

2a - Introduction

The current consolidated financial statements concern the period ended at 31 December 2014 and were prepared based on the accounting records of the Group prepared on a going concern assumption and are presented in thousand euro except when other currency is referred.

The main accounting policies adopted by PARPÚBLICA Group in preparation of these consolidated financial statements are disclosed in the following notes. With the exception of the situations described in Note 2.b, these policies have been consistently applied to all years reported.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), International Accounting Standards and Interpretations, collectively designated IFRS, issued by the International Accounting Standards Board (IASB), and as adopted by the European Union (EU).

The preparation of the financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Group management to decide the most appropriate way to apply the PARPÚBLICA Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements are disclosed in note 2ab.

2b – Amendments to accounting policies

2bi New standards, interpretations and amendments effective from the 1srt of January of 2014

- **Adoption of IFRS 10 Consolidated financial statements, of IFRS 11 Joint agreements and of IFRS 12 Disclosure of interests in other entities, as well as the amended versions of IAS 27 Separate Financial Statements and of IAS 28 Investments in associates and joint ventures (Regulation nr. 1254/2012, of December 11) >** The goal of IFRS 10 is to deliver an unique consolidation model, that identifies the control relation as the support for the consolidation of all kind of entities. The IFRS 10 replaces the IAS 27 Consolidated and separate financial statements and the SIC 12 Consolidation — Special purpose entities. The IFRS 11 establishes the principle of financial report in case of joint ventures and replaces IAS 31 Interests in joint ventures and the SIC 13 jointly controlled entities – Non monetary contributions by venturers. The IFRS 12 combine, reinforces and replaces the disclosure requirements for the branches, joint agreements, associated companies and non consolidated structured entities. As consequence of these new IFRS, IASB also issued an amended version of IAS 27 and of IAS 28.

- **Amendments to IFRS 10 Consolidated financial statements, to IFRS11 Joint agreements and to IFRS 12 Disclosures of interests in other entities (Regulation nr. 313/2013, of April 4) >** The aim of the amendments is to clarify the intention of IASB when for the first time it issued the transition guidelines regarding IFRS 10. The amendments also allow the flexibility of another additional transition concerning IFRS 10, IFRS 11 and IFRS 12, restricting the comparative information disclosures only to the previous comparative period. In addition and concerning the disclosures related to non consolidated structured entities, the amendments eliminate the obligation to present comparative information of the previous periods to the first time implementation of IFRS 12.

- **Amendments to IFRS 10 Consolidated financial statements, IFRS 12 Disclosure of interests in other entities and IAS 27 Separated financial statements (Regulation nr 1174/2013, of November 20)>** The amendment to IFRS 10 has the purpose to better reflect the business model of investment entities. The affiliates have to be measured at fair value through profit and loss and not through consolidation. The amendment to IFRS 12 has the purpose to demand the specific information disclosure about those investment entities' affiliates. Amendments to IAS 27 eliminated the investment entities' option to measure their investment in certain affiliates at cost or at fair value in their separated financial statements. Therefore, amendments to IFRS 10, IFRS 12 and IAS 27 imply amendments to IFRS 1, IFRS 3, IFRS 7, IAS 7, IAS 12, IAS 24, IAS 32, IAS 34 and IAS 39, in order to ensure the cohesion between the international accounting standards.

- **Amendments to IAS 36 Impairment of assets (Regulation nr 1374/2013, of December 19)>** The main amendments include: (i) to remove the disclosure demand of the recoverable amount of cash generating units with no recognized impairment; (ii) to insert the demand of information disclosure about key assumptions, evaluation techniques and applicable hierarchy level at fair value for any individual asset (including *goodwill*) or for any cash generating unit to which impairment losses were recognized in the year and to which the recoverable amount consists of at fair value less sale costs; (iii) to insert the demand of disclosure of discount rates used in the current year and in previous measurements of the recoverable amounts of impairment assets based on at fair value less sale costs using the present value technique; (iv) to remove the word "material", considered as a pointless explicit reference, whenever the disclosure requirements for assets (including *goodwill*) or for cash generating units for which a "material" impairment loss or reversal had occurred in the year, are mentioned in the regulation.

- **Amendments to IAS 39 Financial instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting (Regulation nr 1375/2013, of December 19)>** The amendments aim to solve situations in which a derivate called hedge instrument is subject to novation between a counterparty and a central counterparty due to legal or regulatory reasons. The foreseen solution will allow the continuation of hedge accounting regardless of the novation, what would not be possible without these amendments.

The alterations and amendments mentioned above had no impact if the financial statements.

2bii New standards, interpretations and amendments effective from or after the 1rst of January of 2015

- **Adoption of IFRIC 21 Taxes (Regulation nr 634/2014, of June 13) >** This interpretation relates to the accounting of a liability concerning the payment of a tax if this liability is covered by **IAS** 37. Also concerns the accounting of a liability concerning the payment of a tax with a known timing and value. However, this interpretation does not concern the costs accounting arising from the recognition of a liability concerning the payment of a tax. The Entities should apply other rules in order to determine if the recognition of a liability concerning the payment of a tax leads to an asset or a cost, being not included: a) the outflows of resources under other rules (i.e. income taxes under IAS 12 Income taxes; and b) fines and other sanctions for breaking the law. This interpretation enlightens that an entity recognizes a liability to a tax when the activity that originate payment occurs, as identified by related legislation. Concerning a tax that is unleashed upon reaching a minimum threshold, this interpretation enlightens that no liability can be anticipated before the specified lowest limit is reached. In the interim report, an entity should apply the same tax recognition principles as in the annual financial statements, being retrospective application required.

- **Annual improvements: cycle of 2011-2013 (Regulation nr 1361/2014, of December 19) > The improvements include amendments to three international accounting standards, summarized as follows:**
  - **IFRS 3 Business Combinations – Scope's exception for joint ventures >** The amendments clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
  - **IFRS 13 Fair Value Measurement – Scope of portfolio exception in paragraph 52 >** Clarify that in the scope of the portfolio exception at fair value measurement defined in paragraph 48, the financial assets and liabilities referred in paragraph 48-51 and 53-56 should be applicable to all contracts accounted for in IAS 39, regardless for whether they meet the definition of financial assets and liabilities included in IAS 32.
  - **IAS 40 Investment Property – Interrelationship between IAS 40 and IFRS 13 >** The amendments required the use of the accounting guidelines of IAS 40 and IFRS 3 for investment property (or business), not introducing a new accounting approach. These amendments clarify that a judgment should be applied in determining whether a transaction sets: (i) an asset acquisition (or group of assets) that should be accounted according to IAS 40 , or (ii) a business combination that should be accounted for according to IFRS 3.

- **Annual Improvements: cycle 2010-2012 (Regulation nr 28/2015, of December 17) >** The improvements include amendments to eight international accounting rules, as follows:
  - **IFRS 2 Share-based Payment –** Definition of vesting conditions > the amendments reinforce the current definition of vesting conditions by separating them from performance conditions. The amendments also clarify the definition of both vesting and non-vesting conditions.
  - **IFRS 3 Business Combinations –** Accounting for contingent consideration > The amendments clarify that: (i) regardless its nature, every contingent consideration should be measured at fair value at the initial recognition date; (ii) paragraph 40 of IFRS 3 requires that the contingent consideration that is a financial instrument should be recorded as equity or as liabilities according to IAS 32; and (iii) regardless its nature, every contingent consideration should be measured at fair value through profit and loss. Resulting from the amendments to IFRS 3, the IAS 37, IAS 39 and IFRS 9 are also amended.
  - **IFRS 8 Operating Segments >** The amendments clarify the requirements for: (i) disclosure of judgements of the management bodies regarding the criteria of operating segments aggregation; and (ii) presentation of total assets reconciliation of the reportable segments with the Entity's assets.
  - **IAS 16 Property, Plant and Equipment –** Revaluation Method > The amendments clarify the method to apply to Property, plant and equipment (gross and accumulated depreciations) at the date of the revaluation.
  - **IAS 24 Related Party Disclosures –** Key-management personnel services > Clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
  - **IAS 38 Intangible Assets –** Revaluation method > The amendments clarify the method to apply to intangible assets (gross and carrying amount) at the revaluation date.

- **IAS 19 Employees Benefits (Regulation nr 29/2015, of December 17) >** The amendments clarify the requirements for employees or third parties services benefits according to paragraph 70, i.e, according to the benefits plan or a straight-line method. Additionally, the amendments added in appendix an application guide for employees and third parties benefits. These amendments clarify how a company can recognized the employees and third parties services benefits, regardless the years of services rendered, as a reduction in the service cost, in the related period of the service.

When applicable, these amendments should not have a significant impact in the consolidated financial statements.

2c - Principles of consolidation

The consolidated financial statements of PARPÚBLICA Group are presented as those of a single economic entity. Intercompany transactions and balances between group companies are therefore completely eliminated.

Subsidiaries included in the financial statements are listed in note 2e.

2d - Business Combinations

The present consolidated financial statements incorporate the results of business combinations using the purchase method. The results of acquired operations are included in the consolidated statements from the date on which the control is obtained.

2e - Subsidiaries

All entities controlled by PARPÚBLICA Group were deemed as subsidiary companies whenever PARPÚBLICA: (i) has the power to manage the subsidiary; (ii) is exposed and untitled to variable results due to its link to the subsidiary; (iii) can use its power over the subsidiary to affect the results with the investors. The existence of control was assumed when PARPÚBLICA Group is, directly or indirectly holder, through subsidiary companies, of more than half of the entity voting power.

The companies classified as subsidiaries are the following:

Name	Location	Main activity	Entity	Share capital owner % of share capital by its direct owner	
				31 Dec 2014	31 Dec 2013
AdP - Águas de Portugal, SGPS, S.A.	Lisboa	Public investment management	PARPÚBLICA, SGPS, S.A.	81%	81%
CE – Circuito do Estoril, SA	Alcabideche	Sport events	PARPÚBLICA, SGPS, S.A.	100,00%	100,00%
Companhia das Lezírias, S.A.	Samora Correia	Agriculture and livestock breeding	PARPÚBLICA, SGPS, S.A.	100,00%	100,00%
INCM - Imprensa Nacional Casa da Moeda, S.A.	Lisboa	Portuguese coin issuing, official printing and other publications	PARPÚBLICA, SGPS, S.A.	100,00%	100,00%
MARGUEIRA - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Almada	Management of real estate fund “Margueira Capital”	PARPÚBLICA, SGPS, S.A.	51,00%	51,00%
SAGESECUR - Sociedade de Estudos, Desenvolvimento e Participação em Projetos, S.A.	Lisboa	Studies, development and participation in security investments	PARPÚBLICA, SGPS, S.A.	80,50%	80,50%
SAGESTAMO - Sociedade Gestora de Participações Sociais Imobiliárias, S.A.	Lisboa	Public investment management and services rendering	PARPÚBLICA, SGPS, S.A.	100,00%	100,00%

Name	Location	Main activity	Entity	Share capital owner % of share capital by its direct owner 31 Dec 2014	 31 Dec 2013
SIMAB – Sociedade Instaladora de Mercados abastecedores, S.A.	S. Julião do Tojal	Development building, installation and management of wholesale markets	PARPÚBLICA, SGPS, S.A.	100,00%	100,00%
TAP - Transportes Aéreos Portugueses, SGPS, S.A.	Lisboa	Public investment management	PARPÚBLICA, SGPS, S.A.	100,00%	100,00%
AdP – Águas de Portugal Serviços Ambientais, S.A.	Lisboa	Technical services	AdP - Águas de Portugal, SGPS, S.A.	100,00%	100,00%
Aquasis, S.A.	Lisboa	Geographic information systems	AdP - Águas de Portugal Serviços, S.A. EGF AdP – Águas de Portugal, SGPS, S.A.	54,98% 0,01% 0,01%	54,98% 0,01% 0,01%
Águas de Santo André, S.A.	V.N. Santo André	Multi-municipal water supply system	AdP - Águas de Portugal, SGPS, S.A.	100,00%	100,00%
EPAL – Empresa Portuguesa das Águas Livres, S.A.	Lisboa	Water distribution	AdP - Águas de Portugal, SGPS, S.A.	100,00%	100,00%
Empresa Geral do Fomento, S.A. (EGF)	Lisboa	Public investment management	AdP - Águas de Portugal, SGPS, S.A.	100,00%	100,00%
AdP Energias, S.A. (Reciclamas – Multigestão Ambiental, S.A.)	Lisboa	Environment management	AdP - Águas de Portugal, SGPS, S.A.	100,00%	100,00%
AdP – Águas de Portugal Internacional, S.A.	Lisboa	Public investment management	AdP - Águas de Portugal, SGPS, S.A.	100,00%	100,00%
Águas de Timor, S.A. (a)	Timor	Water distribution	AdP - Águas de Portugal Internacional, S.A.	100,00%	100,00%
Aquatec, Lda	Maputo	Technical services	AdP - Águas de Portugal Internacional, S.A.	100,00%	100,00%
Águas do Brazil, S.A.	Rio de Janeiro	Water distribution	AdP - Águas de Portugal, SGPS, S.A.	100,00%	100,00%
Águas do Algarve, S.A.	Faro	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	54,44%	54,44%
Águas do Centro Alentejo, S.A.	Évora	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	51,00%	51,00%
Águas do Centro, S.A.	Castelo Branco	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	70,00%	70,00%
Águas do Douro e Paiva, S.A.	Porto	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	51,00%	51,00%
Águas do Noroeste, S.A.	Barcelos	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	56,66%	56,66%
Águas do Mondego, S.A.	Taveiro	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	51,00%	51,00%
Águas do Norte Alentejano, S.A.	Portalegre	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	51,00%	51,00%

Name	Location	Main activity	Entity	Share capital owner % of share capital by its direct owner	
				31 Dec 2014	31 Dec 2013
Águas do Oeste, S.A.	Óbidos	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	51,00%	51,00%
Águas de Trás-os-Montes, S.A.	Vila Real	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	70,08%	70,54%
Águas do Zêzere e Côa, S.A.	Guarda	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	87,46%	87,46%
AdRA - Águas da Região de Aveiro, S.A.	Aveiro	Integrated management of municipal services of water supply and sanitation	AdP – Águas de Portugal, SGPS, SA	51,00%	51,00%
AGDA - Águas Públicas do Alentejo, S.A.	Beja	Concession management of water supply services	AdP – Águas de Portugal, SGPS, SA	51,00%	51,00%
Sanest, S,A	Cascais	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	51,00%	51,00%
Simarsul, S.A.	Setúbal	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	51,00%	51,00%
Simlis, S.A.	Leiria	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	70,16%	70,16%
Simria, S.A.	Aveiro	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	67,72%	67,72%
Simtejo S.A.	Lisboa	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	50,50%	50,50%
Simdouro S.A.	Vila Nova de Gaia	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	51,00%	51,00%
Algar, S.A.	Faro	Multi-municipal solid waste treatment	Empresa Geral do Fomento, SA	56,00%	56,00%
Amarsul, S.A.	Palmela	Multi-municipal solid waste treatment	Empresa Geral do Fomento, SA	51,00%	51,00%
Ersuc, S.A	Coimbra	Multi-municipal solid waste treatment	Empresa Geral do Fomento, SA	51,46%	51,46%
Resiestrela, S.A.	Serra da Estrela	Multi-municipal solid waste treatment	Empresa Geral do Fomento, SA	62,95%	62,95%
Resinorte, S.A.	Celorico de Basto	Multi-municipal solid waste treatment	Empresa Geral do Fomento, SA	51,00%	51,00%
Resulima, S.A.	Viana do Castelo	Multi-municipal solid waste treatment	Empresa Geral do Fomento, SA	51,00%	51,00%
Suldouro, S.A.	Sermonde	Multi-municipal solid waste treatment	Empresa Geral do Fomento, SA	60,00%	60,00%
Valnor, S.A.	Avis	Multi-municipal solid waste treatment	Empresa Geral do Fomento, SA	53,33%	53,33%
Valorlis, S.A.	Leiria	Multi-municipal solid waste treatment	Empresa Geral do Fomento, SA	51,00%	51,00%
Valorminho, S.A.	Valença	Multi-municipal solid waste treatment	Empresa Geral do Fomento, SA	51,00%	51,00%

Name	Location	Main activity	Entity	Share capital owner % of share capital by its direct owner 31 Dec 2014	 31 Dec 2013
Valorsul, S.A.	São João da Talha	Multi-municipal solid waste treatment	Empresa Geral do Fomento, SA	55,63%	56,17%
Lazer e Floresta - Empresa de Desenvolvimento Agro-Florestal Imobiliário Turístico e Cinegético,SA	Lisboa	Real estate agro forest development	PARPÚBLICA, SGPS, S.A.	100,00%	100,00%
SPE – Sociedade Portuguesa de Empreendimentos, S.A.	Lisboa	Mining / ore	PARPÚBLICA, SGPS, S.A.	81,13%	81,13%
BAÍA DO TEJO, S.A. (ex-QUIMIPARQUE – Parques Empresariais, S.A.	Barreiro	Industrial parks	PARPÚBLICA, SGPS, S.A.	100,00%	100,00%
AMBISIDER - Recuperações Ambientais, S.A.	Paio Pires	Environmental recovery and dismantling of industries	BAÍA DO TEJO, S.A. (em 2008 SNESGES, S.A.)	100,00%	100,00%
ECODETRA - Sociedade de Tratamento e Deposição de Resíduos, S.A.	Paio Pires	Special industrial waste treatment and deposit	BAÍA DO TEJO, S.A. (em 2008) URBINDÚSTRIA, S.A.	51,00%	51,00%
APIS – Associação Parque Industrial do Seixal (b)	Lisboa	Technologic and industry parks	BAÍA DO TEJO, S.A.	-	93,88%
Fundo de Investimento Imobiliário Fechado Estamo	Lisboa	Real estate fund	SAGESECUR, S.A. ESTAMO, SGPS, S.A.	99,97% 0,03%	99,97% 0,03%
CONSEST – Promoção Imobiliária, S.A.	Lisboa	Real estate	SAGESTAMO, SGPS, S.A.	100,00%	100,00%
ESTAMO – Participações Imobiliárias, S.A.	Lisboa	Real estate	SAGESTAMO, SGPS, S.A.	100,00%	100,00%
FUNDIESTAMO - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Lisboa	Real estate funds management	SAGESTAMO, SGPS, S.A.	100,00%	100,00%
TAP - Transportes Aéreos Portugueses, S.A.	Lisboa	Air transport	TAP, SGPS, S.A.	100,00%	100,00%
TAPGER - Sociedade de Gestão e Serviços, S.A.	Lisboa	Management services	TAP, SGPS, S.A.	100,00%	100,00%
CATERINGPOR - Catering de Portugal, S.A.	Lisboa	Catering	TAPGER, S.A.	51,00%	51,00%
L.F.P. - Lojas Francas de Portugal, S.A.	Lisboa	Tax “free shops” exploitation	TAPGER, S.A.	51,00%	51,00%
MEGASIS - Soc. de Serviços e Engenharia Informática, S.A.	Lisboa	Computer engineering services	TAPGER, S.A.	100,00%	100,00%
U.C.S. - Cuidados Integrados de Saúde, S.A.	Lisboa	Health care services	TAPGER, S.A.	100,00%	100,00%

Name	Location	Main activity	Entity	Share capital owner % of share capital by its direct owner 31 Dec 2014	 31 Dec 2013
Aeropar Participações, S.A.	Brazil	Air transport	TAP, SGPS, S.A. PORTUGÁLIA	99,00% 1,00%	99,00% 1,00%
PORTUGÁLIA – Companhia Portuguesa de Transportes Aéreos, S.A. ("PORTUGÁLIA")	Lisboa	Air transport	TAP, SGPS, S.A.	100,00%	100,00%
TAP – Manutenção e Engenharia Brazil, S.A. (ex-VEM)	Brazil	Air transportation maintenance and engineering	Aeropar Participações TAP, SGPS, S.A.	47,64% 51,00%	47,64% 51,00%
MARL – Mercado Abastecedor da Região de Lisboa, S.A.	Lisboa	Development, implementation, building and direct or indirect management of MARL	SIMAB, S.A.	87,87%	87,87%
MARB – Mercado Abastecedor da Região de Braga, S.A.	Braga	Development, implementation, building and direct or indirect management of MARB	SIMAB, S.A.	83,35%	83,35%
MARF – Mercado Abastecedor da Região de Faro, S.A.	Faro	Development, implementation, building and direct or indirect management of MARF	SIMAB, S.A.	74,68%	74,68%
MARE – Mercado Abastecedor da Região de Évora, S.A.	Évora	Development, implementation, building and direct or indirect management of MARÉ	SIMAB, S.A.	68,85%	68,85%

(a) – in 2014 AdP Timor-Leste activity was reactivated (inactive since 2006).
(b) – liquidation in 2014.

2f - Associates

It is considered as associate companies all entities over which PARPÚBLICA Group has a significant influence and that are neither a subsidiary nor an interest in a joint venture. Significant influence was deemed as the power to participate in the financial and operating policy decisions of the invested company but not as control or joint control over those policies. The existence of a significant influence was considered, when PARPÚBLICA directly or indirectly holds 20% or more of the voting power in the invested company.

Entities qualified as associates, excepting those whose shares are classified as non-current assets held for sale (see note 21) are as follows:

Name	Location	Main activity	Entity	Share capital owner % of share capital by its direct owner 31 Dec 2014	 31 Dec 2013
CVP - Sociedade de Gestão Hospitalar, S.A.	Lisboa	Health care management	PARPÚBLICA, SGPS, S.A.	45,00%	45,00%

Name	Location	Main activity	Entity	Share capital owner % of share capital by its direct owner 31 Dec 2014	31 Dec 2013
Parcaixa, SGPS, SA	Lisboa	Public investment management	PARPÚBLICA, SGPS, S.A.	49,00%	49,00%
INAPA – Investimentos Participações e Gestão, SA (a)	Lisboa	Public investment management	PARPÚBLICA, SGPS, S.A.	8,26%	32,72%
ISOTAL - Imobiliário do Sotavento Algarvio, S.A.	Faro	Tourism development	PARPÚBLICA, SGPS, S.A.	31,05%	31,05%
ORIVÁRZEA, S.A.	Benavente	Rice selling and production	COMPANHIA DAS LEZÍRIAS, S.A.	27,12%	27,12%
CRL – Companhia das Lezírias e Associados Renováveis, Lda	Benavente	Timber and forest product industry	COMPANHIA DAS LEZÍRIAS, S.A.	20,00%	20,00%
Multicert - Serviços de Certificação Eletrónica	Lisboa	Electronics certification	INCM	20,00%	20,00%
Trevoeste (b)	Alcobaça	Water sanitation	AdP, SGPS	43,24%	43,24%
Miese (b)	Vila Real		AdP Energias, S.A.	40,00%	40,00%
SML – Sociedade Mineira do Lucapa, Lda (c)	Angola	Diamond mining.	SPE, S.A.	49,00%	49,00%
SPdH – Serviços Portugueses de Handling, S.A. ("SPdH")	Lisboa	Handling	TAP SGPS, SA PORTUGÁLIA	43,90% 6,00%	43,90% 6,00%
Propnery – Propriedade e Equipamentos, S.A.	Castelo Branco	Real estate management	PARPÚBLICA, SGPS, S.A.	41,82%	41,82%
CTT – Correios de Portugal, S.A. (d)	Lisboa	Postal services	PARPÚBLICA, SGPS, S.A.	-	30,00%

(a) At the Extraordinary General Assembly of August 06, 2014 a provision was approved foreseeing not considering the votes during the period in which the preference shares give the right to vote (attributed at April 23 of 2014), related to shares held by one shareholder or by shareholders that together with him are subject to the same domain, that exceed a third of the total votes corresponding to the share capital. So, the 49 084 738 shares of INAPA held by PARPÚBLICA will represent 8, 26% of the voting rights (31DEC13: 32, 72%), since PARPÚBLICA and PARCAIXA are under the same control, the State. PARPÚBLICA no longer has significant influence and the investment in INAPA is now classified in financial Assets available for sale and measured at fair value with variations recognized in Other comprehensive income.

(b) Entity with no activity in 2014, in liquidation phase.

(c) Entity with no activity and facing bankruptcy

(d) In the beginning of 2014, CTT's shares related to 1,5% of equity were re-bought, under a put option up to 6,364% of shares, exercised by the financial entities responsible for the placement of shares within the privatization process. In the beginning of September 2014, there was an assets de-recognition relating to the sale of the total portfolio shares (31,5%), through an institutional sale operation with accelerated book building.

A summary of the financial information of the associated companies:

Associated Companies	Total assets 2014	Total assets 2013	Liabilities 2014	Liabilities 2013	Total revenue and gains 2014	Total revenue and gains 2013	NP 2014	NP 2013
CLR – Companhia das Lezírias e Associados Renováveis, Lda	3	3	3	3	0	0	0	0
CVP - Sociedade de Gestão Hospitalar, S.A.	39.331	38.555	28.037	27.695	37.940	37.353	434	579
ISOTAL - Imobiliário do Sotavento Algarvio, S.A.	191	203	3	3	0	4	-9	-6
Miese	13	11	28	13	N.d.	N.d.	-15	-21
Multicert - Serviços de Certificação Eletrónica	2.730	4.131	1.427	2.853	4.456	2.989	131	-1.077
ORIVÁRZEA, S.A.	15.349	15.382	7.916	8.636	21.192	20.427	730	662
Parcaixa, SGPS, S.A.	974.025	965.821	14.148	15.366	19.546	21.657	16.260	15.195
SPdH – Serviços Portugueses de Handling, S.A. ("SPdH")	25.368	22.444	25.087	25.520	108.977	N.d.	2.356	2.126
Propnery - Propriedades e Equipamentos, S.A.	3.338	3.543	718	628	207	181	-294	-251
Trevoeste, S.A. (ii)	N.d.	3.201	N.d.	787	N.d.	N.d.	N.d.	-40

(i) - Company with no activity
(ii) - Company undergoing liquidation
N.d. - Information not available

On acquisition of the investment in associates any difference between the cost of the investment and the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for and included in the carrying amount of the investment.

Investments in associates were accounted for the equity method, whereby the investment is initially recognized at cost and afterward adjusted in relation to the post-acquisition evolution of the net assets share of the invested companies by the Group. The Group profit and loss includes its own share in the invested companies results and the Group other comprehensive income includes its share in the invest companies other comprehensive income.

If the Group's share in losses of an associate equals or exceeds its interest in the associate, the recognition of further losses is discontinued; after the investor's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments in the name of the associate.

After the equity method, IAS 39 requirements were applied, so as to determine whether it would be necessary to recognize any loss by additional impairment, considering the interest of the Group in each one of the associates.

2g – Property, plant and equipment

Property, plant and equipment of PARPÚBLICA Group are measured at cost less accumulated depreciation and accumulated impairment losses.

In the initial recognition of an asset, the PARPÚBLICA Group considers in the respective cost: (i) its purchase price; (ii) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and (iii) the initial estimate of the costs of dismantling and removing the item and restoring the site on which is located.

The direct expenses related with technical areas involved in the construction of assets for the PARPÚBLICA Group are capitalised as tangible asset. This capitalisation is based on the internal resources used and allocated time, and recognised in the statement of profit or loss as own work capitalised.

Direct expenses with the tangible assets shall only be considered as such, if it can be proved that they will bring future economic benefits for the Group. All expenses with maintenance and reparation of assets are considered as cost, on an accrual basis.

PARPÚBLICA Group calculates the depreciation of its property, plant and equipment by applying the straight-line method, according to the following estimated useful life (in years):

Property, plant and equipment	**Useful life**
Land and natural resources	5 to10
Buildings and other constructions	4 to 50
Basic equipment	3 to 25
Transport equipment	4 to 10
Administrative equipment	4 to 16
Tools and utensils	4 to 20
Other tangible fixed assets	4 to 10

When there is an indication that an asset may be impaired, its recoverable value is estimated and an impairment loss is recognized whenever the net value of an asset exceeds its recoverable amount. The PARPÚBLICA Group recognizes those impairment losses in profit or loss for the period.

The recoverable amount is determined as the highest of an asset's fair value less costs to sell and its value in use. Value in use is the current value of the future cash flows expected to be derived from the continuing use of the asset and from its ultimate disposal in the end of its useful life.

The carrying amount of an item of property, plant and equipment is derecognized by PARPÚBLICA Group in the following situations: (i) on disposal and (ii) when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property, plant and equipment: (i) is included in profit or loss for the period when the item is derecognized and (ii) is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

2h – Investment properties

Investment properties of PARPÚBLICA Group come from the real estate properties held with the purpose to earn rentals, from capital appreciation or both.

Investment properties are initially measured at cost, including direct transaction costs. After initial recognition, investment properties are measured at fair value, reflecting the market conditions. Fair value measurements are based in independent evaluations held at the end of each reporting period.

Gains or losses arising from changes on fair value of investment properties are recognized in the profit or loss of the period in which they occur.

Investment properties shall be derecognized on disposal or when they are permanently withdrawn from use and no future economic benefits are expected from its disposal.

2i - *Goodwill*

The goodwill represents the excess of the cost of an acquisition, in a business combination, over the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. The cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree plus any cost directly attributable to the business combination.

The *goodwill* of subsidiaries acquisitions is classified as non-tangible assets and the *goodwill* of associate's acquisitions is included in investment in associates.

The *goodwill* is annually subject to impairment tests and is carried to cost, less the accumulated losses of impairment.

Gains or losses from the disposal of an entity include the related *goodwill* value.

2j – Other intangible assets

Other intangible assets of PARPÚBLICA Group are recognized at cost, less accumulated amortization and accumulated impairment losses.

PARPÚBLICA Group calculates the amortization of other intangible assets applying the straight-line method, according to the following estimated useful lives (in years):

Other intangible assets	**Useful life**
Development expenses	3
Commercial and industrial rights	3 to 10
Software	3
Service concession rights	50

2k – Impairment of assets in general

Intangible assets that do not have definite useful lives are not amortized, but are subject to annual impairment tests, as it happens, for instance with *goodwill*. Amortizable assets are revised as to impairment, whenever events or changes in the involving conditions indicate that its carrying amount exceeds its recoverable amount. An impairment loss is recognized when the recoverable amount of an asset is less than its carrying amount. If it is not possible to assign a recoverable amount to a certain asset, it shall be aggregated to other assets, in order together to generate independent cash flows and, so, form a UGC (dash generating unit). Whenever there is an impairment loss in a CGU, which *goodwill* has been allocated to, the loss shall be allocated prior to the *goodwill*, and the remaining shall be rated among the assets, which compose it, based upon the net value of the balance of these assets. In this distribution among the assets, the adjusted value of each asset cannot be lower than the highest among the value of an asset deducted from sale expenses, its value of use, and 0 (zero).

Impairment loss is recognised in the consolidated income statement. The asset amortization shall be prospectively adjusted according to its amortizable value adjusted by the carrying impairment loss.

2l – Biological assets and agriculture produce

Biological assets are measured at their fair value less estimated point-of-sale costs. In the situations where the fair value cannot be reliably measured, the biological assets are measured at its cost less any accumulated depreciation

Agricultural produce is measured at its fair value less estimated point-of-sale costs at the point of harvest. The carrying amount on harvest date will be the amount to recognize on inventories.

A gain or loss arising on initial recognition of a biological asset at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological asset is included in the net profit or loss for the period in which it arises.

A gain or loss arising on initial recognition of an agriculture produce at fair value less estimated point-of-sale costs is included in the net profit or loss for the period in which it arises.

An unconditional Government grant related to a biological asset or to an agricultural produce measured at fair value less estimated point-of-sale costs is recognised as income whenever the Government grant becomes receivable.

If a Government grant related to a biological asset measured at fair value less estimated point-of-sale costs is conditional, PARPÚBLICA Group recognizes the grant as income when, and only when, the conditions attached to the Government grant are fulfilled.

2m – Other financial assets

The financial assets covered by IAS 39 are classified according to each of the following categories, depending on the purpose of the purchase of the asset:

- Financial assets at fair value through profit or loss are financial assets that were designated as such or are classified as held for trading, so that are held by PARPÚBLICA Group for the main purpose of generating short term profit and include derivatives not classified as hedging instruments. They are initially measured at fair value, and any subsequent changes in their fair values are directly recognized in profit or loss.

- Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the PARPÚBLICA Group has the positive intention and ability to hold to maturity. These assets are initially measured at fair value plus direct transaction costs, and subsequently are measured at amortized cost using the effective interest method.

- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially measured at fair value plus direct transaction costs, and subsequently are measured at amortized cost using the effective interest method.

- Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified in any of the previous categories. They are initially recognized at fair value plus direct transaction costs , and any subsequent changes in fair value are directly recognized in equity, with the exception of impairment losses and foreign exchange gains and losses, until the de-recognition of the asset, moment in which the cumulative gain or loss previously recognized in equity will be recognized as profit or loss. Dividends on available-for-sale equity instruments are recognized in profit or loss when the entity's right to receive payment is established.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured (as well as derivatives that are linked and that must be settled by delivery of such unquoted equity instrument), are measured at cost.

A financial asset is derecognized when (i) the contractual rights to the cash flows from the financial assets expire; (ii) all risks and benefits associated to the holding of that asset have been substantially transferred; or (iii) despite the risks and the benefits have not been substantially transferred, the Group did not hold back the control over that asset.

The PARPÚBLICA Group evaluates on a regular basis whether there is objective evidence that a financial asset or a group of financial assets not measured at fair value through profit or loss, have any indications of impairment, and in that case, the future discounted cash flows arising from the asset are estimated and an impairment loss is recognised.

When there is any evidence of impairment in available-for-sale financial assets, the accumulated potential loss recognized in equity (corresponding to the negative variations in their fair value) is transferred to profit or loss. For the remaining categories of financial assets measured at cost or amortized cost (including investments in equity instruments measured at cost), the recognized impairment losses are directly recognized in profit or loss.

If in a subsequent period the amount of impairment loss decreases, and such fact is objectively related to an event which occurs after the recognition of impairment, the previously recognized impairment loss is reverted, not surpassing, however, the amortized cost which would result, had the impairment not been recognized, on the date on which it was reverted.

In the case of investments in equity instruments measured at cost, as well as investments in equity instruments classified as available-for-sale, the recognized impairment losses are not reversible. In the case of investments in debt instruments classified as available-for-sale, the reversal of those losses is recognised in the profit or loss.

2n – Inventories

Inventories are measured at the lowest of cost and net realizable value. The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their current location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Differences between inventories' cost and its net realisable value, when lower, as well as the price of potentially outdated materials, are recognized in impairment losses of inventories.

The cost of inventories is assigned by using the weighted average cost formula.

The inventories concerning the biological assets related to the agricultural activity and the agricultural produce at the time of harvest are dealt according to IAS 41, as referred to in Note 2l.

2o – Cash and bank deposits

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2p – Non-current assets held for sale and related liabilities

PARPÚBLICA Group classifies a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use if they were in perfect conditions for immediate sale that has to be highly likely and achievable for recognition a year after its classification.

It is expected that the sale of non-current assets or disposal groups will be completed within one year from the date of classification as held for sale. Despite maintaining a commitment to sell those assets or disposal groups, there may occur events and circumstances beyond the control of the PARPÚBLICA Group that require the extension of the period to complete the sale beyond a year, in these cases the classification as held for sale is maintained.

Non-current assets or disposal groups classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. Immediately before the initial classification of the asset or disposal group as held for sale, the respective carrying amounts were measured in accordance with the applicable IFRS. On the other hand, impairment losses are recognized for all reductions of the asset or group of assets for sale over its fair value less costs of sale, and gains are recognized for every increase in value from its fair value less cost of sale to limit of its initial carrying amount.

The financial investment held by AdP Group in Empresa Geral do Fomento's equity was classified as held for sale, as detailed in note 21.

2q – Equity instruments

A financial instrument is classified as being an equity instrument, when it evidences a residual interest in the assets of an entity after deducting all of its liabilities. Costs directly attributable to the issue of such equity instruments are recognized as a deduction to the value of the issue.

Dividends attributed to holders of equity instruments issued by PARPÚBLICA Group are only recognized as liabilities or payment and directly debited in the equity in the financial year in which these distributions are approved by the shareholder of PARPÚBLICA Group.

2r – Provisions, contingent assets and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions and are recognized for its present value whenever time value of money is significant.

Contingent assets and liabilities are not recognized in the financial statements. In the cases in which the possibility of an outflow of resources that incorporate economic benefits is remote, or if it is less probable that an inflow of economic benefits occur, the respective contingent liabilities or contingent assets are not disclosed.

2s – Derivative financial instruments and hedge accounting

Derivative financial instruments are recognized at fair value on the date of their negotiation. Subsequently, the fair value of derivative financial instruments is measured in a regular basis, and changes in fair value (gains or losses) are recognized in profit or loss, except for fair value changes on hedging derivatives. The recognition of the hedging derivatives variations at fair value in profit and loss depends on the hedged risk and the used hedging model.

The fair value of the derivative financial instruments corresponds to their market value, when available, or, in its absence, it is determined by external entities based upon valuation techniques, including the discounted cash flow model and models of evaluation of options, according to what is most appropriate.

PARPÚBLICA Group uses derivative financial instruments to cover its risks. The derivatives, which do not qualify for hedge accounting, are registered as negotiation derivatives.

The hedging instruments are registered at their fair value, and the gains or losses are recognized according with the hedging accounting model adopted by the PARPÚBLICA Group.

A hedging relationship is qualified for hedge accounting if, and only if, all of the following conditions are fulfilled:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity’s risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how it will be assessed the hedging instrument’s effectiveness in offsetting the exposure to changes in the hedged item’s fair value or cash flows attributable to the hedged risk.

- The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship.

- For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.

- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured.
- The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

On a fair value hedging operation of an asset or liability, the balance value of that asset or liability, based on its specific accounting policy, is adjusted so that it reflects the change of the fair value attributed to the hedged risk. Fair value changes of hedging derivatives are recognized in profit or loss, together with the changes of fair value on the assets or liabilities attributed to the hedged risk. If the hedging operation ceases to fulfil the hedge accounting criteria, the derivative financial instrument is transferred to held for trading portfolio and the hedge accounting is discontinued prospectively and the hedged asset or liability will then be measured according with the financial category in which they belong.

On an operation of hedging the exposure to variations in cash flows that are highly probable, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized directly in equity, and will be transferred to profit or loss in the periods in which the hedged item will affect profit or loss. The ineffective portion of the gain or loss on the hedging instrument shall be recognized in profit or loss. Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognized immediately in profit or loss.

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for similarly to cash flow hedges. The gain and loss from the hedging instrument related with the hedging efficiency portion directly recognized in equity, is recognised in profit and loss when the foreign operating unit is alienated.

The derivatives embedded in financial instruments are separately handled whenever the economic risk and benefits of the derivative are not related with those of the main instrument and whenever the latter is not accounted at fair value with impact in profit and loss of the year. The embedded derivatives are registered at fair value and their variations are recorded in the profit and loss of the year.

2t – Other financial liabilities

A financial instrument is classified as a financial liability whenever there is a contractual obligation to deliver cash or another financial asset to another entity, independently of its legal form. These financial liabilities are initially measured at fair value less transaction costs directly attributable to the issue of the financial liability, and subsequently measured by the amortized cost, using the effective interest method.

2u – Employee benefits

PARPÚBLICA Group attributes post-employment benefits to a part of its employees, through defined benefit plans, namely pension plans which guarantee survival, disability and age retirement complements, anticipated retirement pensions and healthcare during the retirement and the anticipated retirement periods. However, beyond the defined benefit plans, some subsidiaries of PARPÚBLICA Group give post-employment benefits to its employees, through defined contribution plans.

The established benefits plans are financed through pension funds, complemented by specific provisions, whenever necessary.

In this context, PARPÚBLICA Group determines the deficit or surplus (current value of the defined benefits, less the fair value of the assets of the plan, should they exist), (i) using an actuarial method, the projected unit credit method, to make a reliable estimate of the final cost for the entity of the benefits the employees get as reward for the service rendered during the current and the previous periods; (ii) discounting that benefit as to determine the current value of the defined benefits obligation and the current cost of the service, and (iii) deducting the fair value of any asset of the plan from the current value of the defined benefit obligation.

Annually, at the closing balance date, the responsibilities of PARPÚBLICA Group are calculated on a regular basis by independent experts, individually for each plan, based upon the Projected Credit Unit Method, and in this way the present value of its definite benefits obligations and the respective current service costs are determined.

Past services costs are recognized in profit and loss during the alterations period of the plan. The net interest amount over liabilities (assets) net of defined benefits is estimated according to the discount rate to liabilities (assets) net of established benefits.

Defined benefits costs comprise:

- Service cost (including the current service cost, past service cost and gains and losses at the time of liquidation), booked in profit and loss in staff expenses
- Net interest over liabilities (assets) net of defined benefits, booked in profit and loss in staff expenses
- Re-measurement of liabilities (assets) net of defined benefits, booked (actuarial gains and losses, return of plan assets, except the amounts included in the net interest over liabilities (assets) net of defined benefits and any change of the effect of the assets maximum limit, except the amounts included in the net interest over liabilities (assets) net of defined benefits) booked in other comprehensive income.

The responsibilities are determined through certain actuarial assumptions. The actuarial assumptions are the Group's best available estimates of the variables, which will determine the final cost of providing post-employment benefits. The actuarial assumptions comprise:

- Demographic assumptions on the future features of current and former employees (and their dependent relatives) which are eligible to receive the benefits. The demographic assumptions deal with matters such as:
  - (i) mortality, either during or after the time of employment;
  - (ii) rotation, disability and anticipated retirement ratios of the employees;
  - (iii) the proportion of the members of the plan, when dependents, who are eligible to receive benefits; and
  - (iv) claim ratios, according the medical plans.

- Financial assumptions, dealing with items such as:
  - (i) discount rate;
  - (ii) levels of future wages and of benefits;
  - (iii) in the case of medical benefits, future medical costs including, when material, the cost of managing claims and payments of benefits; and
  - (iv) expected return rate of the assets of the plan.

2v – *Leasing*

According with IAS 17, the PARPÚBLICA Group classifies the *leasing* operations as finance *leasing* or operating *leasing*, in accordance with their substance and financial reality and not merely with their legal form.

The financial *leasing* contracts are recorded on the date of their inception, as assets and liabilities, at the cost of acquisition of the leased property, or (if lower) at the present value of future lease instalments. Lease instalments include: (i) finance charges charged directly to profit or loss; and (ii) reduction of the lease obligation deducted from liabilities. The financial expenses are recognized as costs during the lease period, so as to achieve a constant rate of interest on the remaining balance of the liability for each period.

The *leasing* payments under operating *leasing* contracts are registered as an expense in the period in which they occur, on a straight-line basis during the lease period.

The PARPÚBLICA Group presents in the balance sheet the leased assets to thirds (operating *leasing*) according to the nature of the asset.

The income from operating *leasing* contracts is recognized as income on a straight-line basis during the lease period.

The initial direct costs incurred are added to the carried amount of the leased asset, and recognized as an expense during the lease period, on the same basis of the lease income.

IAS 36 provisions are applied to determine the possible impairment of the leased asset.

2w – Recognition of expenses and losses and of revenues and gains

Expenses and revenues are recognised in the period, to which they refer to, on an accrual basis, independently of their payment or receipt. Differences between the paid and received amounts and their respective expenses and revenues are registered as liabilities and as assets, respect.

Revenue from the sale of goods is recognised when all the following conditions have been fulfilled:

- The PARPÚBLICA Group has transferred to the buyer the significant risks and rewards of the ownership of the goods;
- The PARPÚBLICA Group retains neither continuing management involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be reliably measured;
- The economic benefits associated with the transaction will probably flow to the Group; and
- The costs incurred or to be incurred related to the transaction can be reliably measured.

Revenue from services rendered is recognised when the outcome of that transaction can be reliably estimated, as follows:

- The amount of revenue can be reliably measured;
- The economic benefits related to the transaction will probably flow to the Group;
- The stage of completion of the transaction at the balance sheet date can be reliably measured; and
- The costs incurred by the transaction and the costs to complete the transaction can be reliably measured.

Revenue arising from the use by others of the PARPÚBLICA Group's assets, yielding interest, royalties and dividends is recognised when:

- The economic benefits related to the transaction will probably flow to the Group; and
- The amount of revenue can be reliably measured.

Revenue from the use of those assets is recognised on the following basis:

- Interests are recognised using the effective interest method;
- Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement; and
- Dividends are recognised when (as shareholder) the Group PARPÚBLICA's right to receive the payment is established, except for associates where revenue corresponds to the result attributable to the shareholding.

Revenues and expenses of construction contracts are recognised according with the stage of completion method.

Own work capitalized essentially correspond to the costs associated to the performance and repair of the Group's own equipment, and include costs with materials, direct man-power and general expenses.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset classified as part of the cost of that asset, are subject to capitalization. Other borrowing costs are recognised as an expense in the period in which they incur, in accordance with the principle of accrual -based accounting and according to the effective interest rate method.

The capitalization of those expenses starts as from the beginning of the reparation of the activities of construction or development of the asset and stops as from the date the asset starts to be used or when the execution of the referred project stays suspended or substantially finished.

Although the interest rate of the bonds with embedded option has been established having also into account the evolution estimates of the value of the underlying shares and, therefore, the option value, the difference between the variations at fair value in the options and in the shares are included in the item " variations at fair value" of the income statement and not as a complement or mitigation of the recognized interests in funding expenses, as these variations are considered to have a strict relation with the re-privatizations operations of the assets they supported.

Government grants are recognized at fair value when there is the reasonable assurance that the PARPÚBLICA Group will comply with the conditions attached to it, and that the grant will be received. Government grants related to assets are booked as deferred income and recognised in the profit or loss, in the proportions in which depreciation on those assets is charged. Government grants related to income are recognized as income over the periods necessary to match them with the related costs, which they are intended to compensate, on a systematic basis. Government grants related to biological assets are treated as described in Note 2l.

2x – Income tax

Income tax comprises current tax and deferred tax. Current tax is the amount of income tax to be paid or to be received regarding the net profit or loss for the period. Deferred taxes are assessed on the temporary differences between the accounting values of the assets and the liabilities and their tax base, by using the tax rates approved or substantially approved on the balance sheet date in each jurisdiction, and which are expected to be applied, when the temporary differences are reversed.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized, unless those temporary difference arises from the initial recognition of an asset or liability in a transaction that:

- It is not a business combination; and
- At the time of the transaction, it affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for all taxable temporary differences, except when that deferred tax results from:

- The initial recognition of the goodwill; or
- The initial recognition of an asset or liability in a transaction that is not a business combination and does not affect, at the moment of that transaction, either the accounting profit or the taxable profit.

Deferred Tax Assets shall be recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available. The uncertainty of recoverability of tax losses carried forward and unused tax credits is considered in the calculation of deferred tax assets.

2y – Foreign currency transactions

Transactions in foreign currency are translated at the exchange rate in force at transaction date. Monetary assets and liabilities denominated in foreign currency are translated into euro at the exchange rate in force at the reporting balance sheet date. Exchange differences resulting from this conversion are recognized in profit and loss. Non-monetary assets and liabilities recorded at historical cost denominated in foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies recorded at fair value are translated at the exchange rate in force on the date on which the fair value was determined.

The financial statements of subsidiaries, joint ventures and associated companies whose functional currency differs from the euro are translated into euro as follows:

- Each balance sheet assets and liabilities are translated at the exchange rate at the date of the balance sheet;
- The income, expenses and cash flows highlighted in each financial statement are translated at the exchange rates at the dates of transactions; and

All resulting exchange differences are recognised in equity.

2z – Regulated activities – recognition of regulatory assets and liabilities

The managing companies of the MMS (multi-municipal systems) operate under regulated activities. The major effect of regulation over the activities of these companies is the scrutiny that the regulatory entity (ERSAR- DL 362/98 of November 18, with the amendments introduced by DL 151/2002 of May 23 and DL 277/2009 of October 2) uses in determining the rate to apply to services rendered and as well in the corresponding annual budget.

Taking into account the hierarchy established in IAS 8, the companies of the Group with regulated activities adopted the international rules applied to the companies which act in markets with such characteristics (namely FAS 71, issued by FASB and the new IFRS issued by FASB about regulated activities). Therefore, a set of criteria was determined for recognition of assets and liabilities related with regulatory rules. These rules determine that a company should recognize in its financial statements the effects of its operating activity, as long as it provides services with prices subjected to regulatory provisions.

The activity of MMS Companies of AdP Group is regulated by the calculation of prices by a third entity (Ministry of Environment) according to the opinion of the regulator - ERSAR, I.P., Entidade Reguladora dos Serviços de Água e Resíduos, I.P., and therefore being under its regulation.

In conclusion, it is required that a company recognises regulatory assets and liabilities if the regulator allows the recovery of the expenses previously incurred or the reimbursement of the amounts previously charged, and to be paid for its regulated activities, through adjustments in the price charged to customers. It means that, when there is the right to increase, or the obligation to reduce the prices in coming periods as result of the current or expectable practice of the regulator, (i) the company should recognise a regulatory asset that allows the recovery of expenses previously incurred and get a certain remuneration, or; (ii) the company should recognise a regulatory liability that allows the reimbursement of the amounts previously charged and the payment of a certain remuneration. The effects of applying the before mentioned requirements are the recognition of the initial asset (or liability), that otherwise would be recognised in the profit or loss, as an expense (or an income).

Not only the tariff deviations, but also accrual costs for future contractual investment are included in this category. Thus, according to the rule of recognition of regulatory assets and liabilities, these assets (and/or liabilities) should be recognised in the balance sheet since the recovery of its cost (and/or refund) is eligible for the purpose of determining the rate by the regulator in subsequent periods assuring the correct balance between incomes and expenses.

a) Tariff deviation of assets and liabilities

In legal terms, the shareholders of the of AdP Group concession companies have the right to a guaranteed remuneration of the invested capital as foreseen by law and as established in the concession contracts containing the criteria for the establishment of rates or annual granted remuneration, based in the full recovery of the investment, operational, financial expenses, taxes and also a fitted remuneration of the equity of the concession companies. Potentially, it can also be added remuneration for efficiency gains.

Therefore, annually, the difference between the profit generated by its operations and the equity remuneration granted should be calculated and the gross value registered as income– tariff deviations – and the related tax as income tax, against the balance sheet, as required in the recognition of regulatory assets and liabilities.

The revenue from the tariff deviation corresponds to the credit or debit adjustments to be made to the revenue from regulatory activities, in a way that it shows the profit required to comply with the agreement terms regarding the full recovery of the expenses, including income tax (IRC), and the annual guaranteed remuneration.

If it is a positive difference (performed tariff > necessary tariff), a negative tariff deviation occurs and it should be registered by debiting revenue. This situation originates a deferred tax asset, regarding the adjustment in income tax. The net effect corresponds to the correction of profit or loss for the year in order to recover in full the expenses incurred and the annual guaranteed remuneration.

If it is a negative difference (performed tariff < necessary tariff), a positive tariff deviation occurs and it should be registered by crediting revenue. This situation originates a deferred tax liability, regarding the adjustment in income tax. The net effect corresponds to the correction of profit or loss for the year in order to recover in full the expenses incurred and the annual guaranteed remuneration.

a) *Costs accruals to contractual investments and depreciations policy*

In compliance with the concession and partnership management agreements and with regulatory rules, and whenever applicable, it is registered the annual share of estimated expenses to face contractual expenses in investments not yet performed (regulated) or in expansion and modernization investments (regulated) in the concession or partnership.

For the assets with useful lives longer than the concession agreement period (that will be materialized in the right to use the infrastructures – IFRIC 12), the amortization of the initial investments or of the future investments approved or demanded by the Grantor related with expansion or modernization of the initial obligations, are recognised throughout the concession period. However, additional expansion or modernization investments, whose useful lives are longer than the concession period, and a residual amount is presented, will give place to an indemnity corresponding to the unamortized amount at the end of the concession period.

Amortizations are calculated taking into account the initial investments and the investments yet to realize, that are included in the economic and financial feasibility study, based on effluent flow rates billed in the period and the effluents to bill until the end of the concession that are predicted in the feasibility study. They are recognized in profit and loss as accumulated depreciation and accrued costs for contractual investment in liabilities.

2aa – Services in the scope of water and waste concessions

Concessionary companies from AdP Group engaged in activities that constitute services of general economic interest (30 inter municipal grants and partnerships – 11 of waste and 19 of water and sanitation) are the following**:**

Water and sanitation	Concession/ Partnership	Term	Period	Aditions under considerations by grantor	Shareholder's remuneration	
					Rate	Basis [1]
Águas do Algarve	Concession	30 years	2001-2031	37 years	OT 10 years + 3%	S. Capital+Legal Reserve
Águas do Centro	Concession	30 years	2001-2031	50 years	OT 10 years + 3%	S. Capital+Legal Reserve
Águas do Centro Alentejo	Concession	30 years	2003-2032	50 years	OT 10 years + 3%	S. Capital+Legal Reserve
Águas do Douro e Paiva	Concession	30 years	1996-2026	-	OT 10 years + 3%	S. Capital+Legal Reserve
Águas do Mondego	Concession	35 years	2004-2039	-	OT 10 years + 3%	S. Capital+Legal Reserve
Águas do Norte Alentejano	Concession	30 years	2001-2030	50 years	OT 10 years + 3%	S. Capital+Legal Reserve
Águas do Noroeste	Concession	50 years	2010-2060	-	OT 10 years + 3%	S. Capital+Legal Reserve
Águas do Oeste	Concession	35 years	2001-2035	-	OT 10 years + 3%	S. Capital+Legal Reserve
Águas da Região de Aveiro	Partnership	50 years	2009-2059	-	OT 10 years + 3%	S. Capital+Legal Reserve
Águas de Santo André	Concession	30 years	2001-2030	-	OT 10 years + 3%	S. Capital+Legal Reserve
Águas de Trás-os-Montes	Concession	30 years	2001-2031	50 years	OT 10 years + 3%	S. Capital+Legal

						Reserve
Águas do Zêzere e Côa	Concession	30 years	2000-2030	50 years	OT 10 years + 3%	S. Capital+Legal Reserve
Águas Públicas do Alentejo	Partnership	50 years	2009-2059	-	OT 10 years + 3%	S. Capital+Legal Reserve
Sanest	Concession	25 years	1995-2020	-	TBA + 3%	S. Capital+Legal Reserve
Simarsul	Concession	30 years	2004-2034	-	OT 10 years + 3%	S. Capital+Legal Reserve
Simdouro	Concession	50 years	2009-2059	-	OT 10 years + 3%	S. Capital+Legal Reserve
Simlis	Concession	30 years	2000-2029	50 years	Euribor 6 months + 3%	S. Capital+Legal Reserve
Simria	Concession	50 years	2000-2049	-	OT 10 years + 3%	S. Capital+Legal Reserve
Simtejo	Concession	43 years	2001-2044	-	OT 10 years + 3%	S. Capital+Legal Reserve

Waste	Concession/ Partnership	Term	Period	Shareholder's remuneration	
				Rate	Rate
Algar	Concession	25 years	1996-2021	TBA + 3%	S. Capital+Legal Reserve
Amarsul	Concession	25 years	1997-2022	TBA + 3%	S. Capital+Legal Reserve
Ersuc	Concession	33 years	1997-2030	TBA + 3%	S. Capital+Legal Reserve
Resiestrela	Concession	25 years	2003-2027	TBA + 3%	S. Capital+Legal Reserve
Resinorte	Concession	30 years	2009-2039	OT 10 years + 3%	S. Capital+Legal Reserve
Resulima	Concession	25 years	1996-2021	TBA + 3%	S. Capital+Legal Reserve
Suldouro	Concession	25 years	1996-2021	TBA + 3%	S. Capital+Legal Reserve
Valorlis	Concession	25 years	1996-2021	TBA + 3%	S. Capital+Legal Reserve
Valorminho	Concession	25 years	1996-2021	TBA + 3%	S. Capital+Legal Reserve
Valorsul	Concession	25 years	2011-2034	OT 10 years + 3%	S. Capital+Legal Reserve
Valnor	Concession	35 years	2001-2036	OT 10 years + 3%	S. Capital+Legal Reserve

(1) In addition to the share capital and legal reserve, when applicable, the shareholder's remuneration shall be calculated over remuneration and debt (undistributed dividends).

The activities of the Group developed under concession by the inter-municipal water supply, sanitation and wastewater treatment and waste recovery services (services in "high") are regulated. These activities are developed in a context defined by the legislation and regulations in force, by the provisions of the public service concession contracts signed with the State and by the provisions and recommendations issued by the regulatory authority of water and waste Services (ERSAR). Weighing up the public interest and the economic and financial balance of the companies in accordance with the concession contract, the regulator may take measures with negative impact on *cash-flow*, with all the adverse consequences resulting from there.

The concessions managed by AdP Group are of BOT type (*Built-Operate-Transfer*), and generally include the reception infrastructure already built by municipalities (on payment or not of a financial consideration), the construction of new infrastructures, the maintenance and its operation. At the end of the term of the concession these infrastructures are transferred back again to the grantor in full state of use. As they do not deter the full enjoyment of the infrastructures (for instance, there are restrictions regarding its sale, pledge as security, etc.), these are classified as intangible assets under IFRIC 12 – Service concession contracts.

Contractually, the concessions are based on models tending to classify the infrastructure as a financial asset, since it does not present any risk, having the right to a guaranteed annual contractual minimum remuneration, whose receipt can be deferred in time, but that is guaranteed. However, the definition of a financial asset, established by IAS 32, is not associated with risk but with the present and unconditional right to receive money or other financial asset. Among the various mechanisms of rebalancing the concession contracts of the companies of AdP Group, being the tariff increase, the direct compensation of the grantor and/or extension of the grant, the deadline extension does not comply with the requirements of that standard (IAS 32), since it is a future right to charge users, which precludes the option for recognition of the financial asset. In this way, the AdP Group companies of SMM or partnership managers classify the system’s infrastructure that they explore as intangible assets –right to use the infrastructures.

According to IFRIC 12, construction services revenue should be recognised in accordance with IAS 11- construction contracts. It should be noted that the AdP Group, in the construction of infrastructures, acts as an "agent"/intermediate, transferring the risks and returns to a third party (who builds), without appropriating any margin, in the course of its operational activity and, therefore, revenue and charges with the acquisition of infrastructure have equal amounts. So, and taking into account the regulated activity of AdP Group companies, the recognized revenue results strictly from the application of tariffs approved by the grantor and scrutinized by the regulator, more or less the underlying tariff deviation, as foreseen in the concession contracts, being the revenue of construction services not recognized.

Intangible assets are recorded at cost of acquisition or production including costs and revenues (net) direct and indirectly related to the investment projects, which are capitalized in assets in progress. The costs that can be capitalised are those related to the carrying out of the investment. Operating costs are allocated to the intangible assets in progress through a percentage calculated on the basis of the staff allocation to the related projects. The finance charges relating to borrowings for the ongoing investment financing are entirely capitalized until its availability for use.

The expenses for expansion or modernisation of infrastructures, through economic regulation of concessions, are specifically remunerated to the extent that they contribute to the formation of the tariff (i.e. have an implicit acceptance of the depreciation recovery by the regulator), thus being accounted as part of the intangible asset. Conservation and maintenance costs, current costs are recognized in the years in which they occur.

The additional investments of expansion or modernisation approved or imposed by the grantor, whose lifetime extends beyond the term of the concession, may resent a residual value that will originate a compensation equivalent to the unamortized value at that date, being these amounts classified as financial assets (value to receive, discounted).

The intangible asset, right to the use of infrastructure, is amortised on a systematic basis in accordance with the related standard for obtaining economic benefits, and they are settled by the economic regulation and by the acceptance of the amortization expenses in the annual formation of tariffs by the regulator.

Depreciations in the companies of UNA-PD are calculated by the sum of units method, that is, by depreciation of contractual investments, included in the economic and financial feasibility study, based on effluent flow rates billed in this exercise and the effluents to bill till the end of the concession provided for in economic and financial feasibility study attached to the concession agreement. The amortizations in the companies of UNR are calculated based on the term of the concession provided for in the economic and financial feasibility study.

2ab – Judgments, estimates and critical assumptions

The preparation of consolidated financial statements according with IFRS requires PARPÚBLICA Group to make certain judgments, estimates and assumptions that affect the application of accounting policies and the amounts of income, expenses, assets and liabilities. Changes in such assumptions or any differences of these assumptions with reality may have impact over the present estimates and judgments. The areas involving a significant level of judgment and complexity, or where assumptions and significant estimates are used in preparing the consolidated financial statements are as follows:

Useful lives of property, plant and equipment and intangible assets

The definition of useful lives of assets, as well as the depreciation or amortization method is critical to determine the amount of depreciation/amortization to recognise on the consolidated income statement. These two parameters are defined according with the management's best judgement for the business and assets in question and also considering the best practices adopted by international related companies.

Fair value for investment properties and biological assets

Investment properties and biological assets that are measured at fair value are subject to independent valuations that are performed in a regular way. These valuations were performed according with the following methods: income method, residual value methods, cost method and market comparing method.

Impairment

The Group performs impairment tests in accordance with the accounting policy described in Note 2k. The recoverable amounts of the assets or of cash-generating units are based on the estimate of values in use or on market values considering the best estimates.

Fair value of financial instruments

The fair value of financial instruments that have no active market is determined through valuations that reflect the "*mark-to-market"* of those instruments. The Group uses valuation techniques and assumptions for the evaluation of derivatives contracted at the reporting date, with supported by experts, and having *inputs* such as interest rate curves, underlying assets and volatilities.

Provisions

Provisions are recognised by the Group for liabilities of uncertain timing or uncertain amount as the result of past events and are measured by the best available estimate in the end of the reporting period.

Whenever the estimate is not available or the existence of the obligation subject to the occurrence (or not) of certain future events, the PARPÚBLICA Group discloses this fact as a contingent liability, unless the assessment of the enforceability of the output of resources for payment is considered remote.

Provisions for ongoing legal cases are settled according to the risk evaluations made by the Group and by its legal consultants, based on historic successful rates, by the nature of the case and feasibility of an unfavourable decision for the Group.

The provisions for future operational losses are not recognized. The provisions are reviewed at the reporting date in order to reflect the best estimate at that date.

Income tax

The Group recognises liabilities for tax additional settlements that may result from reviews by the tax authorities. When the final result of these situations is different from the values initially recorded, the differences will have an impact in the income tax and tax provisions in the fiscal year in which such differences are noted.

3 - Restatements and reclassifications

Comparative amounts were restated and reclassified having into account the following main situations:

	31-Dec-13 (Restated)	Reexpressões	31-Dez-13
ASSETS			
Non current assets			
Property, Plant and Equipment	1.914.974	-	1.914.974
Investment property	545.833	-	545.833
Goodwill	297.530	-	297.530
Intangible assets	4.688.575	-	4.688.575
Biological assets	18.564	-	18.564
Investments in associates	485.821	-	485.821
Other investments	817.871	-	817.871
Other financial assets	4.350.415	-	4.350.415
Deferred tax assets	368.332	-	368.332
Other receivables	281.084	-	281.084
Deferrals	564.509	-	564.509
	14.333.510	**-**	**14.333.509**
Current assets			
Inventories	1.062.225	-	1.062.225
Biological assets	2.797	-	2.797
Trade debtors	734.100	-	734.100
Advances to trade creditors	18.328	-	18.328
Public administrative sector	61.868	-	61.868
Shareholders	54	-	54
Other receivables	271.071	-	271.071
Deferrals	32.773	-	32.773
Other financial assets	6.495	-	6.495
Cash and cash equivalents	926.643	-	926.643
	3.116.352	**-**	**3.116.353**
Non current assets held for sale	249.217	-	249.217
	3.365.570	**-**	**3.365.570**
Total assets	**17.699.079**	**-**	**17.699.079**
EQUITY AND LIABILITIES			
Equity			
Share capital	1.027.151	-	1.027.151
Legal reserves	725.556	-	725.556
Other reserves	9.609	-	9.609
Share of changes in equity of associates	(16.196)	(38.642)	22.445
Retained earnings	1.048.083	47.855	1.000.228
Net profit for the period attributable to equity holders	792.001	(9.213)	801.214
Total equity attributable to equity holders	**3.586.203**	**(0)**	**3.586.203**
Non-controling interests	514.512	-	514.512
Total equity	**4.100.715**	**(0)**	**4.100.715**
Non current liabilities			
Provisions	48.957	-	48.957
Borrowings	5.868.721	-	5.868.721
Retirement benefits obligations	77.097	-	77.097
Deferred tax liabilities	382.613	-	382.613
Public administrative sector	59.898	-	59.898
Other payables	618.523	-	618.523
Other financial liabilities	125.869	-	125.869
Deferrals	2.612.384	-	2.612.384
	9.794.062	**-**	**9.794.062**
Current liabilities			
Provisions	63	-	63
Trade creditors	184.055	-	184.055
Advances from trade debtors	1.722	-	1.722
Public administrative sector	79.761	-	79.761
Shareholders	18	-	18
Borrowings	2.564.167	-	2.564.167
Other payables	880.377	-	880.377
Deferrals	94.138	-	94.138
	3.804.302	**-**	**3.804.302**
Liabilities related with non current assets held for sale	0	-	0
	3.804.302	**-**	**3.804.302**
Total liabilities	**13.598.364**	**-**	**13.598.364**
Total equity and liabilities	**17.699.079**	**(0)**	**17.699.079**

	2013 (Restated)	Reexpressões	2013
Revenue	4.222.465	-	4.222.465
Grants related to income	5.509	-	5.509
Share of profit and loss of associates	8.229	-	8.229
Dividend from investments at cost or at fair value	24.794	-	24.794
Gains in shareholdings' sale	683.241		683.241
Changes in inventories of finished goods and work in progress	(9.403)	-	(9.403)
Own work capitalized	18.130	-	18.130
Inventories consumed and sold	(316.279)	-	(316.279)
Material and services consumed	(2.125.799)	-	(2.125.799)
Employee benefits expenses	(933.911)	-	(933.911)
Increases and reversals of inventories adjustments	(30.264)	-	(30.264)
Increases and reversals of receivables adjustments	(4.394)	-	(4.394)
Increases and reversals of provisions	(382)	-	(382)
Increases and reversals of impairment of non depreciable (amortizable) assets	13.320	-	13.320
Net changes in fair value	109.338	(9.213)	118.551
Other operating income	133.691	-	133.691
Other operating expense	(108.307)	-	(108.307)
Earnings before interest, taxes, depreciation and amortization	**1.689.979**	**(9.213)**	**1.699.192**
Expense/reversals of depreciation and amortization	(421.907)	-	(421.907)
Impairment of depreciable (amortizable) assets (expense/reversals)	(4.749)	-	(4.749)
Grants related to assets	86.576	-	86.576
Earnings before interest and taxes	**1.349.899**	**(9.213)**	**1.359.112**
Interest and other financial income	10.528	-	10.528
Interest and other financial expenses	(437.841)	-	(437.841)
Profit before income tax	**922.585**	**(9.213)**	**931.798**
Net income tax expense	(77.723)	-	(77.723)
Net result for the year	**844.861**	**(9.213)**	**854.075**
Net result of non-controling interest	52.860	-	52.860
Net result for the year of the owners of the parent	**792.001**	**(9.213)**	**801.216**
Result on discontinued operations included in the net result for the year	762.679	7.101	729.995
Result on discontinued operations included in the net result of the owners of the parent	756.907	6.576	729.701
Earnings per share basic and diluted (euro):			
From continued operations and discontinued operations	1,98	-0,02	2,00
From descontinued operations	1,89	0,02	1,82

Restatements and reclassifications at December 31, 2014 related to the reclassification and measurement in financial assets available for sale of investments in non-associated companies (investments in share capital, i.e., shares of REN, GALP – no underlying shares to the embedded option in the bond loan – PT and ZON) that were classified in financial Assets at fair value through gains and losses. The financial assets available for sale are measured at fair value with the variations at fair value recognized in other comprehensive income (not in profit and loss for the year).

4 - Cash flows

Operating cash flows relate essentially to the Air Transport and Related segment with 77% (31DEC13: 70%) of total receipts from trade debtors. In the payments to Trade creditors and staff, this operating segment has a weight of 88% (31DEC13: 81%) and 82% (31DEC13: 64%), respectively.

The financing and investing activities essentially concern to operations with the AdP Group and TAP Group, except the receipts and payments resulting from financial investment of the financing activity and the receipts and payments resulting from the financing activity which mainly include operations with PARPÚBLICA.

The cash flows of the discontinued operations are presented in Note 53.

5 - Property, plant and equipment

Property, plant and equipment	2014 Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Tools and utensils	Administrative Equiment	Other tangible fixed assets	Fixed assets in progress	Advances on tangible fixed assets	Total
Gross value										
Opening balance	330.822	844.036	3.233.852	14.327	31.837	115.136	159.006	16.813	68.265	4.814.093
Aditions	85	1.521	16.589	427	1.146	2.366	410	17.525	10.269	50.337
Tranfers to and from "Held for sale"	(41.919)	(349.154)	(2.093.896)	(6.746)	(33.009)	(67.550)	(24.119)	(3.332)	(17.167)	(2.636.892)
Disposals	(973)	(33)	(1.975)	(117)	-	(15)	(45)	(3)	(11)	(3.171)
Other transfers/Write-offs	366	6.531	(24.628)	(406)	(14)	(60)	(1.350)	(19.619)	(98)	(39.278)
Exchange rate differences	8	48	163	5	117	44	2	23	-	410
Closing balance	288.389	502.949	1.131.135	7.656	77	49.921	133.905	11.406	61.258	2.186.696
Accumulated depreciation										
Opening balance	1.053	484.742	2.152.854	13.437	20.194	106.657	78.741	1	-	2.857.680
Aditions	173	19.811	94.783	507	1.892	3.439	7.512	-	-	128.118
Tranfers to and from "Held for sale"	-	(248.033)	(1.599.682)	(6.313)	(22.020)	(64.492)	(22.321)	-	-	(1.962.861)
Disposals	-	(19)	(1.859)	(98)	-	(14)	(36)	-	-	(2.026)
Other transfers/Write-offs	-	274	(31.970)	(403)	(13)	(825)	(1.086)	-	-	(34.024)
Exchange rate differences	-	9	117	3	21	34	2	-	-	186
Closing balance	1.226	256.784	616.935	7.139	74	44.799	62.812	1	-	989.770
Accumulated impairment losses										
Opening balance	21.273	18.689	-	-	-	-	1.090	386	-	41.438
Impairment loss recognition	55	424	16	-	-	7	-	-	-	501
Impairment loss reversal	(94)	-	-	-	-	-	(1.644)	-	-	(1.738)
Disposals	(82)	-	-	-	-	-	-	-	-	(82)
Closing balance	21.152	19.113	16	-	-	7	(554)	386	-	40.120
Net carrying amount	**266.011**	**227.052**	**514.185**	**517**	**3**	**5.115**	**71.648**	**11.019**	**61.258**	**1.156.806**

Property, plant and equipment	2013 Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Tools and utensils	Administrative Equiment	Other tangible fixed assets	Fixed assets in progress	Advances on tangible fixed assets	Total
Gross value										
Opening balance	301.260	704.333	3.226.616	14.293	31.066	112.828	154.496	18.482	70.137	4.633.511
Additions by business combinations	30.870	137.972	847	99	-	1.397	2.346	26	-	173.558
Aditions	233	752	11.603	421	1.447	2.061	2.283	12.329	205	31.334
Disposals	(699)	(6)	(2.200)	(31)	(19)	(30)	(3)	(416)	(31)	(3.436)
Other transfers/Write-offs	(704)	1.844	(172)	(437)	1.101	(383)	(114)	(13.137)	(2.046)	(14.048)
Exchange rate differences	(137)	(860)	(2.842)	(18)	(1.758)	(737)	(2)	(473)	-	(6.827)
Closing balance	330.822	844.036	3.233.852	14.327	31.837	115.136	159.006	16.813	68.265	4.814.093
Accumulated depreciation										
Opening balance	878	422.552	2.035.884	13.216	19.311	104.142	70.608	1	-	2.666.592
Additions by business combinations	-	40.787	722	98	-	1.373	968	-	-	43.949
Aditions	175	21.706	125.350	595	1.866	3.709	7.415	-	-	160.816
Disposals	-	(5)	(640)	(31)	(15)	(1)	(2)	-	-	(694)
Other transfers/Write-offs	-	(35)	(5.984)	(425)	(19)	(1.894)	(246)	-	-	(8.603)
Exchange rate differences	-	(263)	(2.477)	(16)	(949)	(673)	(2)	-	-	(4.380)
Closing balance	1.053	484.742	2.152.854	13.437	20.194	106.657	78.741	1	-	2.857.680
Accumulated impairment losses										
Opening balance	25.356	12.282	-	-	-	-	3.560	-	-	41.198
Impairment loss recognition	1.135	6.407	-	-	-	-	-	386	-	7.928
Impairment loss reversal	(5.168)	-	-	-	-	-	(2.470)	-	-	(7.638)
Disposals	(50)	-	-	-	-	-	-	-	-	(50)
Closing balance	21.273	18.689	-	-	-	-	1.090	386	-	41.438
Net carrying amount	**308.496**	**340.604**	**1.080.997**	**890**	**11.643**	**8.479**	**79.175**	**16.426**	**68.265**	**1.914.974**

Land and Buildings (net values) at 31 December 2014 mainly included:

- 238 million euro (31DEC12: 237 million euro) related to infrastructures for production, transport and distribution of water of AdP Group;
- 118 million euro (31DEC: 148 million euro) related to other types of buildings related to the wholesale markets of SIMAB Group (fresh products halls, warehouses, trading stores and other); and
- 58 million euro (31DEC12: 59 million euro) related to Baía do Tejo.

The Basic equipment at 31 December of 2014 (net values) mainly includes 510 million euro (31DEC13: 522 million de euro) related to production, transport and distribution of water belonging to AdP Group.

The addition of Basic equipment mainly refers to the acquisition by TAP Group of spare parts and fleet equipment in the amount of 5,2 million euro and 6,1 million euro, respectively, and catering equipment and repairing works in the amount of 1,7 million euro.

Alienations in Basic equipment are majority originated in TAP Group, with 1 864 thousand euro.

Transfers and disposals in Basic equipment are majority originated in TAP Group with 25 640 thousand euro, related to spare parts for scrap and other maintenance equipments.

The amount of Transport Equipment (net values) come majority from AdP Group with 239 thousand euro (31DEC13: 408 thousand euro), Baía do Tejo with 122 thousand euro (31DEC13: 37 thousand euro) and Companhia das Lezírias, with 104 thousand euro.

The amount of Administrative Equipment (net values) come majority from AdP Group, with 3 million euro (31DEC13: 2,6 million euro) and from INCM, with 1,4 million euro (31DEZ13: 1,8 million euro).

Other tangible fixed assets mainly includes (net value): (i) 59,5 million euro (31DEC13: 63,6 million euro) of rolling stock in operations in "Eixo Ferroviário Norte-Sul" from SAGESECUR; (ii) 8,8 million euro (31DEC13: 8,7 million euro) relating to INCM; and (iii) 2,3 million euro (31DEC13: 2,1 million euro) from AdP Group.

The increases in Ongoing fixed assets are mainly resulted from: (i) AdP Group in the amount 13,7 million euro related to investments advances; and (ii) TAP group in the amount of 3,4 million euro.

Advances on tangible fixed assets (net values) refer to:

- advances made by Baía do Tejo Group in the amount of 56,8 million euro (31DEC13: 56,8 million euro), related with the amount of the purchase and sale contract signed between Baía do Tejo Group and the Portuguese State for the acquisition of the real estate of the complex of Margueira; and
- advances made by Lazer e Floresta in the amount of 4,5 million euro (31DEC13: 4,6 million euro), related to the acquisition of properties, still awaiting for the completion of the deed.

The initial balance of accumulated impairment losses is mostly related to assets of Companhia das Lezírias, Circuito do Estoril, SAGESECUR and Lazer e Floresta.

The recognized impairment losses are related to buildings, basic equipment and administrative equipment from SIMAB Group.

Impairment losses reverted is related to:

- 912 thousand euro related to reverted impairment of SAGESECUR other tangible fixed assets; and
- 777 thousand euro related to reverted impairment of fixed assets of MARF (SIMAB Group), with impact in land and other tangible assets.

The amounts identified as Transfers from/to held for sale in 2014 in the net amount of 674 million euro correspond to 673,7 million euro relating TAP Group and to 188 thousand euro relating EGF Group (held by AdP Group) which are included in the held for sale group according to IFRS 5 as described in note 21 where the balances at 31 December 2014 can be found. At 31 December 2013, Tangible fixed assets included 735,1 million euro from TAP Group and 310 thousand euro from EGF Group.

6 - Investment properties

Investment property	31-Dec-14	31-Dec-13
	At fair value	At fair value
Opening balance	**545.833**	**440.836**
Increases through concentration of business activities	-	1.148
Adjustments to fair value - Net gains and losses	(20.684)	9.100
Increases - Acquisitions	17.553	1.149
Disposals	(4.204)	-
Transfers from and to inventories and to property occupied by the owner	-	91.431
Transfers to property, plant and equipment	(27)	318
Depreciation	-	-
Tranfers to "Held for sale"	(2.139)	2.002
Other variation	(821)	(149)
Closing balance	**535.512**	**545.833**
Total		

Investment property by fair value hierarchy	31-Dec-14	31-Dec-13
Level 1 (quoted prices)	-	-
Level 2 (other observable sources than quoted prices)	-	3.864
Level 3 (sources not based on the observable market)	535.512	541.969
	535.512	**545.833**

Investment properties refer to the following entities:

Investment property by entity	31-Dec-14	31-Dec-13
Sagestamo Group	259.564	274.800
Baía do Tejo Group	126.193	128.009
Companhia das Lezírias	62.956	63.234
Fundo IIF Estamo	31.695	31.854
Lazer e Floresta	36.898	38.639
TAP Group	0	3.864
AdP Group	13.745	973
SIMAB	4.460	4.460
Total	**535.512**	**545.833**

The main criteria used to distinguish Investment properties from properties held for sale in the regular course of the business comes from renting.

The amount of 21 million euro of net loss at fair value adjustments comes mainly from:

- 18,2 million euro from Grupo Sagestamo, related to real estate and land in portfolio; and
- 2,8 million euro of losses resulting from Baía do Tejo Group, related to industrial parks in portfolio.

The SIMAB Group reclassified to investment properties the non-current asset held for sale land in the amount of 2 002 thousand euro, due to the rescission of the purchase contract with no sale expectation within 12 months. The land was assessed at 31 December 2013 in the total amount of 2 720 thousand euro. The real estate market value was estimated based on the residual value method.

The year increases in Investment properties at fair value include:

- the amount of 3 703 thousand euro related to acquisitions of Sagestamo Group; and
- the amount of 12 884 thousand euro from AdP Group. Complying with a protocol with the City Hall of Lisbon, EPAL integrated an about 12,8 million euro land in its assets as an investment property. According to the referred protocol from 1992, the City Hall of Lisbon had to transmit building land to EPAL. At 31 December 2014 the effective transmission of the land under review was carried out after the public property conveyance deed between the City Hall of Lisbon and EPAL (see note 46).

The year alienations in the amount of 4,2 million euro mainly corresponds to:

- the sale of a building in Rio de Janeiro (Brazil) by TAP Group, in the amount of 1,8 million euro; and

- Two alienated properties by Lazer e Floresta, in the total amount of 2,1 million euro.

The amount classified as Transfers/Held for sale corresponds to TAP Group assets included in the held for sale according to IFRS 5 as described in note 21. At 31 December 2013, Investment properties included the amount of 3,9 million euro related to TAP Group and 17 thousand euro related to EGF Group.

The significant methods applied in determining the fair value of investment properties are described as follows:

- Market Comparison Method – Consists in relating the value of a real estate property, with the market data available from recent real estate transactions occurred in the same locations, with similar or comparable characteristics.

- Cost Method – Considers the sum of all expenses needed to build a property with the same characteristics and materials of the valuated property, considering the prices in place in the market.

- Income Method –The fair value of the property corresponds to the investment needed to obtain an effective income generated from the exploration of the business, and is determined by capitalising that income with a *yield* (binomial Risk/income associated with the investment) adequate to the characteristics of the real estate property and to the level of risk of the real estate investment. It is an indirect method, commonly used in determining the market value of assets with the ability to generate income from its use.

- Residual Value Method – This method is based on the principle of the maximum and best use of an urban property, according to the premises approved by the entities with jurisdiction over the real estate property and considering that the property is free of constructions, safeguards and urban commitments of public character. The urban land value is determined by deducting to the set of the potential earned income by the real estate property (determined using the Market Comparison Method and/or the Income Method), the expenses needed to the construction of the property, infrastructures and urban constructions, as well as related indirect expenses, like projects, fees, management, supervising, promotion and selling expenses (determined using the Cost Method). Considering the temporal character of the development of the investment, the global return study is performed from a cash flow analysis using a discount rate corresponding to the minimal return rate required by the investor/entrepreneur.

The major assumptions considered by PARPUBLICA Group when using the Residual Value Method and the Income Method are described below:

Discount rate by method and subsidiary	Method of income	Residual Value Method
SAGESTAMO Group	Between 5,50% and 9%	Between 8,5% and 11,50%
Baía do Tejo Group	Between 8% and 12%	n.a.
Companhia das Lezírias	5,25%	15%
Fundo IIF Estamo	n.a.	10%
Lazer e Floresta	5,25%	n.a.

7 – *Goodwill*

Goodwill	2014			2013			
	Opening balance	Tranfers to "Held for sale"	Closing balance	Opening balance	Increases	Other variations	Closing balance
Manutenção e Engenharia Brasil	129.940	(129.940)	-	137.796	-	(7.856)	129.940
Air transport	63.099	(63.099)	-	63.099	-	-	63.099
AdP	95.005	(10.070)	84.934	95.005	-	-	95.005
Valorsul	3.307	(3.307)	-	3.307	-	-	3.307
Algar	130	(130)	-	130	-	-	130
Aquasis	210	-	210	210	-	-	210
Baía do Tejo	91	-	91	91	-	-	91
Simab	5.749		5.749	0	5.749	-	5.749
	297.530	**(206.546)**	**90.984**	**299.638**	**5.749**	**(7.856)**	**297.530**

TAP Goodwill

For the calculation of impairment tests, the recoverable value of the cash generated units (CGUs) is determined based on the value in use in accordance with the discounted cash flows method. Calculations are based in the historical performance and in the business development expectations with the current productive structure being normal used next year budget and a cash-flow estimate for the subsequent 4 years period

In the case of the business unit of Manutenção e Engenharia Brazil, S.A., it was considered the budget for the following year and an estimate for the subsequent period of 8 years that namely incorporated the recovery of the existent tax losses in the cash-flow estimate.

In result from impairment tests made in these three companies, it was not identified any impairment loss on *goodwill.* The major assumptions for the impairment tests were the following, considering the country of the CGUs:

31 -Dec-2014	Portugal	Brazil
Discount rate*	8,90%	14,50%
CAGR of income **	2,60%	14,70%
Perpetual growth	2,00%	5,00%
Income tax rate	25,00%	34,00%

31 -Dec-2013	Portugal	Brazil
Discount rate*	10,00%	14,50%
CAGR of income **	6,50%	13,10%
Perpetual growth	0,00%	4,00%
Income tax rate	26,50%	34,00%

* Pre-tax discount rate

** *Compound Annual Growth* Rate of income

AdP Goodwill

The impairment tests to the AdP *goodwill* were performed based on the recoverable value of the cash generated unit that has generated it. The evaluation shows that the recoverable amount clearly exceeds the carrying amounts of the assets, including the *goodwill* with no registered impairment.

The amount of 10 070 thousand euro of AdP, relating Transfers to Held for sale, corresponds to the reclassification of EGF Goodwill in 10,6%, equivalent to the weight of the net assets of EGF Group in AdP Group at 31 December 2014.

SIMAB Goodwill

The impairment tests to Goodwill of SIMAB Group, registered no impairments.

The amounts identified as Transfers for Held for sale in 2014 correspond to the amount of 25,8 million euro of TAP Group and the amount of 657,4 million euro to EGF Group (held by AdP group). Both amounts are now included in a held for sale alienation group according to IFRS 5, as described in note 21. At 31 December 2013, the amount of 774 thousand euro from TAP Group and the amount of 682,3 million euro from EGF Group were included in Other intangible assets.

8 - Other intangible assets

Other intangible assets (net values)	31-Dec-14			31-Dec-13		
	Indefinite useful life	Finite useful life	Total	Indefinite useful life	Finite useful life	Total
Opening balance	3	4.688.572	4.688.575	3	4.722.245	4.722.248
Increases through concentration of business activities	-	-	-	-	847	847
Transfers to "held for sale"	-	(683.181)	(683.181)	-	-	-
Impairment recognized losses (signal -)	-	663	663	-	-	-
Additions	-	140.903	140.903	-	155.947	155.947
Disposals (signal -)	-	-	-	-	-	-
Other transfers/Write-offs	-	(12.204)	(12.204)	-	(32.416)	(32.416)
Amortizations	-	(131.338)	(131.338)	-	(158.052)	(158.052)
Exchange rate diferences (signal +or-)	-	(2)	(2)	-	-	-
Closing balance	**3**	**4.003.412**	**4.003.415**	**3**	**4.688.572**	**4.688.575**

Other intangible assets come mainly from AdP Group in the amount of 4 billion euro (31DEC13: 4,7billion euro). These intangible assets correspond mainly to rights of infrastructures' use (IFRIC 12) of UNA-PD (water production and purification) and UNR (waste business units)

Additions (140,9 million euro), as well as other transfers/disposals (12,2 million euro) and amortizations (131,3 million euro) come mainly from AdP Group. The business unit that contributed more to this volume of investments was the UNA-PD.

At the year ended at 31 of December of 2014, as in the previous year, there is a significant contraction in the investment carried out by the companies of AdP Group. This contraction is due to the current economic, financial and regulatory constraints.

The amounts identified as Transfer from/held for sale in 2014 correspond to 738 million euro from TAP Group and 682,4 million euro from EGF Group (held by AdP Group), which are no longer included in the held for sale alienation Group, according to IFRS 5 as described in note 21. At 31 December 2013, Other intangible assets included the amount of 774 thousand euro from TAP Group and the amount of 682,3 million euro from EGF Group.

9 - Biological assets

2014							
Biological assets- Non current	Opening balance	Increases due to acquisitions	Changes in fair value less estimated point-of-sale costs	Disposals	Depreciation	Other variations	Closing balance
At fair value							
Forest							
Pine	9.577	-	(196)	(119)		-	9.262
Eucalyptus	7.281	-	(139)	(693)		-	6.449
Breeding stock	659	-	(51)	-		-	607
	17.517	-	(385)	(812)	-	-	16.319
At cost							
Olive tree	361	-		-	(16)	-	345
Vine	661	252		-	(51)	-	862
Other	26	-		-	(3)	-	22
	1.048	252	-	-	(71)	-	1.229
Total	18.564	252	(385)	(812)	(71)	-	17.548

2013							
Biological assets- Non current	Opening balance	Increases due to acquisitions	Changes in fair value	Disposals	Depreciation	Other variations	Closing balance
At fair value							
Forest							
Pine	9.333	-	281	(37)	-	-	9.577
Eucalyptus	6.431	-	1.245	(395)	-	-	7.281
Breeding stock	736	-	(77)	-	-	-	659
	16.500	-	1.449	(432)	-	-	17.517
At cost							
Olive tree	381	-	-	-	(8)	(12)	361
Vine	713	-	-	-	(51)	-	661
Other	20	8	-	-	(2)	-	26
	1.114	8	-	-	(62)	(12)	1.048
Total	17.613	8	1.449	(432)	(62)	(12)	18.564

2014							
Biological assets- Current	Opening balance	Increases due to acquisitions	Changes in fair value less estimated point-of-sale costs	Disposals	Depreciation	Other variations	Closing balance
At fair value							
Forest							
Pine	0	-	-	-		-	0
Eucalyptus	2.000	-	-	-		-	2.000
Breeding stock	797	-	(41)	-		-	755
Total	2.797	-	(41)	-	-	-	2.755

2013							
Biological assets- Current	Opening balance	Increases due to acquisitions	Changes in fair value	Disposals	Depreciation	Other variations	Closing balance
At fair value							
Forest							
Pine	0	-	-	-	-	-	0
Eucalyptus	2.000	-	-	-	-	-	2.000
Breeding stock	849	-	(52)	-	-	-	797
Total	2.849	-	(52)	-	-	-	2.797

The main biological assets are forest (mainly pinewoods, eucalyptus and cork oak trees), olive trees and vine and also working animals and livestock breeding.

Forests, with the exception of the cork oak landscape, are registered at a fair value assessed through the method of the current value of discounted cash flows, as foreseen in IAS 41. The area concerned is: (i) pine trees and other resinous trees, 3 493 hectares (31DEC13: 3 434 hectares); (ii) Eucalyptus, 4 432 hectares (31DECC13: 5 669 hectares); and (iii) cork oak trees, 8 287 hectares (31DEC13 8 287 hectares).

As cork oak landscape (“montado de sobro”) is an asset under a conditioning regime, it is classified as a tangible fixed asset.

The biological assets of olive trees and vine are evaluated at the depreciated cost (taking into account a 20 to 25 year useful life, respectively), since it is not possible to reliably estimate their respective fair value.

Working animals and the livestock breeding are evaluated at fair value.

The fair value of biological assets was determined by independent evaluators using physical, timing and evaluation indicators relevant for the type of the asset. To estimate fair value it was used the discounted cash flows method with a discount rate between 5,00% and 6,00%.

10 - Investments in associates

Investments in associates	2014						
	Opening balance	Additions	Equity method movements	Transfers to "held for sale"	Impairment loss recognition	Other transfers	Closing balance
Parcaixa, SGPS, SA	465.723	-	4.617	-	(0)	-	470.340
CVP - Sociedade de Gestão Hospitalar, S.A.	5.814	-	195	-	(195)	-	5.814
ISOTAL - Imobiliário do Sotavento Algarvio, S.A.	62	-	(3)	-	-	-	58
Multicert - Serviços de Certificação Electrónica	256	-	5	-	-	-	261
ORIVÁRZEA, S.A.	1.776	-	181	-	-	-	1.956
INAPA - Invest. Part. E Gestão, SA	10.799	-	475	(11.274)	-	-	(0)
Águas de Timor	5	-	-	-	-	(5)	-
Mieses	232	33	-	-	-	-	265
CLR - Comp. Lezírias e Associados Renováveis, Lda	1	-	-	-	-	-	1
Trevoeste	-	-	-	-	-	-	-
Propnery - Propriedade e Equipamentos, SA	1.150	-	(123)				1.027
ACEs Quimiparque, Snesges Urbindustria, Portosider	4	-	-	-	-	-	4
	485.821	33	5.347	(11.274)	(196)	(5)	479.726

Investments in associates	2013							
	Opening balance	Additions	Disposals	Equity method movements	Impairment loss recognition	Impairment loss reversal	Other transfers	Closing balance
Parcaixa, SGPS, SA	452.166	-	-	13.557	-	-	-	465.723
CVP - Sociedade de Gestão Hospitalar, S.A.	5.902	-	-	-	(88)	-	-	5.814
Credip - Instituição Financeira de Crédito	2.359	-	(2.359)	-	-	-	-	-
ISOTAL - Imobiliário do Sotavento Algarvio, S.A.	64	-	-	(2)	-	-	-	62
Multicert - Serviços de Certificação Electrónica	642	-	-	(150)	-	-	(236)	256
ORIVÁRZEA, S.A.	1.621	-	-	155	-	-	-	1.776
INAPA - Invest. Part. E Gestão, SA	5.890	-	-	(110)	-	5.018	-	10.799
Águas de Timor	5	-	-	-	-	-	-	5
Mieses	209	23	-	-	-	-	-	232
CLR - Comp. Lezírias e Associados Renováveis, Lda	1	-	-	-	-	-	-	1
Propnery - Propriedade e Equipamentos, SA	-	1.255	-	(105)	-	-	-	1.150
ACEs Quimiparque, Snesges Urbindustria, Portosider	4	-	-	-	-	-	-	4
	468.863	1.278	(2.359)	13.346	(88)	5.018	(236)	485.821

From the main changes verified in 2014, it should be noted:

- The use of the equity equivalence method;
- The transfer of INAPA investment to Assets held for sale.

At August 06 of 2014 in an Extraordinary General Assembly, a clause was approved non-considering voting rights during the period in which the INAPA preferred shares with voting rights (established at April 23 of 2014), relating to shares held by one shareholder or by shareholders under a common ownership corresponding to a third of the whole votes relating the share capital. Therefore, the 49 084 738 shares of INAPA held by PARPÚBLICA currently represent 8,26% of voting rights (31DEC13: 32,72%), since PARPÚBLICA and PARCAIXA are considered to be under the State ownership. PARPÚBLICA has no longer any significant influence and the investment in INAPA is now classified as Financial assets available for sale and measured at fair value with the recognized amendments in Other comprehensive income. At 31 December 2014 and for measurement purposes, the market price of 0,15 Euros/share was used in the total amount of 7 363 thousand euro (see Note 11).

11 - Other investments

Other investments	31-Dec-14	31-Dec-13
At fair value		
GALP	494.570	694.277
INAPA	7.363	-
Portugal Telecom e ZON Multimédia	1.283	3.142
REN	-	118.326
Lisnave - Estaleiros Navais, S.A.	2.000	2.000
Other	20	20
	505.237	817.765
At cost		
Soc. Parque Industrial de Vendas Novas	-	36
P.I.S.	-	3
Other	67	67
	67	106
	505.303	**817.871**

The following main alterations were verified during the 2014:

- An increase of 200 million euro due to the negative alteration at fair value of the GALP shares underlying to the bond loan option (see Note 45);
- Reclassification and assessment at fair value at 31 December of 2014 of the INAPA investment, in the amount of 7 363 thousand euro (see Notes 10); and
- Shares disposal (remaining investment of 9,9%) of REN, resulting from the 2nd stage of the re-privatization, generated a profit of 141 669 thousand euro and a loss recognition in the amount of 20 376 thousand euro (see Note 35), which includes: (i) 17 399 thousand euro from reclassification of variations at fair value until disposal in Other comprehensive income (2014 variation: 23 369 thousand euro and variation till 2013: 40 768 thousand euro negative); and (ii) expenses with the re-privatization process.

The estimate used to assess the fair value of these financial investments was based on market references (whenever the price was available), in recent transactions or in technical evaluations.

12 - Other financial assets

Other financial assets	31-Dec-14		31-Dec-13	
	Current	Non current	Current	Non current
Financial assets at fair value through profit or loss				
Held for trading				
Imopoupança Fund and Fundiestamo I shares	6.904	-	6.459	-
Other	-	6.405	-	-
Held to maturity	-	6.314	-	6.158
Loans and receivables				
Payments in advance regarding privatizations	-	4.588.830	-	4.205.264
"Fundo de renovação"	-	-	-	2.678
"Fundo de reconstituição"	-	102.668	-	123.316
Others	-	12.108	-	12.956
Available for sale				
Payments in advance regarding investments	-	-	-	34
Other	4	10	36	9
	6.908	4.716.335	6.495	4.350.415

Other financial investments at fair value through profit or loss - current assets - corresponds to shares held by SAGESECUR in Fundiestamo Fund I with 6 886 shares (31DEC13: 6 008 shares) and in the Imopoupança Fund with 1 970 shares (31DEC13: 1 970 shares) in the total amount of 6 904 thousand euro (31DEC13: 6 459 thousand euro).

The amount of 6 405 thousand euro of Other financial investments at fair value through profit and loss – non-current – comes from AdP Group and relates to medium and long term financial investments as senior notes.

The value in Other financial assets – held to maturity, in the amount of 6 314 thousand euro (31DEC13: 6 158 thousand euro), is mainly related to Treasury bonds held by INCM in the amount of 5 794 thousand euro.

The amount of 4 589 million euro mainly relates to Advances concerning privatizations (31DEC13: 4 205 million euro), of deliveries of re-privatization proceeds to the State in compliance with Law Nr 11/90, of April 14, to be compensated pursuant art. nr 9 of Decree-Law Nr 209/2000, of September 2 and to the amounts not compensated by the State as result of PARPÚBLICA's intervention in the former IPE liquidation.

The Funds of renovation and reconstruction are formed under the concession contracts and refer to medium and long-term financial investments.

Other current loans and other receivables include the amount of 11 844 thousand euro related to credits granted by SPE to Sociedade Mineira do Lucapa. Despite Sociedade Mineira do Lucapa (SML) inactivity and bankruptcy, its credits are not considered as impairment due to the fact that, besides the ongoing legal procedures, under the Angolan jurisdiction and in arbitration courts concerning the mining concession and the investment in SML, there are privileges of the shareholders as creditors which can guarantee the recovery of the related amounts.

13 - Deferred tax assets and liabilities

Deferred taxes	2014					2013				
	Opening balance	Changes on profit or loss	Changes directly on equity	Transfers to "held for sale"	Closing balance	Opening balance	Changes on profit or loss	Changes directly on equity	Transfers to "held for sale"	Closing balance
Deferred tax assets										
Reportable tax losses	44.594	(6.399)	(49)	(8.572)	29.574	43.559	1.084	(49)	-	44.594
Retirement benefit obligations	27.803	(8.054)	(468)	(11.722)	7.559	30.359	(2.964)	(552)	960	27.803
Impairment losses on inventories	11.147	(437)	-	(8.052)	2.658	10.077	1.070	-	-	11.147
Transition adjustments and fair value variations	6.034	4.859	(13)	-	10.880	7.588	(1.563)	9	-	6.034
Other provision and adjustments not tax deductible	5.990	(1.455)	(3)	(471)	4.060	5.651	355	(16)	-	5.990
Other	272.764	(1.664)	(72)	(95.886)	175.142	259.750	12.751	263	-	272.764
	368.332	(13.151)	(605)	(124.703)	229.872	356.985	10.733	(346)	960	368.332
Deferred tax liabilities										
Transition adjustments and fair value variations	71.982	(6.026)	(47.146)	23.464	42.274	74.520	(1.601)	(937)	-	71.982
Reinvestment of realized proceeds	56	(23)	-	-	33	92	(36)	-	-	56
Other	310.576	(27.337)	(4.608)	(39.821)	238.810	320.441	(14.427)	4.562	-	310.576
	382.613	(33.385)	(51.754)	(16.357)	281.118	395.053	(16.064)	3.625	-	382.613

The deferred tax assets include 29,6 million euro (31DEC13: 44,6 million euro) related to the recognition of reportable financial losses, mainly from SAGESTAMO Group.

The variation with effects in profit and loss occurred in reportable fiscal losses in deferred tax assets, in the positive amount of 6,4 million euro, includes: (i) the negative variation of 5,4 million euro from SAGESTAMO Group; (ii) the negative variation of 4,4 million euro of AdP Group; and (iii) the positive variation of 3,4 million euro of TAP Group.

Deferred tax assets include 7,6 million euro (31DEC13: 27,8 million euro) related to the recognition of obligations with retirement benefits not fiscally accepted, although the variations of the period comes mainly from INCM.

Transfer adjustments and variations at fair value in the amount of 10,9 million euro (31DEZ13: 6 million euro) are mainly related to the recognition of the variations at fair value of Sagestamo Group, although the positive variation of the period with effects in profit and loss amounted to 4,9 million euro was related to the gain at fair value in investment properties of Sagestamo Group.

The deferred tax Assets include 4,1 million euro (31DEC13: 6,0 million euro) related to Other provisions and adjustments not accepted for tax purposes, the variation being negative with effects in profit and loss in the amount of 1,5 million euro mainly from AdP due to the recognition of deferred taxes related to tariff deviations and with increases in contract investment costs.

The Liabilities transfer and variations adjustments at fair value in the amount of 42 million euro are related to revaluations undertaken in transferring for the IFRS, being 16,2 million euro from Baía do Tejo Group, 14,2 million euro from Companhia das Lezírias, 5,4 million euro from Lazer e Floresta, 3,4 million euro from SAGESTAMO Group and 3,1 million euro from INCM.

Other deferred tax assets and liabilities include 175,1 million euro (31DEC13: 272,8 million euro) and 238,8 million euro (31DEC13: 310,6 million euro), resulting from:

- AdP Group, with 162,8 million euro in non current asset (31DEC13: 253,2 million euro) and 236 million euro (31DEC13: 305,1 million euro), in non-current liabilities related to the IFRIC 12 enforcement in AdP Group, where there are significant eventual differences between the tax and accounting depreciations and with similar impact in the deferred taxes associated with investment subsidies. It should be noted that the deferred tax assets and liabilities tariff adjustments are also registered in this item; and

- SIMAB Group, with 12,1 million euro in non-current assets (31DEC13: 12,6 million euro) and 2,7 million euro in non-current liabilities (31DEC13: 3,1 million euro), related to eventual differences in fixed tangible assets.

At 2014, the amounts classified as Transfers Held for sale are related to TAP Group (53,4 million euro assets and 21 million euro liabilities) and to EGF (81,6 million euro assets and 35 million euro liabilities) that included in a held for sale disposal group according to IFRS 5, as detailed in Note 21. At 31 December 2014, Deferred tax assets and liabilities included the amounts of 32 million euro assets and 25,8 million euro liabilities from TAP Group and 87,2 million euro assets and 42,2 million euro liabilities from EGF Group.

The estimate of deferred tax assets and liabilities was adjusted according to the change in the income tax rate which decreased from 23% to 21% and is carried in the IRC lines and correction columns.

14 – Trade Debtors

Trade debtors	31-Dec-14	31-Dec-13
Current account	481.820	729.762
Doubtful accounts	24.322	57.563
"Water on counter" to bill	39.191	25.669
Other	32	6
Accumulated impairment losses	(22.377)	(78.900)
	522.988	**734.100**

Trade debtors - Current accounts includes:

- Trade debtors from AdP Group in the amount of 372,5 million euro (31DEC13: 420 million euro), from which 358,7 million Euro (31DEC13: 383,2 million Euro) are related to municipalities debts;
- Trade debtors from SAGESTAMO Group with a total amount of 85 million Euro (31DEC13: 68,5 million Euro), essentially relating to leases to Portuguese State entities;
- Trade debtors from INCM in the amount of 16,4 million euro (31DECZ13: 4,8 million euro), mainly related to debts from Portuguese State entities.

The balance of Doubtful accounts comes essentially from AdP Group with the total amount of 20, 2 million Euro (31DEC13: 18,4 million Euro).

Water on counter to bill relates to an estimate of consumed water by trade debtors at 31 December 2014, which will only be invoiced after that date.

The variation of Trade debtors balance comes from the reclassification of the trade debtors' debts of TAP Group and EGF Group in a Held for sale disposal group according to IFRS 5, as detailed in Note 21.

Variations on Impairment losses from trade debtors are detailed in Note 42.

At 31 December 2013, Trade debtors included the amount of 205,7 million euro from TAP Group and the amount of 70,7 million euro from EGF Group. At 31 December 2014, the Trade debtors balances of TAP Group and EGF Group in the amount of 147 million euro and 57,9 million euro respectively, were included in a Held for sale disposal group according to IFRS 5, as detailed in Note 21.

15 - Advances to trade creditors

Advances to trade creditors	Current	
	31-Dec-14	31-Dec-13
Advances to trade creditors		
Current account	4.808	16.315
Property, plant and equipment	1.417	2.013
	6.225	18.328

The balance of Advances to trade creditors at 31 December 2014 corresponds mostly to AdP Group with 6,1 million euro (31DEC13: 9,4 million euro).

At 31 December 2013, Advances to trade creditors included 8,9 million euro from TAP Group and 1,6 million euro from EGF Group. At 31 December 2014, the balances of Advances to trade creditors of TAP Group and EGF Group amounted to 6,7 million euro and 411 thousand euro respectively, were included in a Held for sale disposal group according to IFRS 5, as detailed in Note 21.

16 - Public administrative sector

Public administrative sector	31-Dec-14		31-Dec-13	
	Current	Non-current	Current	Non-current
Assets				
Public administrative sector				
Income tax to be received	4.801	-	37.148	-
Other	6.773	-	24.720	-
	11.575	-	61.868	-
Liabilities				
Public administrative sector				
Income tax to be paid	9.837	-	16.234	-
Other	22.531	-	63.527	59.898
	32.367	-	79.761	59.898

The receivable Income tax comes majority from PARPÚBLICA in the total amount of 4,1 million euro (31DEC13: 23,8 million euro), mostly resulting from withholding taxes by third parties related to income from dividends.

Other-current assets - mostly includes: (i) 5,3 million euro (31DEC13: 8,8 million euro) from AdP Group, related to VAT receivable; and (ii) 755 thousand euro (31DEC13: 1,3 million euro) from Sagestamo Group.

The amount recorded in Other-current liabilities mainly includes:

- 19,4 million euro (31DEC13: 30,4 million euro) related to AdP Group, of which 13,6 million euro related to Water and Waste Management Taxes (31DEC13: 22,7 million euro). This variation is related to the Transfer to held for sale of the investment held by the AdP Group in the EGF equity that was now included in a held for sale disposal group according to IFRS 5, as detailed in Note 21;
- 819 thousand euro (31DEC13: 2 million euro) from Sagestamo Group.

At 31 December 2013, Public Administrative Sector included assets in the amount of 21, 5 million euro and liabilities in the amount of 89, 4 million euro from TAP Group and assets in the amount of 1, 1 million euro and liabilities in the amount of 13, 3 million euro from EGF Group .At 31 December 2014, the balances of TAP Group (assets of 13,9 million euro and liabilities of 22 million euro) and of EGF Group (assets of 369 thousand euro and liabilities of 8,5 million euro), were included in held for sale disposal group according to IFRS 5, as detailed in Note 21.

According to legislation in force, tax declarations of companies with headquarters in Portugal, included in the consolidation, are subject to revision and correction to be made by tax authorities within a period of four years (five years to Social Security), except when tax losses have occurred, tax benefits have been granted, or in cases of ongoing inspections, complaints or disputes. In such cases, depending on the circumstances, the deadlines are extended or suspended. PARPÚBLICA Group considers that possible corrections resulting from revisions/inspections made by tax authorities to those tax declarations will not affect significantly the financial statements at 31 December 2014.

17 - Other receivables

Other receivables	31-Dec-14		31-Dec-13	
	Current	Non-current	Current	Non-current
Group entities	-	-	4.856	3.700
Staff	301	-	12.145	-
Trade receivables	28	65.042	-	137.994
Accrued income	2.951	-	23.469	-
Government grants related to assets	-	1.097	71.543	9.191
Real estate sales	4.597	37.414	6.759	47.336
Other	81.197	62.517	163.128	84.784
Accumulated impairment	(4.665)	-	(10.829)	(1.921)
	84.408	**166.070**	**271.071**	**281.084**

The line Trade receivables – non-current assets relates to trade debtors balances of AdP Group according to payment agreements in the amount of 65 million euro (31DEC13: 138 million euro).

The line Accrued income – current assets mainly includes 1,4 million euro (31DEC13: 4,8 million euro) from Sagestamo group.

The lines Real Estate sales – current and non-current assets relate to amounts due to ESTAMO for real estate sales, which will be paid in instalments.

The line Other –current assets – essentially includes:

- 73,8 million euro (31DEC13: 66,8 million euro) from AdP Group, including: (i) 22,8 million euro from accrued interests, (ii) 30 million euro from grants to investment and (iii) 20,9 million euro to other receivables;
- 3,3 million euro (31DEC13: 2,1 million euro) from Companhia das Lezírias including 2,5 million euro related to payments in the name and on behalf of the Directorate General of Treasury and Finance due to the liquidation process of Fundação Alter Real (Decree-Law nr 109/2013, of August 1, amended by Decree-Law nr 171/2014, of November 10); and
- 2,4 million euro (31DEC13: 1,8 million euro) from Sagestamo Group.

The amount of 4,7 million euro at 31 December 2014 referring to Adjustments by impairment of Other receivables – current asset – is mostly from AdP Group, in the total amount of 3,7 million euro (31DEC13: 5,6 million euro).

The item Others – non-current asset – essentially includes 61,5 million euro (31DEC13: 44,8 million euro) from AdP group related to the residual value to be received at the end of the concession, relating to modernization and expansion assets. This variation is due to the investment volume of the initial concession contracts and sometimes to expansion and upgrading investments showing a residual value at the end of the concession period.

At 31 December of 2013, Other receivables included the non-current amount of 40,7 million euro and the current amount of 66,4 million euro from TAP Group and the non-current amount of 26,3 million euro and the current amount of 14,3 million euro from EGF Group. At 31 December 2014, Other receivables from TAP Group (non-current 48,6 million euro and current 63,1 million euro) and from EGF Group (non-current 29,5 million euro and current 17,3 million euro), were included in a Held for sale disposal group according to IFRS 5, as detailed in Note 21.

18 - Deferrals

Deferrals - Assets	31-Dec-14		31-Dec-13	
	Current	Non current	Current	Non current
Regulatory asset - tariff deviations	-	590.619	-	564.509
Other deferred expenses	16.333	-	32.773	-
	16.333	**590.619**	**32.773**	**564.509**

Deferrals - Liabilities	31-Dec14		31-Dec-13	
	Current	Non current	Current	Non current
Regulatory liability - Tariff deviations	-	61.014	-	132.441
Deferred income				
Government grants related with assets	1.550	1.646.157	2.024	1.958.935
Other	25.060	21.977	35.034	23.764
Contractual (service concession) investments	-	348.003	-	497.244
Other	381	-	57.081	-
	26.991	**2.077.151**	**94.138**	**2.612.384**

The lines Regulatory asset – tariff deviations and Regulatory liability – tariff deviations are totally from AdP Group and can be detailed as follows:

	DEFERRED ASSET		DEFERRED LIABILITIES		Net effect	Effect
	Deviation	Tax	Deviation	Tax	Deviation	Tax
UNA-PD						
Águas do Algarve, S.A.	12 295	-	-	2 766	9 529	(2 944)
Águas do Centro Alentejo, S.A.	10 680	-	-	2 403	8 277	932
Águas do Centro, S.A.	73 347	-	-	16 503	56 844	4 878
Águas do Douro e Paiva, S.A.	-	320	1 421	0	(1 101)	(2 246)
Águas do Mondego, S.A.	10 315	-	-	2 321	7 994	(895)
Águas do Norte Alentejano, S.A.	35 253	-	-	7 932	27 321	1 686
Águas do Noroeste, S.A.	118 930	-	-	26 759	92 171	11 686
Águas do Oeste, S.A.	72 807	-	-	16 382	56 425	6 245
Águas de Trás-os-Montes e Alto Douro, S.A.	62 684	-	-	14 104	48 580	(5 344)
Águas do Zêzere e Côa, S.A.	54 118	-	-	12 177	41 942	1 102
AgdA - Águas Públicas Alentejo, S.A.	-	499	2 217	-	(1 718)	(1 250)
Sanest, S.A.	-	4 935	21 932	-	(16 997)	2 738
Simarsul, S.A.	44 294	-	-	9 966	34 328	5 236
Simdouro, S.A.	10 552	-	-	2 374	8 178	3 067
Simlis, S.A.	15 407	-	-	3 467	11 941	679
Simria, S.A.	34 414	-	-	7 743	26 671	(6)
Simtejo, S.A.	-	7 975	35 444	-	(27 469)	(3 552)
AdRA - Águas da Região de Aveiro, S.A.	35 521	-	-	7 992	27 529	4 296
Total UNA-PD	**590 619**	**13 728**	**61 014**	**132 889**	**410 443**	**26 308**

Other current deferred expenses are mainly from:

- 11,5 million euro (31DEC13: 11,5 million euro) from AdP Group;
- 4,1 million euro (31DEC13: 5,4 million euro) from Sagestamo Group; and
- 1,5 million euro (31DEC13: 1,9 million euro) from PARPÚBLICA.

Non-current deferred income mainly refers to Government grants related to assets from AdP Group, as follows:

Government Grants – AdP Group	31-Dec-14	31-Dec-13
Government grants related with assets – EC Cohesion Fund	1 381 321	1 663 124
Government grants related with assets – Other	8 604	25 734
Asset integration	240 468	254 345
	1 630 393	**1 943 203**

EC Cohesion Fund- movements for the period	31-Dec-14	31-Dec-13
Grants (year N-1)	1 663 124	1 643 519
Recognition of right to receive	41 702	86 198
Income recognition	(43 523)	(61 309)
Recognition adjustments	842	158
Right recognition adjustments	(11 274)	(5 442)
Reclassification to assets/liabilities held for sale (balance at 1JAN14)	(269 550)	0
Receipts for the period (year N)	**1 381 321**	**1 663 124**

Deferred income – other current liabilities – includes:

- 20,5 million euro (31DEC13: 28,2 million euro) from AdP Group;
- 2,1 million euro (31DEC13: 1,6 million euro) from lease rents received by ESTAMO in advance; and
- 1,3 million euro related to access fees paid by the users (supply markets clients) at the beginning of the contract of use of SIMAB Group areas (31DEC13: 2 million euro).

Deferred income – other non-current liabilities – is totally related to SIMAB Group concerning to incomes to be recognized which are related to access fees paid by the users wholesale markets' clients) at the beginning of the contract of use of SIMAB Group areas. The amounts are recognized in Income of the period, during the contracts' period and when during notice the amount not recognized at notice's date is fully integrated.

Contractual investments – non-current liabilities – refer entirely to AdP Group.

At 31 December 2013, Deferrals included current assets in the amount of 12,6 million euro and current liabilities in the amount of 57,1 million euro from TAP Group and Current assets in the amount of 2,7 million euro and current and non-current liabilities in the amount of 535,5 million euro from EGF Group. At 31 December 2014, Deferrals from TAP Group (17,1 million euro of current assets and 67,7 million euro of current liabilities) and from EGF Group (17,3 million euro of current assets and 533,2 million of current and non-current liabilities), were included in a Held for sale disposal group according to IFRS 5, as detailed in Note 21.

19 - Inventories

Inventories	31-Dec-14	31-Dec-13
Merchandise	821.390	826.573
Finished and intermediate goods	10.742	10.218
Subproducts and other	2.131	2.040
Work in progress	15.974	22.138
Raw materials and Other	16.692	159.353
Purchase advances	208.264	238.828
Accumulated impairment losses	(153.711)	(196.925)
TOTAL	**921.484**	**1.062.225**

Merchandise includes, essentially, the amount of 807,7 million euro of real estate owned by ESTAMO (31DEC13: 798,1 million euro), and properties of Lazer e Floresta in the total amount of 13 million euro (31DEC13: 13 million euro).

Finished and intermediate goods mostly relating to INCM with 10,4 million euro (31DEC13: 8,8 million euro), of which 3,9 million euro relating to commemorative coin collection (31DEC13: 2,1 million euro) 3,95 million euro relating to several books (31DEC13: 3,4 million euro), and 1 million euro relating to PVC cards (31DEC13: 1,1 million euro).

Work in progress comprises essentially, 15 million euro (31DEC13: 16 million euro) with allotment projects from Baía do Tejo Group, of which 8,4 million euro (31DEC13: 8,4 million euro) are from projects in stage of infrastructure and 6,5 million euro (31DEC13: 6,8 million euro) of land with infrastructure.

Raw materials and consumables mainly include:

- coin and other assets of INCM, in the amount of 10million euro (31DEC13: 14,3 million euro); and
- reagents and counters of AdP Group, in the total amount of 5,7 million euro (31DEC13: 6,1 million euro).

Purchase advances are entirely related with real estate from ESTAMO.

Accumulated adjustments in inventories include mainly 145,1 million euro (31DEC13: 139,3 million euro) of ESTAMO and 5 million euro (31DEC13: 5 million Euros) of INCM.

At 31 December 2013, Inventories included the amount of 108,9 million euro from TAP Group and the amount of 1,8 million euro from EGF Group. At 31 December 2014, Inventories from TAP Group and EGF Group, in the total amount of 97,2 million euro and 2,1 million euro respectively, were included in a Held for sale disposal group according to IFRS 5, as detailed in Note 21.

20 - Cash and bank deposits

Cash and bank deposits	31-Dec-14	31-Dec-13
Financial aplications	890	800
Time deposits	281.897	519.172
Bank deposits readily convertible into cash	114.073	403.034
Cash	7.464	3.637
Cash equivalents	44	-
	404.368	**926.643**

The cash equivalents presented by PARPÚBLICA Group correspond essentially to investments in term deposit accounts and other deposits immediately convertible into cash, being the most relevant, the balances of AdP Group with 281,9 million euro (31DEC13: 369,4 million euro, of INCM with 33,7 million euro (31DEC13: 67,7 million euro), of SAGESTAMO Group with 31,4 million euro (31DEC13: 34,7 million euro).), of Lazer e Floresta with 21,3 million euro (31DEC13: 17,3 million euro) and PARPÚBLICA with 18,4 million euro (31DEC13: 146 million euro).

At 31 December 2013, Cash and bank deposits included the amount of 270,6 million euro of TAP Group and the amount of 55,7 million euro of EGF Group. At 31 December 2014, Cash and bank deposits of TAP Group and EGF Group in the total amount of 241,3 million euro and 45,1 million euro, respectively, were included in a Held for sale disposal group according to IFRS 5, as detailed in Note 21.

21 – Non-current assets held for sale and related liabilities

Assets and liabilities held for sale	31-Dec-14	31-Dec-13
Assets		
Investments		
CTT - Investments	-	248.400
EGF - subholding of AdP		
EGF- Property, plant and equipment	660.984	
EGF - *Goodwill*	10.070	
EGF - Investments	30.603	-
EGF - Deferred tax assets	81.592	-
EGF - Trade debtors and other non current assets	29.547	-
EGF - Trade debtors - current	57.873	-
EGF - Other current assets	20.304	-
EGF - Cash and bank deposits	45.061	-
EGF - Other assets	2.655	-
	938.689	-
TAP		
TAP - Investment property	2.139	
TAP - Property, plant and equipment	673.718	
TAP - *Goodwill*	193.479	
TAP - Other intangible assets	738	
TAP - Other financial assets	2.122	
TAP - Deferred tax assets	53.410	
TAP - Other current and non-current receivables and deferrals	128.724	
TAP - Inventories	97.172	
TAP - Trade debtors and advances to trade creditors	153.736	
TAP - Public administrative sector	13.878	
TAP - Cash and bank deposits	241.281	
	1.560.397	-
MARF - SIMAB land	5	110
MARB - SIMAB Land	707	707
Total non-current assets held for sale	**2.499.799**	**249.217**
Liabilities		
EGF - subholding of AdP		
EGF - Borrowings	178.522	-
EGF - Deferred tax liabilities	35.008	-
EGF - Contractual amortizations	182.016	-
EGF - Government grants	273.180	-
EGF - Tariff deviation	77.263	
EGF - Other liabilities	41.397	-
	787.386	-
TAP		
TAP - Retirement benefits expenses	56.626	
TAP - Provisions, deferred tax liabilities and public administrative sector	72.779	
TAP - Borrowings (current and non current)	1.061.651	
TAP - Trade creditors and advances to trade debtors	141.902	
TAP - Other payables (non current and current) and deferrals	739.299	
	2.072.257	-
	2.859.644	**-**
	(359.845)	**249.217**

At 31 December 2013, the remaining CTT equity was expected to be sold, as well as the lands of MARF and MARB of SIMAB Group. At 31 December 2014, TAP Group and the total investment held by AdP Group in the Empresa Geral de Fomento's equity are expected to be privatized.

The privatization of the remaining CTT– Correios de Portugal, S.A. Equity was approved by Decree-Law nr 125/2014 of August 18 and by the official statement of the Council of Ministers of 26 June 2014. During 2013, a partial sale was carried out with the disposal of 70% of the Group equity. At the beginning of 2014, 1,5% of the disposed shares were repurchased under a put *option* foreseen in the privatization prospectus. At September 2014, the total portfolio shares (31,5%) were sold under an *accelerated book-building* operation.

Under Decree-law nr 45/2014, the Government approved the privatization of the share capital held by AdP – Águas de Portugal, SGPS, S.A., in the Empresa Geral de Fomento's equity. Under the Resolution of the Council of Ministers nr 30/2014, of 3 April 2014, published in the Official Journal of 8 April, the Government decided the disposal of the representative shares of the Empresa Geral de Fomento's equity, approved the conditions of the disposal public tender, approved the terms of the disposal option of municipalities of the related public investments in the managing companies of multi-municipal systems of exploitation and management of collection and treatment of solid waste and decided the beginning of the public tender established in nr 2 of article 2 of Decree-Las nr 45/2014, of March 20. At 31 July 2014, 4 of the seven tenders invited to bidder for the acquisition of the investment of AdP - Águas de Portugal, SGPS, S.A. in the share capital of Empresa Geral de Fomento, presented their proposals. Under the Council of Ministers Resolution nr 55-B/2014 of September 19, the Agrupamento SUMA, consisting of Suma - Serviços Urbanos e Meio Ambiente, S.A., Mota - Engil Ambiente e Serviços, SGPS, S.A, and Urbaser, S.A., was considered the winner of the reprivatisation public tender of EGF. At 06 of November 2014, the sale contract of 95% of EGF's equity was signed. The remaining 5% are reserved to be purchase by EGF's employees after the conclusion of the transaction.

Suma Tratamento, S.A. notified the Competition Authority about the purchase operation of EGF shares and is awaiting for the final approval by this entity which is a preceding condition for the conclusion of the operation with the transfer of shares and shareholders loans (to be determined at the operation closing date) from EGF of AdP - Águas de Portugal SGPS, S.A. to Suma Tratamento, S.A.. For this reason, in 2014, the current financial statements record the balances, operations and results of EGF Group as held for sale/discontinued operations.

The EGF's Goodwill corresponds to the allocation of AdP Goodwill to EGF Group, on a 10,6% basis, which corresponds to the net assets weight of EGF Group in the AdP Group, at 31 December 2014.

The investments classified as non-current assets held for sale are measured by the lowest between the value at the moment of the classification and the value at fair cost less the sale costs.

22 - Equity

The nominal capital in the amount of 2 000 000 thousand euro is composed by 400 000 000 nominative shares, with a par value of 5 Euro each, is paid in 1 027 151 thousand euro and held by the Portuguese State.

Legal reserves, non distributable reserves, represents the reserve set up in compliance with Article 295 of the Trading Companies Code, which foresees that at least 5% of the net profit of the year has to be assigned to legal reserves until it reaches one fifth of the share capital. This reserve is not distributable, except in case of liquidation of the company, but it may be used to absorb losses, after the other reserves have been used, or incorporated into the share capital.

Adjustments in financial assets correspond mainly to: (i) adjustments resulting from applications of the equity method foreseen in IAS 28; (ii) adjustments on fair value of financial assets available for sale foreseen in IAS 39; and (iii) adjustments to fair value of cash flow hedging financial instruments, as well as exchange differences resulting from the translation of operating units in foreign currency.

Retained earnings correspond to the net profit of the previous periods, in accordance to resolutions from general meetings. The adjustments made, regarding the adoption for the first time, of the International Financial Reporting Standards are also registered in this account.

Other comprehensive income mainly relates to the recognition of other comprehensive income from associates when applying the equity method, adjustments at fair value of the financial assets available for sale and of re-measurement of the liability for defined benefits.

At 31 December 2014 Other comprehensive income also included gains and losses on conversion of Balance sheets made in foreign currency (see Notes 2m and 2y).

23 - Non controlling interests – balance sheet

Non-controlling interests (Profit or loss)	2014	2013
Non-controlling interests (Profit or loss)		
AdP Group (except EGF - held for sale)	37.214	45.811
EGF - held for sale	2.762	-
Cateringpor	643	233
LFP	3.504	4.720
APIS	-	(2)
SAGESECUR	125	218
ECODETRA	2	(14)
Margueira	65	67
ANAM	-	120
SPE	(130)	(486)
CTT Group	-	174
MARL, SA	391	484
MARF, SA	(98)	724
MARE, SA	(10)	272
MARB, SA	64	538
	44.532	**52.860**

24 - Provisions

Provisions (Balance sheet)	2014						
	Opening balance	Increases	Decreases from utilization	Reverted amounts not used	Efect of passing of time and changes in discount rate	Transfers to "held for sale"	Closing balance
Provisions (non-current)							
Lawsuit in progress	18.942	10.378	(1.447)	(3.724)	(100)	(22.624)	1.425
Environmental obligations	4.415	-	(193)	-	-	-	4.222
Cost of removal of materials	499	-	-	-	-	-	499
Retirement benifits and pension related	328	-	-	-	-	-	328
Provisions for investments in associates	5.733	-	-	(1.611)	-	(3.624)	498
Taxes	408	69	-	-	-	(29)	448
Work accidents/Industrial diseases	114	-	(32)	-	-	-	82
Other provisions	17.831	1.248	(498)	(973)	15	(5.122)	12.500
Provision for labour contingencies	688	-	-	(688)	-	-	-
	48.957	11.695	(2.170)	(6.996)	(85)	(31.399)	**20.003**

Provisions (Balance sheet)	2013							
	Opening balance	Consolidation perimeter changes	Increases	Decreases from utilization	Reverted amounts not used	Efect of passing of time and changes in discount rate	Other movements	Closing balance
Provisions (non-current)								
Lawsuit in progress	24.139	27	2.612	(80)	(6.660)	(1.937)	841	18.942
Environmental obligations	6.112	-	-	(1.697)	-	-	-	4.415
Cost of removal of materials	499	-	-	-	-	-	-	499
Retirement benifits and pension related	371	-	-	(43)	-	-	-	328
Provisions for investments in associates	6.794	-	-	-	(706)	-	(355)	5.733
Taxes	409	-	-	(1)	(82)	-	82	408
Work accidents/Industrial diseases	147	-	-	(33)	-	-	-	114
Other provisions	16.979	-	2.875	(338)	(1.882)	(175)	372	17.831
Provision for labour contingencies	688	-	-	-	-	-	-	688
	56.137	27	5.487	(2.192)	(9.330)	(2.112)	940	**48.957**

Lawsuits in progress

Provisions for lawsuits in progress are incorporated under the risk assessments carried out by PARPÚBLICA Group's companies and its legal advisors, based on historical success rates by nature of the process and likelihood of unfavourable outcome. The current provisions at 31 December 2014 address to several ongoing lawsuits initiated against the AdP Group, in the amount of 1 150 thousand euro.

The increases and unused write-off amounts include 9,4 million euro and 3,6 million euro, respectively, addressing to lawsuits initiated against the TAP Group, in Portugal and abroad.

Environmental proceedings

Provisions for environmental liabilities and removal of materials come from Baía do Tejo Group and are intended to ensure the charges which will be supported with the environmental recovery of the territory that it holds, including also the costs of demolition and dismantling of old steelworks and removal of waste and debris, destined for landfill.

In the context of the development of the project of the environmental recovery are currently under development the application processes EU funds under the QREN, by means of two “Agrupamentos

Complementares de Empresa” (ACE), formed between Baía do Tejo and Empresa Geral de Fomento. As a result of the work carried out until the end of 2014, it was esteemed that the company responsibilities for the work undertaken by the ACE amounted to 4 794 thousand euro.

Other provisions

Other provisions corresponds mainly to provisions of AdP Group of in the amount of 9,6 million euro (31DEC13: 11,7 million euro), mainly to cover: (i) the debts in ongoing legal proceeds, (ii) the cost of treatment of sludge from ETAR; and (iii) tax contingencies.

Provisions from SAGESTAMO Group in the amount 2,6 million euro (31DEC13: 2,6 million euro) are also included to cover the liability contractually assumed at the time of the purchase to the State in order to share with it the gain obtained with the sale of some real estate properties.

In 2014, the amounts identified as Transfer from held to sale in the amount of 31 million euro correspond to 29 million euro of TAP Group and to 2 million euro of EGF Group (held by AdP Group) which are now included in a Held for sale disposal group, according to IFRS 5, as detailed in Note 21. At 31 December 2014, Provisions included the amount of 25,3 million euro of TAP Group and the amount of 2,1 million euro of EGF Group.

25 - Borrowings

Borrowings are essentially related to bonds and loans from national and foreign credit institutions and are measured at amortized cost.

Borrowings	31-Dec-14		31-Dec-13	
	Current liabilities	Non current liabilities	Current liabilities	Non current liabilities
Bonds	200.108	3.811.806	654.323	2.649.598
Bank borrowings	455.099	2.185.934	764.523	2.746.137
Finance lease liabilities	1.715	15.175	99.561	416.560
Commercial paper	-	29.000	875.748	29.000
Overdrafts	178.304	-	169.191	-
Other borrowings	-	11.408	822	14.319
Embedded derivatives	-	1.417	-	13.106
	835.226	**6.054.739**	**2.564.167**	**5.868.721**

Segmentation of debt's nominal amounts by maturity and types of interest rate is as follows:

Borrowings	31-Dec-14	31-Dec-13
By maturity		
Up to 1 year	835.122	2.558.094
From 1 year to 2 years	292.683	648.985
From 2 years to 3 years	1.002.720	457.290
From 3 years to 4 years	111.432	1.183.118
From 4 years to 5 years	886.016	215.904
Over 5 years	3.813.641	3.427.204
	6.941.614	**8.490.595**
By type of interest rate		
Variable rate		
Expires in one year	681.446	1.889.541
Expires between 1 and 2 years	232.153	322.828
Expires between 2 and 3 years	36.541	292.702
Over 3 years	2.160.342	1.810.104
	3.110.482	4.315.175
Fixed rate		
Expires in one year	153.676	668.553
Expires between 1 and 2 years	60.530	326.156
Expires between 2 and 3 years	966.179	164.588
Over 3 years	2.650.747	3.016.123
	3.831.132	4.175.420
	6.941.614	**8.490.595**

Bonds loans issued, mostly by PARPÚBLICA, are measured at amortized cost and the option embedded in one of them is measured at fair value (see Note 45). At 31 December 2014 and at 31 December 2013 were the following:

	31-Dec-14	31-Dec-13
PARPÚPLICA		
Loan of 500,0 million Euro issued in 2004	-	504.228
Loan of 500,0 million Euro issued in 2005	504.321	504.242
Loan of 150,0 million Euro issued in 2005	152.321	151.543
Loan of 250,0 million Euro issued in 2006	251.295	251.308
Loan of 885,6 million Euro issued in 2010	879.393	884.286
Loan of 150,0 million Euro issued in 2012	-	150.060
Loan of 200 million Euro issued in 2013	200.108	200.168
Loan of 170 million Euro issued in 2013	171.641	171.157
Loan of 750 million Euro issued in 2014	748.234	-
Loan of 600 million Euro issued in 2014	606.018	-
Sub-total PARPÚBLICA	3.513.331	2.816.992
AdP Group	500.000	500.000
Total	**4.013.331**	**3.316.992**

The bond loan of 500 million euro, issued in September 2005, with a 15 years term, has an annual fixed interest rate of 3,567%. The bond loan of 150 million euro, issued in December 2005, with a 15 years term, has an interest rate variable and indexed to *Euros Mid Swap* 10 years. The bond loan of 250 million Euros, issued in November 2006, with a 20 years term, has an annual fixed interest rate of 4,2%. These bond loans foresee the possibility for the bondholders to exercise their right to an anticipated reimbursement of the bonds, if the State stops holding the totality of the share capital of PARPÚBLICA and/or loses the direct or indirect control over the company, and/or also if Articles 501 to 503 of the Trading Companies Code stop being applied in the relationship between the State and the company. Additionally, PARPÚBLICA has the obligation to reimburse the bondholders in case of an anticipated maturity of other financial debts, of insolvency, of total or substantial cessation of business, or of submission to lawsuits that affect the assets and the revenues.

The issue of PARPÚBLICA bonds 2013-2015 in the amount of 200 million euro, at June 2013 with a 2 years term has a semi-annual variable interest rate indexed to Euribor 6 months. It foresees the possibility for the bondholders to exercise their right to an anticipated reimbursement of the bonds, if the State stops holding the totality of the share capital of PARPÚBLICA and/or loses the direct or indirect control over the company, and/or also if Articles 501 to 503 of the Trading Companies Code stop being applied in the relationship between the State and the company. During the bond PARPÚBLICA won’t be allowed to offer real guarantees to other creditors. Additionally PARPÚBLICA has the obligation to reimburse the bondholders in case of an anticipated maturity of other financial debts, of insolvency, of total or substantial cessation of business, or of submission to lawsuits that affect the assets and the revenues.

The issue of PARPÚBLICA Variable Rate bonds 2013-2016 in the amount of 170 million euro, at September 2013 with a 3 years term has a semi-annual variable interest rate indexed to Euribor 6 months. It foresees the possibility for the bondholders to exercise their right to an anticipated reimbursement of the bonds, if the State stops holding the totality of the share capital of PARPÚBLICA and/or loses the direct or indirect control over the company, and/or also if Articles 501 to 503 of the Trading Companies Code stop being applied in the relationship between the State and the company. During the bond PARPÚBLICA won’t be allowed to offer real guarantees to other creditors. Additionally PARPÚBLICA has the obligation to reimburse the bondholders in case of an anticipated maturity of other financial debts, of insolvency, of total or substantial cessation of business, or of submission to lawsuits that affect the assets and the revenues.

The issue of PARPÚBLICA Bonds 2014-2019 in the amount of 750 million euro, at June 2014 with a 5 years term, has a semi-annual variable interest rate indexed to Euribor 6 months. It foresees the possibility for the bondholders to exercise their right to an anticipated reimbursement of the bonds, if the State stops holding the totality of the share capital of PARPÚBLICA and/or loses the direct or indirect control over the company, and/or also if Articles 501 to 503 of the Trading Companies Code stop being applied in the relationship between the State and the company. During the bond PARPÚBLICA won’t be allowed to offer real guarantees to other creditors. Additionally PARPÚBLICA has the obligation to reimburse the bondholders in case of an anticipated maturity of other financial debts, of insolvency, of total or substantial cessation of business, or of submission to lawsuits that affect the assets and the revenues.

The issue of PARPÚBLICA Bonds 2014-2021 in the amount of 600 million euro, at July 2014 with a 7 years term, has a fixed interest rate of 3,75%. It foresees the possibility for the bondholders to exercise their right to an anticipated reimbursement of the bonds, if the State stops holding the totality of the share capital of PARPÚBLICA and/or loses the direct or indirect control over the company, and/or also if Articles 501 to 503 of the Trading Companies Code stop being applied in the relationship between the State and the company. During the bond PARPÚBLICA won't be allowed to offer real guarantees to other creditors. Additionally PARPÚBLICA has the obligation to reimburse the bondholders in case of an anticipated maturity of other financial debts, of insolvency, of total or substantial cessation of business, or of submission to lawsuits that affect the assets and the revenues.

The issue of Galp Convertible Bonds in the amount of 885,65 million euro dated September 2010, with a 7 years term, was set in the context of the 5th re-privatization phase of Galp's share capital, according to Decree Law nr 185/2008 of September 19th. It has an annual fixed interest rate of 5,25%. Bondholders were given the right to choose between the reimbursement for the nominal value of the bonds at the maturity of the bond or before, in 28 September 2015, and the swap of the bonds for Galps's shares, which are the underlying asset, after 28 march 2013. Should shareholders choose to swap bonds for Galp's shares, PARPÚBLICA can choose between hand-over of the shares, or of the corresponding amount in cash, calculated according to defined valorisation criteria. PARPÚBLICA has the possibility of reimbursing the bonds if the value of the underlying asset is equal or superior to 30%, during at least 20 working days within 30 consecutive working days, as of 13 October 2013. It foresees the possibility for the bondholders to exercise their right to an anticipated reimbursement of the bonds, if the State stops holding the totality of the share capital of PARPÚBLICA and/or loses the direct or indirect control over the company, and/or also if Articles 501 to 503 of the Trading Companies Code stop being applied in the relationship between the State and the company or should an event of change in Galp's control occurs. During the bond PARPÚBLICA won't be allowed to offer real guarantees to other creditors. Additionally, PARPÚBLICA has the obligation to reimburse the bondholders in case of an anticipated maturity of other financial debts, of insolvency, of total or substantial cessation of business, or of submission to lawsuits that affect the assets and the revenues.

The borrowing in the amount of 599,238 million euro held by PARPÚBLICA is a syndicated bank loan of four banks in which PARPÚBLICA has succeeded to ELOS consortium. The bank loan has a 30 years maturity, until December 15, 2042, and will be amortized by 57 equal instalments from December 15, 2014 till the maturity term. It has a variable interest tax rate indexed to Euribor at 6 months. The loan has attached 4 *swaps* at variable tax rate – fixed tax rate, allowing the banks to change it to a fixed tax rate. One of the banks already exercised its right and so currently the amount of 456,910 million euro has a variable tax rate term and the amount 134 169 thousand euro and has a fixed tax rate term of 5,91%for the amount of 131,816 million euro keeping the 3 remaining *swaps* a variable tax rate-fixed tax rate. The initial fair value of the loan based on an update market tax rate is of 514 770 944,42 euro resulting in the recognition of the initial profit of 84 467 481,63 euro to reverse throughout the loan life measured at the amortized cost. The negative *mark to market* value of the 3 existing *swaps* was initially of 133 647 554,37 euro, being of also negative 202 470 394,34 euro at 31 December 2014.

The AdP Group bond loan is subject to *ownership* terms related to any amendments to shareholding structure of the company that cause an immediate term of the debt. Concerning the borrowing contracts with the European Bank of Investment and besides the usual constraints (default on payment, compliance with the general and environmental law, *cross default, pari passu, negative pledge*, false statements, bankruptcy, insolvency, liquidation, assets alterations), the Adp Group has also to comply with:

- Amendments in the shareholding structure of the AdP Group companies;
- Amendments from division, merger or sale of companies;
- Amendments in companies' assets;
- Amendment/cession of companies' business;
- Amendments in the shareholding structure of AdP/EGF;
- Undertake operations only under the agreement/guarantee of AdP/EGF;
- Compliance with the Concession/Managements Contracts;
- Amendments in the companies' turnover.

Additionally and in the scope of the mentioned financing contracts, the Portuguese Republic will act as guarantor of AdP Group before the European Bank of Investment for the timely and full payment of its financial and monetary obligations.

Bank Borrowings – non-current liabilities – in the amount of 2 186 thousand euro (31DEC13: 2 746 million euro) mainly includes:

- the amount of 1 625 million euro (31DEC13: 1 907 million euro) from AdP Group, mainly related with borrowings from European Bank of Investment;
- the amount of 508 million euro (31DEC13: 518 million euro)related to borrowings obtained by PARPÚBLICA from national and international financial entities; and
- the amount of 39 million euro (31DEC13: 44 million euro) from SIMAB Group, relating borrowings from national and international entities.

At 31 December 2013, Borrowings of EGF Group and TAP Group amounting to 179 million euro and 1 062 million euro, respectively, were included in a held for sale disposal group according to IFRS 5, as detailed in Note21. At 31 December 2014, Borrowings included the amount of 1 050,6 million euro from TAP Group and 204,2 million euro from EGF Group.

Finance lease liabilities included in other borrowings are detailed as follows:

Finance lease liabilities	31-Dec-14	31-Dec-13
Finance leases		
Finance leases' debt		
Land and natural resources	-	64
Buildings and other constructions	16.753	18.500
Basic equipment	76	497.079
Transport equipment	61	307
Other tangible assets	-	170
	16.890	516.121
Future minimum payments		
Up to 1 year	1.796	99.691
From 1 to 5 years	6.980	372.687
Over 5 years	8.532	44.384
	17.308	516.762
Interest		
Up to 1 year	81	130
From 1 to 5 years	237	337
Over 5 years	100	174
	418	641
Current value of minimum payments		
Up to 1 year	1.715	99.561
From 1 to 5 years	6.743	372.350
Over 5 years	8.432	44.210
	16.890	516.121

Finance lease liabilities, current and non-current, refer mainly to AdP Group.

26 - Retirement benefits obligations

Retirement benefits obligations	31-Dec-14	31-Dec-13
Past service obligations at begining of period	115.373	143.001
Interest cost	2.500	5.316
Current service cost	440	4.206
Contributions to the plan - employer	-	(8.207)
Actuarial gains and losses	2.452	(16.845)
Foreign currency exchange rate changes on plans	-	(2.998)
Return on plan assets	(214)	(224)
Benefits paid	(5.188)	(11.392)
Other	1.880	2.517
Transfers to "held for sale"	(48.122)	-
Past service obligations at ending of period	69.121	115.373
Net surplus on retirement benefit plan (EGF)		
Amount at begining period	37.810	38.037
Efective return	1.164	1.390
Benefits paid	(2.205)	2.031
Other	2.705	(3.181)
	35.274	38.277
Net surplus on retirement benefit plan (EGF)	-	-
Retirement benefits obligations	33.847	77.097

The evolution of the Obligations in the past 5 years was the following:

	31-Dec-14	31-Dec-13	31-Dec-12	31-Dec-11	31-Dec-10
Current value of obligation	81.012	252.797	285.220	87.631	289.840
Fair value of plans' assets	47.165	176.282	180.662	46.188	160.597
Plans' deficit	33.847	77.097	104.558	41.443	129.243

The fair value of funds' assets was as follows:

Fair value of plans's assets by category (in value)	31-Dec-14	31-Dec-13
Equity instruments	13.447	37.423
Debt instruments	29.102	131.174
Properties	660	1.730
Other assets	3.956	5.955
	47.165	176.282

Complying with the company agreements, PARPÚBLICA Group maintains in some companies (namely PARPÚBLICA, after the merger with Portucel, Companhia das Lezírias, EPAL and INCM) a set of defined benefit obligations towards its employees, under IAS 19.

Under the Social Benefits Regulations in force, the permanent staff of former Portucel, SGPS with more than five years of service, is entitled, after retirement or in a disability situation, to a monthly retirement or disability pension complement. This complement is established according to a formula, which takes into account the updated gross monthly remuneration for the professional category of the employee on the date of his retirement and the number of years in service, maximum 30, being also guaranteed a survival pension to the wife/husband and to the direct descendants. In order to cover this responsibility, an autonomous pension fund was created, managed by an external entity.

EPAL has a social benefits plan for its employees, which includes the obligation of paying a complement for retirement pension (age or invalidity) given by the State's Social Security. Additionally, EPAL supports the obligations from pre-retirement situations. The obligations from the Pension Plan are financed through EPAL Pension Fund, created on November 1990, where pre-retirements are supported directly by the company. The company's overall obligations are covered by the fund's assets and by a specific provision registered in the liabilities of the company. On 22 March 2008, EPAL changed its pension plan from an established benefit plan to a mixed plan with both established benefit and established contribution schemes.

INCM grants its workers, by way of donation, some after retirement benefits, namely medical care, complementary funeral cash benefits and special survival pensions. There is other after retirement benefits but difficult to predict and use by workers (cafeterias, etc). INCM immediately acknowledges all the actuarial gains and losses from the liabilities for past services with post employment health benefits.

Companhia das Lezírias assigns post-employment benefits to part of its employees, through defined benefit plans, namely pension plans that ensure add-ons of retirement by age, invalidity and survival, early retirement pensions and health care during the retirement period and early retirement.

The obligations from all the mentioned companies were quantified individually for each entity, by actuarial studies performed by an independent entity, using the Projected Credit Unit method, with the following main assumptions:

	31-Dec-14	31-Dec-13
	Portugal	Portugal
Mortality table	TV 88/90	TV 88/90
Invalidity table	EVK80	EVK80
Revenue rate	2,50%/3,75%	3,10%/3,75%
Growth rate		
Wages	0,00% - 2,5%	0% until 2014; after 1,5% - 2,5%
Pensions	0,00% - 1,5%	0% until 2014; after 1,0% - 1,5%
Social security retirement pension	1,3%	2,5%

At 31 December 2014, Post employment benefits obligations from TAP Group, amounting 56,6 million euro, were included in a Held for sale disposal group according to IFRS 5, as detailed in Note 21. At 31 December 2013, Post employment benefits obligations included the amount of 47,6 million euro from TAP Group.

27 - Advances from trade debtors

Advances from trade debtors amount to 497 thousand euro (31DEC13: 1 722 thousand euro) mainly related to SIMAB Group with 272 thousand euro (31DEC13: 285 thousand euro).

At 31 December 2014, Advances from trade debtors from TAP Group, in the amount of 820 thousand euro, were included in a Held for sale disposal group according to IFRS 5, as detailed in Note 21. At 31 December 2013, Advances from trade debtors included the amount of 1,4 thousand euro from TAP Group.

28 - Trade creditors

Trade creditors	31-Dec-14	31-Dec-13
Current account	34.328	167.876
Invoices for aproval	1.142	13.515
Securities to be paid	61	-
Other	1.537	2.664
	37.068	184.055

The amount owed to trade creditors results especially from amounts payable: (i) by AdP Group with 26 025 thousand euro (31DEC13: 38 849 thousand euro); (ii) by INCM with 4 715 thousand euro (31DEC13: 4 878 thousand euro); (iii) by Baía do Tejo with 1 393 thousand euro (31DEC13: 1 434 thousand euro); and (iv) by Sagestamo Group with 824 thousand euro (31DEC13: 2 440 thousand euro).

At 31 December 2014, Trade Creditors from EGF Group and Tap Group amounting to13,6 million euro and 141 million euro, respectively, were included in a Held for sale disposal group according to IFRS 5, as detailed in Note 21. At 31 December 2013, Trade Debtors included the amount of 11 million euro of EGF Group and 118 million euro from TAP Group.

29 - Other payables

Other payables	31-Dec-14		31-Dec-13	
	Current	Non current	Current	Non current
Advances from customers - tickets to be used	-	-	364.507	-
Accrued expenses	35.124	-	248.907	-
Investment suppliers	481.456	-	-	481.456
Advances on sales	49.442	-	39.264	-
Property, plant and equipment supliers	41.260	115.094	42.045	32.916
Group entities	-	-	953	-
Staff	11.343	-	17.572	-
Other	79.181	6.272	167.129	104.150
	697.807	121.366	880.378	618.523

Accrued expenses - current liabilities - include:

- 25 779 thousand euro from AdP Group (31DEC13: 34 992 thousand euro) related to accrued interests, electricity, insurances, etc;
- 3 049 thousand euro from Sagesecur (31DEC13: 4 017 thousand euro) related to accrued interests;
- 2 771 thousand euro from INCM (31DEC13: 2 802 thousand euro); and
- 1 050 thousand euro from SIMAB Group (31DEC13: 1 118 thousand euro) related to costs with real estate municipal taxes, with the CRE building in MARL, to payable remunerations and other operating costs.

The amount of 481,5 million euro Trade Creditors of financial investments - current liabilities (31DEC13: 481, 5 million euro in non-current liabilities) - is from PARPÚBLICA and concerns to the debt related to shares acquisitions for the reinforcement of position in associates in view to the re-privatization.

Sales advances are mainly related to properties of SAGESTAMO Group, including 26 million euro (the same amount as at 31DEC13) related to the Pavilion of Knowledge building.

Fixed assets Trade creditors' liabilities are mainly from Adp Group in the amount of 32 748 thousand euro– current liabilities - (31DEC13: 35 835 thousand euro) and 115 094 thousand euro – non-current liabilities- (31DEC13: 32 916 thousand euro).

Other – current liabilities – essentially includes:

- 64 043 thousand euro (31DEC13: 71 764 thousand euro) from AdP Group related to sanitation fees, advances of grants, advance of the EGF Group sale and subsoil taxes to be paid by Municipalities; and
- 6 508 thousand euro (31DEC13: 14 379 thousand euro) related to SAGESTAMO Group.

Other – non-current liabilities – essentially includes:

- 4 794 thousand euro (31DEC13: 4 805 thousand euro) corresponding to the net debt of Baía do Tejo Group to the General Treasury Directorate; and
- 1 461 thousand euro (31DEC13: 1 418 thousand euro) from SIMAB Group, related to collaterals of operators (clients of the Wholesale Markets).

At 31 December 2014, Other payables – current and non-current liabilities – of EGF Group and TAP Group in the total amount of 11,3 million euro and 672 million euro, respectively, were included in a Held for sale disposal group according to IFRS 5, as detailed in Note 21. At 31 December 2013, Other payables – current and non-current liabilities – included the amount of 12,1 million euro of EGF Group and 652 million euro of TAP Group.

30 - Other financial liabilities

Other financial liabilities	31-Dec-14		31-Dec-13	
	Current	Non current	Current	Non current
Swaps	-	222.645	-	125.869

The amount recorded in Other financial liabilities – non-current liabilities – includes:

- 202,5 million euro from PARPÚBLICA, related to three *swaps* of the bank loan of 599 238 thousand euro (see Note 25). The initial value of the *swaps* was 133 648 thousand Euros, and at 31 December 2014 their fair value (*mark-to-market*) was 202 470 thousand euro (31DEC13: 110 122 thousand euro); and
- 20,2 million euro (31DEC13: 15,7 million euro) corresponds to the interest rate *swaps* and exchange rate *swaps* of AdP Group, not included in hedge accounting, measured at fair value at the balance sheet date, based on ratings provided by independent entities. These *swaps* are associated with a global notional amount of 270 million euro.

31 - Revenue

Revenue	2014	2013
Sales		
Internal Market	551.002	584.186
External Market	191.674	180.236
	742.676	**764.422**
Services rendered		
Internal Market	582.122	1.087.984
Rentals from investment properties	60.891	64.375
External Market	2.356.407	2.370.059
	2.938.529	**3.458.043**
Total	**3.681.205**	**4.222.465**

As it can be observed in the segments business report presented on Note 1, Air Transport and related activities is the most significant segment, contributing with about 2 698 million euro (2013: 2 893 million euro), corresponding to 73% (2013: 69%) of total Revenue. In 2013, about 188 million euro of the segment's total amount related to the revenue of ANA Group till 30 June 2013, whose privatization was concluded at 22 October 2013. The second most significant segment is Water and Waste contributing with almost 793 million euro (2013: 809 million euro), corresponding to 22% (2013: 19%) of total Revenue.

32 - Grants related to income

Grants related to income	2014	2013
Related with biological assets	2.032	1.823
Other	1.169	3.686
Total	**3.201**	**5.509**

Grants related to income from biological assets concern the operational activity of Companhia das Lezírias.

Others concern to Grants related to income, mainly, from TAP Group with 1 151 thousand euro (2013: 3 679 thousand euro) receivable from the State, concerning the co-participation in the sale price of the tickets for passengers flying to or from the archipelagos of Azores, providing that they fit in the applicable legal system. The amount recognized in each financial year corresponds to the TAP Group estimate of the value receivable for flown tickets in the related financial year, by passengers covered by this benefit.

33 - Share of profit and loss of associates

Share of profit and loss of associates	2014	2013
Profit by equity method		
Parcaixa, SGPS, SA	7.967	7.446
CVP	0	-
INAPA - Invest. Part. E Gestão, SA	484	306
SPdH - Serviços Portugueses de Handling, S.A.	1.611	706
ORIVÁRZEA, S.A.	198	179
Multicert - Serviços de Certificação Electrónica	26	-
APIS	779	-
Subtotal	**11.064**	**8.637**
Loss by equity method		
CVP - Sociedade de Gestão Hospitalar, S.A.	-	88
Multicert - Serviços de Certificação Electrónica	-	215
Propnery - Propriedade e Equipamentos, SA	123	105
Subtotal	**123**	**408**
TOTAL	**10.941**	**8.229**

34 - Dividend from investments at cost and at fair value

Dividend from investments at cost or at fair value	2014	2013
REN	9.041	8.988
GALP	18.527	15.360
PT - Portugal Telecom, SA	80	260
NOS SGPS	14	14
Futuro SGFP	-	14
Lisnave	178	119
CTT	18.902	0
IHRV (ex-INH)		39
	46.742	**24.794**

35 - Profit/loss on shares disposal

Gains in shareholdings' sale	2014	2013
ANA	-	714.081
CTT	81.136	(36.565)
EDP	-	5.725
REN	(20.338)	
	60.799	**683.241**

The 81 136 thousand euro gain concerns the CTT's shares' disposal (investment of 31,5%), as detailed in Note 11.

The 20 338 thousand euro loss concerns the REN shares' disposal (9,9% of remaining shares) resulting from the 2nd stage of the re-privatization, as detailed in Note 11.

Gains in shareholdings' sale	2014	2013
ANA		
Disposal revenue		1.127.073
Company's fair value when control is lost (with disposal expenses)		412.992
Gain/Loss in disposal		714.081
CTT		
Disposal revenue	342.590	579.022
Company's fair value when control is lost (with disposal expenses)	261.454	615.587
Gain/Loss in disposal	81.136	(36.565)
EDP		
Disposal revenue		356.065
Company's fair value when control is lost (with disposal expenses)		350.340
Gain/Loss in disposal		5.725
REN		
Disposal revenue	141.669	
Company's fair value when control is lost (with disposal expenses)	162.007	
Gain/Loss in disposal	(20.338)	

36 - Changes in inventories of finished goods and work in progress

Changes in Inventories of Finished Goods and Work in Progress	2014			2013		
	Finished and intermediate goods	Subproducts and other	Work in progress	Finished and intermediate goods	Subproducts and other	Work in progress
Restated opening balance [1]	(10.218)	(2.040)	(22.198)	(10.227)	(3.400)	(28.139)
Regularization of inventories [1]	(1.479)	0	(311)	(1.341)	0	(691)
Transferred from/to "held for sale"	1.192		-			-
Closing balance [1]	10.743	2.131	15.974	10.218	2.040	22.138
Changes in inventories	**237**	**90**	**7.638**	**(1.350)**	**(1.359)**	**(6.692)**
			7.966			**(9.403)**

[1] inventories and their changes related to entities held for sale are included in changes in inventories

37 - Own work capitalised

Own work capitalised	2014	2013
Non current asset		
Intangible assets	-	146
Property, plant and equipment	192	977
Other non current assets	16.200	15.414
	16.392	16.537
Current asset		
Inventories	791	1.593
	791	1.593
TOTAL	**17.183**	**18.130**

Own work capitalized regarding Other non-current assets, amounting to 16 200 thousand euro (2013: 15 414 thousand euro) are related with the capitalization of expenses regarding its incorporation into the cost of the concession right to use the infrastructures of AdP Group, as follows:

- Employee benefits – 7 149 thousand euro (2013: 5 245 thousand euro);
- Materials and services consumed – 4 390 thousand of euro (2013: 3 789 thousand euro); and
- Financial expenses – 4 546 thousand euro (2013: 6 315 thousand euro).

Own work capitalized related to Inventories, amounting to 791 thousand euro, concerns to Employee benefits and Other expenses included in the purchase cost / production cost of the inventories of TAP Group with a duration of more than one year (2013: 1 593 thousand euro).

38 - Inventories consumed and sold

Inventories consumed and sold	2014		2013	
	Merchandise	Raw materials and others	Merchandise	Raw materials and others
Opening balance [1]	832.712	163.226	907.554	170.325
Purchases [1]	157.415	165.707	180.964	163.114
Regularization of inventories	(0)	33	(97.747)	(12.534)
Transfers to and from "held for sale"	(15.108)	(116.666)	-	-
Closing balance [1]	(821.390)	(16.692)	(832.172)	(163.226)
Inventories consumed and sold	**153.628**	**195.607**	**158.599**	**157.680**
		349.235		**316.279**

[1] | Inventories and their changes related to entities held for sale are included in changes in inventories

Inventories consumed and sold, amounting to 349 235 thousand euro (2013: 316 279 thousand euro), mainly include:

- 276 583 thousand euro (2013: 214 811 thousand euro), mainly related to technical material to be used in own aircrafts' maintenance and works in other airlines by TAP Group;
- 21 087 thousand euro (2013: 15 957 thousand euro) of coins and other assets from INCM;
- 31 594 thousand euro (2013: 31 982 thousand euro) regarding reagents and counters from AdP Group; and
- 16 887 thousand euro (2013: 41 324 thousand euro) of real estate properties from SAGESTAMO Group.

In 2014, Movements on Inventories and Raw materials and Consumables Regularization, mainly respect to TAP Group (646 thousand euro of negative adjustments) and to Companhia das Lezírias (positive 743 thousand euro).

39 - Materials and services consumed

Materials and services consumed	2014	2013
Fuel	806.636	786.471
Other material and services consumed	274.841	335.100
Airport assistance outsourced	164.938	157.174
Professional services	131.231	154.256
Air navigation fees	143.334	136.296
Repair and maintenance of flying equipment	86.739	79.622
Repair and maintenance of other assets	55.462	57.287
Subcontracts	51.428	61.592
Operational leases on aircrafts	57.315	51.984
Comissions	41.532	41.217
Expenses on board (plain)	50.528	45.353
Selling expenses related to air transport segment	32.361	38.238
Rents and leases	72.412	70.691
Landing fees	64.947	45.492
Surveillance and security	7.051	19.599
Board and lodging at scales	23.738	21.161
Insurance expenses	14.973	17.343
Professional fees	7.978	6.923
	2.087.443	2.125.799

Air transport and Related is the most significant segment in Materials and services consumed with 87% (84% in 2013) of the total expenses incurred.

Fuel is the most significant expense, with 39% of the total of Materials and services consumed.

Other materials and services consumed came mainly from TAP Group in the amount of 157 706 thousand euro (2013: 121 356 thousand euro) and from AdP Group in the amount of 103 847 thousand euro (2013: 96 546 thousand euro).

40 - Employees benefit expenses

Employee benefit expenses	2014	2013
Wages	564.977	706.253
Social security	116.416	146.358
Other employee benefit expenses	60.220	72.643
Retirement benefit expenses	8.887	8.656
	750.499	**933.911**

Governing Bodies members' remunerations of PARPUBLICA and its subsidiaries at 31 December 2014 were as follows:

- Board of the General Assembly: 26,93 thousand euro
- Board of Directors: 4 979,03 thousand euro
- Supervisory Auditor: 391,75 thousand euro

Other employee benefit expenses are essentially from TAP Group (45 708 thousand euro), as follows:

- Insurances – 17 666 thousand euro (2013: 16 936 thousand euro);
- Social expenses – 12 447 thousand euro (2013: 11 127 thousand euro);
- Meals co-participation – 5 207 thousand euro (2013: 4 851 thousand euro);
- Labour insurance expenses – 2 523 thousand euro (2013: 2 948 thousand euro);
- Other – 7 865 thousand euro (2013: 6 230 thousand euro).

In compliance with the company agreements, PARPÚBLICA Group maintains a set of obligations of established benefits towards its employees, which are handled according to IAS 19.

Retirement benefits expenses	2014	2013
Current service cost	4.562	5.530
Interest cost	3.094	10.385
Other	1.230	(7.259)
TOTAL	**8.887**	**8.656**

Retirement benefit expenses are essentially from TAP Group with 7 361 thousand euro. The changes occurred during the year regarding established benefit obligations, as well as the major assumptions used for preparing the studies, are disclosed in Note 26.

41 – Increases and reversals of inventories adjustments

Inventories Adjustments	2014		2013	
	Losses in inventories	Reversals of adjustments	Losses in inventories	Reversals of adjustments
Merchandise	27.931	22.710	26.380	4.298
Finished and Intermediate goods	187	4	405	80
Subproducts and other	-	-	-	1
Work in progress	-	-	58	-
Raw materials and other	2.105	1.930	6.010	37
Advance payments for purchases	3.158	887	1.827	-
	33.382	**25.530**	**34.680**	**4.417**
		(7.852)		**(30.264)**

Losses and reversals in inventories adjustments concern real estate from SAGESTAMO Group.

Losses and reversals in inventories adjustments are recorded according to the net carried amount estimated at the end of each period.

Losses and reversals in inventories adjustments of Raw-materials, subsidiaries and consumption are mainly from TAP Group relating technical material to repair own aircrafts and in works of other Airlines.

42 - Increases and reversals of receivables adjustments

Increases and reversals of receivables adjustments	2014		2013	
	Increases in adjustments	Reversal of adjustments	Increases in adjustments	Reversal of adjustments
Trade debtors	20.381	3.388	9.895	6.691
Othe accounts receivables - current	452	946	1.456	227
Other financial assets and liabilities	770	-	-	39
	21.602	**4.334**	**11.351**	**6.957**
		(17.268)		**(4.394)**

The amounts in Trade debtors and Other accounts receivables (see Notes 14 and 17) are net from accumulated impairment losses.

The increase of receivables adjustments are essentially due to: (i) 15 905 thousand euro from TAP Group; and (ii) 4 010 thousand euro from AdP Group.

Reversals of adjustments in accounts receivable essentially concerns to: (i) 2 602 thousand euro from TAP Group; and (ii) 1 365 thousand euro from AdP Group.

43 - Provisions

Provisions (expenses/reversions)	2014	2013
Lawsuit in progress	(5.222)	2.654
Tax	(69)	82
Other provisions	137	(3.118)
Tax contingencies - Brazil	688	-
Labor contingencies - Brazil	63	-
	(4.404)	**(382)**

The main variations are detailed in Note 24, with special notice for the most significant amounts in TAP Group from lawsuits in progress and other provisions.

44 - Impairment of investments

Non-depreciable/ amortizing (losses / reversals)

Impairment of other non-depreciable (amortizable) assets	2014		2013	
	Expenses	Reversals	Expenses	Reversals
Non-depreciable fixed assets				
Land and other natural resources	55	131	1.065	4.930
Assets held for sale	-	-	68	-
Other financial assets				
INAPA - Invest. Part. E Gestão, SA	-	-	-	5.018
Soc. Parque Ind. Vendas Novas	36	-	-	-
CE on going assets	-	-	386	-
Lazer e Floresta - Empresa de Desenvolvimento Agro-Flore	-	1	-	-
Ecodetra	-	-	109	-
	91	131	1.628	14.948
		41		**13.320**

Depreciable/ amortizing (losses / reversals)

Impairment of depreciable (amortizable) investments	2014		2013	
	Expenses	Reversals	Expenses	Reversals
Property, plant and equipment				
Land and other natural resources	-	-	71	289
Buildings and other constructions	-	-	7.437	-
Basic equipment	1.984	-	-	-
Other tangible fixed assets	-	913	-	2.470
	1.984	913	7.508	2.759
		(1.071)		**(4.749)**

Impairment losses in basic equipment are entirely from TAP Group and were recognised for the Embraer 145 airplanes, due to the selling expectation if the referred fleet and its impact in the recoverable value against the carrying value.

45 - Net changes at fair value

Net changes in fair value	2014	2013
Positive adjustments		
Investment properties	12.530	27.489
Biological assets	4.234	5.897
Net income from financial investment at fair value through	11.689	194.548
Net income from other financial investments	-	13.707
	28.453	241.642
Negative adjustments		
Investment properties	33.039	18.997
Biological assets	1.237	1.962
Losses of other financial investments	2.557	160
Net income from financial investment at fair value through	204.813	111.185
Other	92.349	-
	333.995	132.304
	(305.542)	**109.338**

Net changes (positive and negative) at fair value in investment properties are related to the following entities (net amounts):

- Sagestamo Group – 18 230 thousand euro negative; and
- Baía do Tejo – 2 396 thousand euro negative.

Fair value positive and negative adjustments in biological assets totally respect to Companhia das Lezírias.

The methods used to determine the fair value are detailed in Note 9.

Gains/losses of other financial investments at fair value through profit and loss and increases/reductions at fair value related to Other (net amounts) can be summarized as follows:

	2014			2013		
	Positive adjustments	Negative adjustments	Net adjustments	Positive adjustments	Negative adjustments	Net adjustments
Losses from financial investments at fair value through results						
GALP shares (*)	11.689	-	11.689			-
	11.689	**-**	**11.689**	**-**	**-**	**-**
Other adjustments						-
Option over GALP shares		204.813	-204.813	8.939		8.939
Swaps	-		-		1.064	-1.064
ELOS Swaps		92.349	-92.349		110.122	-110.122
Other shares and funds	-	-	-	101.143		101.143
ELOS borrowings				84.467		84.467
	-	**297.162**	**-297.162**	**194.548**	**111.185**	**83.363**
	11.689	**297.162**	**-285.473**	**194.548**	**111.185**	**83.363**

(*) Public investments in other companies either than subsidiaries and associates

The fair value of the shares is based on NYSE Euronext quotation and the fair value of the derivatives is based on *mark to market* determined by international financial entities.

46 - Other operating income

Other operating income	2014	2013
Supplementary income	55.843	57.464
Disposals-inventories	559	2.733
Disposals- property, plant and equipment	16.301	2.862
Other income from investment properties	3.932	2.505
Cash discounts	204	332
Other financial income	-	206
Payment of tax debts in Brazil (REFIS program)	51.594	-
Other interest	40.263	54.928
Other income	13.563	11.110
Exchange gains	3.093	1.757
Total	**185.352**	**133.691**

Supplementary income come mainly from the Air Transport and Related and respects among others to sales of air miles to partners under “TAP Victoria” programme in the amount of 18 402 thousand euro (2013: 19 239 thousand euro), gains with advertising of 9 803 thousand euro (2013: 9 758 thousand euro), sales of warehouse recovered material of 8 240 thousand euro (2013: 8 893 thousand euro) and rentals and subleases of 2 191 thousand euro (2013: 1 912 thousand euro). It also includes 5 763 thousand euro from AdP Group (2013: 5 977 thousand euro).

Gains on fixed assets are mainly from AdP Group in the amount of 14 257 thousand euro (2013: 812 thousand euro), due to the incorporation in its assets of a land carried over the City Hall of Lisbon to EPAL (see Note 6).

Gains with netting tax debts in Brazil come entirely from TAP M&E Brazil, due to the payment of tax debts using tax credits on tax losses carry forwards.

Interest revenue in the amount of 40 263 thousand euro (2013: 54 928 thousand euro), are mainly related to the amount of 36 948 thousand euro from AdP Group (2013: 42 769 thousand euro).

Other income and financial gains, in the amount of 13 563 thousand euro is mainly composed by SAGESTAMO Group in the amount of 7 029 thousand euro (2013: 1 228 thousand euro) and by TAP Group in the amount of 1 900 thousand euro (2013: 1 171 thousand euro). It also includes the amount of 2 470 thousand euro from INAPA related to the difference between the carrying amount after the equity method and the fair value (INAPA’ shares market price) at 23 April 2014, less the estimated sale costs (intangible assets)

47 - Other operating expenses

Other operating expenses	2014	2013
Taxes	27.321	28.608
Losses on disposal of Property, plant and equipment	2.080	2.716
Losses on disposal of inventories	1.272	1.864
Fines and penalties	1.148	585
Exchange losses	5.409	39.133
Cash discount	16	-
Other financial expenses	5.324	6.056
Other	19.517	29.243
	62.088	**108.307**

Tax expenses includes 11 274 thousand euro from TAP Group (2013: 10 573 thousand euro), 9 831 thousand euro from AdP Group (2013: 10 465 thousand euro), and 4 141 thousand euro from INCM (2013: 4 581 thousand euro).

Losses in fixed assets mainly refers to TAP Group with the total loss amount of 1 838 thousand euro (2013: 1 058 thousand euro).

Losses on disposal of inventories are essentially from TAP Group in the amount of 1 017 thousand euro (2013: 1 256 thousand euro).

Exchange losses are almost entirely from TAP Group.

Financial Expenses and losses are mainly from TAP Group, 5 301 thousand euro (2013: 4 306 thousand euro).

Other mainly includes:

- 7 720 thousand euro (2013: 8 409 thousand euro) from TAP Group, mainly related to legal compensations;
- 5 472 thousand euro (2013: 3 376 thousand euro) from Estamo;
- 2 725 thousand euro (2013: 2 417 thousand euro) from AdP Group.

48 - Expenses/reversals of depreciation and amortization

Expenses/reversals of depreciation and amortization	2014	2013
Property, plant and equipment		
Land and natural resources	173	175
Buildings and other constructions	19.811	30.082
Basic equipment	94.783	129.404
Transport equipment	507	1.022
Tools and utensils	1.898	1.866
Administrative equipment	3.436	5.895
Other fixed tangible assets	7.559	8.137
	128.167	176.581
Othe intangible assets		
Internally generated		
With finite useful life	-	1.806
Other intangible assets		
With finite useful life	223.383	243.362
	223.383	245.169
Investment properties (at cost)	95	96
Biological assets (at cost)	71	62
Total	**351.717**	**421.907**

49 - Grants related to assets

Grants related to assets in the amount of 74 576 thousand euro (2013: 86 576 thousand euro) are mainly from Water and Waste segment (99% of grants amount).

50 - Interest and other financial income / expense

Interest and other financial income /expense	2014	2013
Income and gains		
Interest from financial investments not at fair value through profit or loss	54	-
Other interest	9.988	6.554
Exchange gains	-	3.247
Other financial income and gains	1.450	727
	11.492	**10.528**
Expenses and losses		
Interest and similar expenses	366.024	405.531
Exchange losses	36.688	33
Other financial expenses and losses	20.787	32.276
	423.499	**437.840**

Other interest are mainly from the AdP Group in the amount of 5 289 thousand euro and from TAP Group in the amount of 3 091 thousand euro.

Interest and similar expenses in the amount of 366 024 thousand euro (2013: 405 531 thousand euro) includes:

- 214 217 thousand euro from PARPÚBLICA (2013: 215 139 thousand euro);
- 103 128 thousand euro from AdP Group (2013: 113 770 thousand euro); and
- 44 659 thousand euro from TAP Group (2013: 42 995 thousand euro).

Exchange losses come entirely from TAP Group, due to the financial leases valued in USUSD and the value of the discount related to the capital repatriation from 2013 sales, complying with the agreements made with the Venezuelan government.

Other financial expenses and losses in the amount of 20 787 thousand euro (2013: 32 276 thousand euro) refers to:

- 15 158 thousand euro from PARPÚBLICA (2013: 20 131 thousand euro);
- 3 162 thousand euro from TAP Group (2013: 3 663 thousand euro); e
- 1 916 thousand euro from Sagestamo Group (2013: 2 thousand euro).

51 - Net Income tax for the period

Income tax for the period	2014	2013
Current tax expense (gain)	88.452	101.408
Adjustments recognised in the period for current tax of prior years	-	(1.627)
Expense/gain arising from the reversal of temporary differences	(19.025)	(20.042)
Income arising from a temporary difference of a previous period used to reduce tax expenses	(7.923)	(7.258)
Expenses due to a reduction or reversal of deferred tax asset	19	5.363
Other	-	(121)
TOTAL	**61.523**	**77.723**

Income tax - Relation between the tax expense (gain) and the profit or loss for the year	2014	2013
Earnings before taxes	(260.803)	922.585
Tax rate	23,1%	25,6%
Product	(60.258)	236.562
Non deductible or non tributable income and expenses	111.768	(171.215)
Deferred tax assets and liabilities	(1.694)	(10.498)
Municipal tax	9.068	15.775
Separate taxation	7.703	4.052
Temporary differences	5.831	(12.028)
Non relevant tax amortization	-	239
Use of tax losses not previously recognised	(3.573)	(8.187)
Actualization of expenses with agricultural expenses	-	(208)
Other	(7.322)	23.232
TOTAL	61.523	77.723

Tax losses not recognised as deferred tax assets (by extinction date):	2014	2013
N	27.197	27.933
N+1	20.780	58.540
N+2	22.449	26.993
N+3	9.989	7.641
N+4	92.371	90.622
N+5	4.057	63.920
TOTAL	176.844	275.650

Income tax expenses for the period, in the amount of 61 523 thousand euro (2013: 77 723 thousand euro) come mostly from AdP Group (2014: 40 679 thousand euro; 2013: 56 256 thousand euro).

PARPÚBLICA Group is subject to the Corporate Income Tax (IRC). The calculation of the tax at 31 December 2014 corresponds to the annual rate of 23%, plus Municipal Surtax and plus State Surtax. Municipal Surtax is calculated up to the maximum limit of 1,5% over the taxable income.

Corporate tax declarations by PARPÚBLICA Group are deemed to be subject to inspection and eventual adjustments by the local tax authorities for a period of four years. The Board of Directors of PARPÚBLICA Group considers that possible corrections from reviews/inspections by tax authorities to those tax declarations will not significantly affect the 2014 financial statements.

52 - Non controlling interests – Profit or Loss

Non-controlling interests (Profit or loss)	2014	2013
Non-controlling interests (Profit or loss)		
AdP Group (except EGF - held for sale)	37.214	45.811
EGF - held for sale	2.762	-
Cateringpor	643	233
LFP	3.504	4.720
APIS	-	(2)
SAGESECUR	125	218
ECODETRA	2	(14)
Margueira	65	67
ANAM	-	120
SPE	(130)	(486)
CTT Group	-	174
MARL, SA	391	484
MARF, SA	(98)	724
MARE, SA	(10)	272
MARB, SA	64	538
	44.532	**52.860**

53 - Discontinued operating units

The results and cash-flows of discontinued operating units in 2014 of operating units are related to CTT's dividends received by PARPÚBLICA, to the result from the sale of CTT and to discontinued operations from TAP and EGF.

In 2014, the results and cash flows from discontinued operating units are reflected in non-current assets held for sale (30% of CTT) and in discontinued operations (TAP, ANA and CTT).

In 2014 and 2013, the results and cash-flows of the discontinuing operating units were the following:

	2014	2013 (Restated)
Revenue	2.864.931	3.399.633
Grants related to income	1.151	3.852
Share of profit and loss of associates	1.612	707
Dividend from investments at cost or at fair value	18.902	14
Gains in shareholdings' sale	81.136	683.241
Inventories variation	241	-
Own work capitalized	10.444	(1.723)
Inventories consumed and sold	(288.645)	(235.993)
Material and services consumed	(1.876.188)	(1.949.084)
Employee benefits expenses	(619.596)	(803.236)
Increases and reversals of inventories adjustments	(105)	(6.096)
Increases and reversals of receivables adjustments	(14.208)	(3.994)
Increases and reversals in provisions	(5.549)	(71)
Net changes in fair value	104	(410)
Other operating income	106.591	66.883
Other operating expense	(36.677)	(83.284)
Earnings before interest, taxes, depreciation and amortization	**244.144**	**1.070.438**
Expense/reversals of depreciation and amortization	(144.474)	(213.854)
Impairment of depreciable (amortizable) assets (expense/reversals)	(1.984)	(1.031)
Grants related to assets	18.134	18.249
Earnings before interest and taxes	**115.820**	**873.802**
Interest and other financial income	(30.835)	(101.610)
Interest and other financial expenses	(50.648)	20.355
Profit before income tax	**34.337**	**792.548**
Net income tax expense	(9.736)	(29.869)
Net result for the year of descontinued operations	**24.601**	**762.679**
Net result of non-controling interest	6.909	5.772
Net result for the year of the owners of the parent	**17.692**	**756.907**

Net cash flows related to discontinued operantions

	2014	2013
Cash flows from:		
Business	116.007	344.379
Investment	309.849	1.922.753
Financing	(80.316)	710.897
	345.540	**2.978.029**

In 2014, the Net income for the period of the discontinuing operational units, in the amount of 17 692 thousand euro includes:

- 18 902 thousand euro from PARPÚBLICA related to CTT's dividends from 2013;
- 81 136 thousand euro from PARPÚBLICA related to gains from CTT's re-privatisations;
- 2 749 thousand euro from EGF; and
- 85 096 thousand euro negative from à TAP.

54 - Related parties

Balances and transactions among companies of the Group which integrate the consolidation perimeter are eliminated in the consolidating process and are not disclosed in the current note. The balances and transactions between the major companies of PARPÚBLICA Group and its related parties are as follows:

Balances and transactions with related parties at 31 of December of 2014	Total	Associates	Management of the entity or parent company	Other related parties
Assets	452.205	10.445	-	441.760
Liabilities	58.856	8.100	-	50.756
Income	302.370	10.245	-	292.124
Expense	(115.951)	82.721	350	(199.021)

Saldos e transações com entidades relacionadas em 31-dez-13	Total	Estado e Outras Empresas Públicas	Entidades com controlo conjunto ou influência significativa sobre a entidade	Associadas	Gerência da entidade ou da respetiva entidade-mãe	Outras partes relacionadas
Saldos ativos	4 768 476	4 205 263	-	11 325	-	551 888
Saldos passivos	(400 129)	(481 456)	-	(8 280)	-	89 607
Rendimentos	485 340	-	-	11 118	-	474 222
Gastos	(62 393)	-	-	(78 768)	379	15 995

The terms or conditions practiced between PARPÚBLICA Group and the related parties are substantially identical to the terms that would normally be contracted between independent entities in similar operations.

55 - Financial assets and liabilities

1) Financial assets and liabilities

PARPÚBLICA Group financial assets and liabilities are as follows:

	31-Dec-14						
Financial assets and liabilities	Loans and accounts receivable	Financial assets available for sale	Financial assets at fair value through profit or loss	Held-to-maturity investments	Financial assets at fair value through profit or loss	Financial liabilties at amortised cost	Total
Assets							
Non current assets							
Financial Investments-Other methods	-	67	505.237	-			505.303
Other financial assets	4.703.606	10	6.405	6.314			4.716.335
Other accounts receivable	166.070	-	-	-			166.070
	4.869.676	**77**	**511.642**	**6.314**	**-**	**-**	**5.387.709**
Current assets							
Trade debtors	522.988	-	-	-			522.988
Advances to trade creditors	6.225	-	-	-			6.225
Other accounts receivable	84.408	-	-	-			84.408
Other financial assets	-	4	6.904	-			6.908
Cash and cash equivalents	404.368	-	-	-			404.368
	1.017.989	**4**	**6.904**	**-**	**-**	**-**	**1.024.897**
Total assets	**5.887.666**	**81**	**518.546**	**6.314**	**-**	**-**	**6.412.606**
LIABILITIES							
Non current liabilities							
Borrowings					1.417	6.053.322	6.054.739
Other accounts payable					-	121.366	121.366
Other financial liabilities					222.645	-	222.645
	-	**-**	**-**		**224.062**	**6.174.688**	**6.398.751**
Current liabilities							
Trade creditors					-	37.068	37.068
Advance to trade debtors					-	497	497
Shareholders					-	18	18
Borrowings					-	835.226	835.226
Other accounts payable					-	697.807	697.807
	-	**-**	**-**	**-**	**-**	**1.570.616**	**1.570.616**
Total liabilities	**-**	**-**	**-**	**-**	**224.062**	**7.745.304**	**7.969.367**
Net	**5.887.666**	**81**	**518.546**	**6.314**	**(224.062)**	**(7.745.304)**	**(1.556.760)**

LEVEL OF HIERARCHY OF FAIR VALUE IN WHICH THE FAIR VALUE MEASURES ARE CATEGORIZED IN FULL, SPLITTING THE FAIR VALUE MEASUREMENTS IN ACCORDANCE WITH THE LEVELS DEFINED IN PARAGRAPH 27 A OF IFRS 7	**31-Dec-14**			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit and loss	505.237	13.309	-	518.546
Financial assets at fair value - hedging derivatives	-	-	-	-
Financial assets available for sale - Fair value	-	-	-	-
	505.237	**13.309**	**-**	**518.546**
Financial liabilities at fair value through profit and loss	-	224.062	-	224.062
Financial liabilities at fair value - hedging derivatives	-	-	-	-
	-	**224.062**	**-**	**224.062**

Financial assets and liabilities	31-Dec-2013 Loans and accounts receivable	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	Loans and accounts receivable	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	Total
Assets							
Non current assets							
Financial Investments-Other methods	-	106	817.765	-	-	-	817.871
Other financial assets	4.344.214	9	34	6.158	-	-	4.350.415
Other accounts receivable	281.084	-	-	-	-	-	281.084
	4.625.298	**115**	**817.799**	**6.158**	**-**	**-**	**5.449.371**
Current assets							
Trade debtors	734.100	-	-	-	-	-	734.100
Advances to trade creditors	18.328	-	-	-	-	-	18.328
Other accounts receivable	271.071	-	-	-	-	-	271.071
Other financial assets	-	36	6.459	-	-	-	6.495
Cash and cash equivalents	926.643	-	-	-	-	-	926.643
	1.950.196	**36**	**6.459**	**-**	**-**	**-**	**1.956.691**
Total assets	**6.575.495**	**151**	**824.258**	**6.158**	**-**	**-**	**7.406.062**
LIABILITIES							
Non current liabilities							
Borrowings	-	-	-	-	13.106	5.855.615	5.868.721
Other accounts payable	-	-	-	-	1.729	616.794	618.523
Other financial liabilities	-	-	-	-	125.869	-	125.869
	-	**-**	**-**	**-**	**140.704**	**6.472.408**	**6.613.112**
Current liabilities							
Trade creditors	-	-	-	-	-	184.055	184.055
Advance to trade debtors	-	-	-	-	-	1.722	1.722
Shareholders	-	-	-	-	-	18	18
Borrowings	-	-	-	-	-	2.564.167	2.564.167
Other accounts payable	-	-	-	-	-	880.378	880.378
	-	**-**	**-**	**-**	**-**	**3.630.341**	**3.630.341**
Total liabilities	**-**	**-**	**-**	**-**	**140.704**	**10.102.749**	**10.243.453**
Net	**6.575.495**	**151**	**824.258**	**6.158**	**(140.704)**	**(10.102.749)**	**(2.837.391)**

LEVEL OF HIERARCHY OF FAIR VALUE IN WHICH THE FAIR VALUE MEASURES ARE CATEGORIZED IN FULL, SPLITTING THE FAIR VALUE MEASUREMENTS IN ACCORDANCE WITH THE LEVELS DEFINED IN PARAGRAPH 27 A OF IFRS 7	31-Dec-2013 Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	817.799	6.459	-	824.258
Financial assets at fair value - hedging derivatives	-	-	-	-
Financial assets available for sale - Fair value	-	-	-	-
	817.799	**6.459**	**-**	**824.258**
Financial liabilities at fair value through profit and loss	-	138.975	-	138.975
Financial liabilities at fair value - hedging derivatives	-	1.546	183	1.729
	-	**140.521**	**183**	**140.704**

2) Measurements at fair value

i) Financial assets and liabilities at fair value not repeatedly measured at fair value

Some PARPÚBLICA Group assets and liabilities are measured at fair value at the end of every reporting period. The frame below shows how the fair values of those financial assets and liabilities are determined, namely the evaluation methods and the inputs used in the measurements:

Financial assets and liabilities	31-Dec-14	31-Dec-2013	Evaluation Methods
Financial assets at fair value through profit or loss	**518.546**	**702.740**	
Shares held by Parpública	488.515	696.247	Market prices (NYSE Euronext) - GALP, REN and ZON restatements
US of Imopoupança Fund	10	10	The Fundo Imopoupança's UP at fair value results from the measurement of the equity value disclosed by the related company at the end of 2013
US of Fundiestamo Fund I	6.894	6.449	As there is no reference market price to be the fair value of these PU, since there are few market transactions and their price have as reference the offered price under a liquidity contract, some alternative techniques of at fair value measurement were established, namely of the assets value of these UP (UPV) disclosed by CMVM. The VUP results from the ratio between the total Share Capital and the number of investments. Considering that the assets of this Fund are mainly real estate properties subject to regular reviews, the value of the Share Capital is a good approximation to the fair value. In the current market conditions, this technique is considered to be more representative of these UP's fair value. This change in the measurement technique is considered as an estimate change according to IAS 8 and is forward looking applied. It should be mentioned that the most of the impact is explained by the reduction to 3,7%, in 2014, of the IPD index concerning the Portuguese office real estate market.
Shares held by AdP		34	The financial instruments fair value is not settled based on the market prices but on evaluation models. The main inputs of the models used are observable at the markets as, for instance, the over-the-counter derivatives.
Aplicações financeiras junto da banca comercial - obrigações sénior	6.405		The financial instruments fair value is not settled based on the market prices but on evaluation models. The main inputs of the models used are observable at the markets as, for instance, the over-the-counter derivatives.
Financial liabilities at fair value through profit or loss	**224.062**	**138.975**	
Parpública interests SWAPs	202.470	110.122	The fair value of the not in the market financial instruments is calculated in their "mark-to-market" evaluations.
Option in bond loan of PARPÚPLICA	1.417	13.106	
AdP interests and exchange SWAPs	20.175	15.747	The AdP Group derivatives fair value is estimated on instruments in the market. Whenever there are no market prices,derivatives fair value is estimated through the discounted cash flows and options evaluation methods, according to generally used market assumptions .
Financial liabilities at fair value - hedging derivatives	-	**1.729**	
Swaps jet fuel	-	1.546	Discounted cash-flows
Hedge of interest rate risk - SWAP of Simab	-	183	Fair value determined by bank entity

ii) Financial assets and liabilities at fair value not repeatedly measured at fair value (but with at fair value disclosures)

Due to its short-term nature, the Board of Directors of AdP Group considers that the carrying amount of financial assets and liabilities not measured at fair value is close to its fair value, with the following exceptions:

	31-Dec-2014		31-Dec-2013	
	Carrying amount	**At fair value**	**Carrying amount**	**At fair value**
Financial liabilities				
Borrowings	2.266	1.503	2.423	1.580
Total	**2.266**	**1.503**	**2.423**	**1.580**

iii) Reconciliation of the measurements at fair value level 3

The reconciliation of the measurements at fair value level 3 is as follows:

Reconciliation of opening and closing balances (only for at fair value measurements of level 3 at fair value hierarchy)	
Opening balance	**183**
Change to consolidation perimeter (signal + or -)	-
Acquisitions (signal +)	-
Sales (signal -)	-
Payments (signal -)	(183)
Closing balance (30-Dec-14)	-

56 - Perspective on risks arising from financial instruments

The risks that entities are exposed to can come from internal and external factors. The identification of the relevant risks is based on a profound understanding of the entity, of its core business and the market within it operates. Taking into account the perspective of impact of loss, the Group is exposed to the following the materially relevant risks:

- Market Risk, which comprises three types of risk: (i) currency risk – is the risk that the value of a financial instrument can fluctuate due to changes in foreign exchange rates; (ii) interest rate risk – the risk that the value of a financial instrument can fluctuate due to of changes in market interest rates; and (iii) price risk – is the risk that the value of a financial instrument can fluctuate due to changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or to its issuer, or systemic factors.

- Credit Risk – is the risk that one party of a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. PARPÚBLICA Group is subject to this risk when granting credit to its customers. However, credit sales are subject to rules that assure that those are made to costumers with an adequate credit history and that are within the maximum pre-defined limits of exposure approved for each customer.

- Liquidity Risk (also referred as financing risk) – is the risk that an entity will found difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell quickly a financial asset at the close of the market at its fair value.

For their relevance in PARPÚBLICA Group, the following entities should be mentioned: PARPÚBLICA, AdP Group and TAP Group.

PARPÚBLICA

In its activity PARPÚBLICA identifies the following areas of financial risks that may affect its asset value or its interest by third parties: (i) *credit risk*, (ii) *liquidity risk*, and (iii) *market risk* for interest rate and price.

i) Credit risk

Credit risk, associated with the possibility that one of the parties involved in a financial instrument does not fulfil its obligation, refers mainly to financial investments of cash surpluses, to contracted *swaps* and to granted loans.

Granted loans are granted to companies whose financial policies are controlled (subsidiaries) for investments with appropriate return. The loans are approved by PARPÚBLICA Executive Committee and bear interests.

ii) Liquidity risk

Liquidity risk associated to the possibility of the company not to be able to meet its commitments, is covered by the State Budget due to the inclusion of Parpública in the budgetary State consolidation perimeter and therefore the financing needs not covered by Parpública's own resources shall be covered by DGTF.

The segmentation of the debt by nature of instruments and by remaining time until maturity is as follows (nominal values in million euro):

in thousand euro

31-12-2014	1-3 months	4-12 months	1-2 years	2-5 years	>5 years	Total
Financing						**4094,4**
Commercial Paper						0,0
Eurobonds					1500,0	1500,0
GALP Exchangeable Bonds				885,7		885,7
Other Bonds		200,0	170,0	750,0		1120,0
Bank Financing		21,0	21,0	63,1	483,6	588,7

in thousand euro

31-12-2013	1-3 months	4-12 months	1-2 years	2-5 years	>5 years	Total
Financing						**4279,0**
Commercial Paper	620,0	255,0				875,0
Eurobonds		499,0			900,0	1399,0
GALP Exchangeable Bonds				885,7		885,7
Other Bonds		150,0	200,0	170,0		520,0
Bank Financing		10,1	21,0	63,1	505,1	599,3

Covenant clauses existing in debt instruments are as follows:

Borrowings	Covenants
Eurobonds	
Bonds 500Meuro - 2005, due 2020	*Cross Default / Force Majeure*
Bonds 150Meuro - 2005, due 2020	*Cross Default*
Bonds 250Meuro - 2006, due 2026	*Cross Default*
Bonds 600Meuro - 2014, due 2021	*Cross Default / Negative Pledge / Pari Passu*
GALP Exchangeable Bonds 885,65Meuro– 2010, due 2017	*Cross Default / Negative Pledge / Restrictions on Activity*
PARPÚBLICA Bonds 200Meuro – 2013/2015	*Cross Default / Negative Pledge / Pari Passu*
PARPÚBLICA Bonds at floating rate 170Meuro - 2013/2016	*Cross Default / Negative Pledge / Pari Passu*
PARPÚBLICA Bonds at floating rate 750Meuro - 2014/2019	*Cross Default / Negative Pledge / Pari Passu*
Bank loan 599,238Meuro	*Cross Default / Negative Pledge / Pari Passu*

iii) Market Risk

Interest rate risk

Interest rate risk respects to the possible change, due to changes in interest rates, of the remuneration of financial instruments indexed to a floating interest rate or the fair value of financial instruments indexed to a fixed interest rate.

Relating medium and long term debt, about 54,6% has a fixed interest rate and only about 45,4% has a floating interest rate.

PARPÚBLICA keeps three plain vanilla interest rate *swaps* structures (floating rate to fixed rate *swaps*). The total *notional* amount of the three structures is 465,9 million euro. The three structures together had the following impacts (thousand euro):

	2014	2013
Payments	-12.055	-11.697
Gains (losses) in changes at fair value	-92.349	23.526

At 31 December 2014, the forecast flows of the medium and long term debt interests and the *swaps* interests were as follows:

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	<1 year	1 a 5 years	>5 years	Total
Medium/long term debt interests	-157.046,9	-484.647,9	-486.785,4	-1.128.480,2
Swaps flows	-16.336,8	-69.664,7	-129.907,0	-215.908,5

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	<1 year	1 a 5 years	>5 years	Total
Medium/long term debt interests	-152.474,3	-417.976,6	-589.477,7	-1.159.928,6
Swaps flows	-11.815,4	-50.348,7	-62.541,0	-124.705,1

Price risk

Price Risk is the possibility of the value of a financial instrument to float as the result of changes in markets, whether those changes are caused by specific individual instrument factors or its issuer, or whether by factors that affect every single instrument traded in the market. Currently this risk exists only in the bond issued with the nominal amount of 885,65 million euro, with embedded option that allow the investors to convert its bonds in GALP shares held in the portfolio, for the effects of changes in the price of these shares.

The borrowing of 885,65 million euro has its maturity in 28 September 2017, with the possibility of (i) the investors convert its bonds in Galp shares after March 2013, (ii) under certain conditions the company exercise a *call option* and reimburse the bonds after 13 October 2013, and (iii) the investors ask for the reimbursement of the bonds in 28 September 2015. Should bondholders choose to convert its bonds in GALP shares, PARPÚBLICA may choose between delivering the shares or the corresponding value in cash, calculated according to defined valuation criteria.

The basic component and the embedded option of those loans are separated for accounts purposes being measured according to Notes 2m), 2t) and 2w).

By using fair value to measure the options and also the underlying shares, the annual net effects caused by the changes in the quotes of the underlying asset are recognized. Those effects were the following (in million euro):

	2014	2013
Changes in the value of the options	+11,7	+ 101,1
Changes in the value of the underlying asset	-199,7	11,3
Net Gain/Net Loss	**-188,0**	**112,40**

Assuming positive and negative changes of 15% in the quotes of Galp shares at 31 December 2014,the effects in the embedded option of convertible bonds would be the following:

Convertible Bonds in GALP's Shares						
GALP'Shares			Option			Net Change(M€)
Price (€)	Value (M€)	Change	Value %	Value (M€)	Change	
8,43	494,5	-	0,16%	1,4	-	-
9,70	568,7	15,0%	1,10%	9,7	587,5%	65,9
7,17	420,4	-15,0%	0,00%	0,0	-100,0%	-72,8

Effects in the same option as a result of a change in the implicit volatility would be the followings:

Bonds convertible in GALP shares			
Implicit volatility			
%	Option (%)	Value (M€)	Change
26,7%	0,16%	1,4	-
31,7%	0,91%	8,1	468,8%
21,7%	0,00%	0,0	-100,0%

The effects of the *swaps* related to the 599,2 million euro loan by positive and negative changes of 1% in the floating interest rate (Euribor 6M) would be the following:

Rate	Value	Change
Euribor 6M	202,5	
Euribor 6M + 1%	133,0	-34,3%
Euribor 6M - 1%	284,5	40,5%

<u>AdP Group</u>

Risk factors

The activities of AdP Group are exposed to a variety of financial risk factors: credit risk, liquidity risk and risk from cash flow related to interest rate. It is a common practice in AdP Group, among other financial instruments, to contract financial derivative instruments to minimize the exposure to some risks. AdP Group developed and implemented a risk management programme that, together with the monitoring of the financial markets, seeks to minimize the potential adverse effects in the financial performance of AdP and its subsidiaries. The risk management is driven by the central treasury department based on policies approved by the Board of Directors. The treasury department identifies, evaluates and performs operations with the aim to minimize the financial risks, in straight cooperation with the operating units of AdP Group.

The Board of Directors provides principles for risk management as a whole and policies that cover specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivatives, other non structured instruments and treasury surplus investments. The Board has the responsibility to define the general principles of risk management as well as the exposure limits. All operations with derivative instruments need to be previously approved by the Board of Directors that defines the parameters of each operation and approves formal documents where the goals of the operations are described.

i) Credit risk

Credit risk is essentially related with the risk that one party fails to comply with its contractual obligations, resulting in a financial loss for AdP Group. The Group is exposed to credit risk in its operating, investing and treasury activities.

Credit risk in operations is essentially related with receivables from the services rendered to customers (water supply, sanitation and waste). This risk is in theory reduced given the characteristics of the service rendered (to state related entities - municipalities). However, considering the economical and financial situation of the country in the last years, with direct consequences in the municipalities, the amount overdue still has significant values.

Impairment adjustments on accounts receivable are measured considering: (i) customer risk profile, evaluated according to if that customer is an institutional or a business company; (ii) average collection period (day's sales outstanding) which differs from business to business; and (iii) the customer's financial condition. AdP Group has continuously warned the Portuguese Government to the current unsustainable arrears situation of some Municipalities in order to find solutions to collect the debts.

AdP Group's Board of Directors is always evaluating the adoption of measures to ensure the recoverability of the Municipalities receivables, namely , the PAEL (Local Economy Support Programme), the triggering of the mechanism associated with the Priority Credit (current debt), the establishment of payment agreements and bringing legal actions.

Despite the uncertainty about the terms in which Municipalities will fulfil their obligations, AdP Group's Board of Directors still believes that those balances don't indicate that they will lead to recognition of impairment losses.

The following table represents the maximum exposure of the Group to the credit risk (not including balances of trade debtors and other debtors) at 31 December 2014, not considering any collateral held or other credit risk improvements. For assets in the balance sheet, the defined exposure is based on its carrying amount as reported in the balance sheet.

Banking financial assets	**31-Dec-14**	**31-Dec-13**
Bank deposits	51.140	50.323
Time deposits	207.377	297.945
Other securities	23.014	18.362
Equipment renovation fund	-	2.678
Capital Reconstitution fund	102.668	123.317
Total	**384.199**	**492.625**

Rating	**31-Dec-14**
A2	871
B1	31.490
B2	66.978
B3	5
Ba1	137.158
Ba3	48.135
Baa 1	5.174
Baa 2	3.880
Baa 3	78.126
Caa1	2.873
Rating unknown	9.507
Total	**384.199**

ii) Currency risk

Currency risk exposure is not relevant for AdP Group. This risk materialises on future commercial transactions, recognised assets and liabilities, as well as investments on foreign operations that did not yet took place or were expressed on the AdP's functional currency. The Group's central treasury department is responsible for the management of the net exposure of every currency, contracting *swaps* centrally, in order to minimize the commercial risk, recognised assets and liabilities. AdP Group holds investments on foreign currency, of which the related net assets are exposed to currency risk, as well as loans in foreign currency exposed to currency risk. Currency exposure embedded on foreign currency net assets is managed trough the contracting of loans in the same currency and through loans with currency hedge *swaps*.

iii) Liquidity risk

Liquidity risk management implies keeping cash at a reasonable level, floating debt consolidation viability trough an adequate amount of credit facilities and the ability to liquidate market positions. In face of its own business dynamics, AdP cash wants to assure floating debt flexibility, keeping the credit lines available for this effect. AdP group manages liquidity risk trough contracting and maintaining credit lines and financing facilities with firm underwriting commitment before national and international financial institutions of high credit rated that allow an immediate access to funds. During last years this practice has been highly restrained by the well-known difficulties in accessing credit markets in Portugal, as well as by the increasing amount of customers' debt.

Considering this problem AdP Group analyzed its investments commitments and rescheduled AdP Group's investments, with a map considering their importance, financial, economic and environmental impact, minimizing the risks associated with the commitments before the different entities.

The table bellow presents AdP Group responsibilities as per contracted residual maturity intervals. The amounts presented in that table are the not discounted contracted cash flows to pay in the future (not including the interests related to these liabilities).

	< 1 year	**1 to 5 years**	**> 5 years**
Borrowings	598.893	362.606	1.777.047
Trade creditors and other liabilities	189.956	69.112	45.982

AdP Group doesn't foresee any problems in the payment of its short term liabilities. In what concerns short term banking loans AdP Group considers to be able to guarantee the renewal of the main credit lines, and therefore their payment is not expected to be immediate.

iv) *Risk from cash flow and fair value related to interest rate*

AdP group interest rate risk, essentially comes from contracting long-term loans. In this context, loans with variable rate expose AdP group to cash flow risk and loans with fixed interest rates expose the group to risk of fair value associated to the interest rate. AdP group manages cash-flow risk related to interest rate, by contracting *swaps* that allow the conversion of variable interest rate loans into fixed interest rate loans.

Also related with the variance of the interest rate is the guaranteed return on the concession agreements, and consequently the tariff deviation.

The table below shows the sensibility analysis of financial expenses of AdP Group.

	31-Dec-14	Average Rate + 1%	Average Rate - 1%
Interests paid	87.641	111.922	61.048

v) Capital Risk

AdP Group objective concerning capital management, which is a wider concept than capital share on the face of the balance sheet, is to maintain an optimal capital structure, through a prudent use of funding that allows the Group to reduce capital cost.

The purpose of capital risk management is to assure the group will continue its operations, with an adequate return to the shareholders and generating benefits for all interested third parties. AdP Group policy is to contract loans from financial entities, by the group parent company – AdP, SGPS, SA (with the exception of EPAL and of investment loans - EIB) that will give loans to its subsidiaries. This policy aims the optimization of capital structure in order to get tax efficiency and a decrease in the average cost of capital.

	31-Dec-14	31-Dec-13
Non current borrowings	2.139.653	2.423.506
Current borrowings	598.893	616.695
Cash and equivalents	(281.885)	(369.391)
Debt	**2.456.660**	**2.670.810**
Grants related to assets	1.630.393	1.943.203
Total equity	1.327.665	1.242.276
Capital and grants	**5.414.717**	**5.856.289**
Debt/total capital	**0,45**	**0,46**

AdP Group funding model is based typically in two types that allow the capital balance structure: the bank funding, with a particular focus on the funding contracted with EIB and with equity, and non-refundable grants related to assets.

i) *Regulatory risk*

The regulation is the most significant limitation to the profitability of the economic activities of AdP Group. The regulator may take measures with negative impact on cash flow, with all its adverse consequences. In order to minimize these risks, AdP Group has tried to closely monitor the activities of the regulator, trying to anticipate potential negative impacts in the subsidiaries, as a result of the regulations issued by ERSAR (Regulator of water and waste services).

The XIX Constitutional Government Program, and the Economic and Financial Aid Program ("Plano de Assistência Económica e Financeira") foresee the separation from AdP Group of the waste subsector and the need to implement measures in order to open this sector to private initiative. Some ongoing measures will lead to the sector restructuring, among them the sale of the sub-holding EGF (waste). The AdP SGPS Board of Director does not yet know the impacts of those measures on the consolidated financial statements of AdP Group, besides those disclosed in the current financial statements.

Under Law nr 10/2014, of March 6, the new ERSAR statutes were approved and ERSAR will be an independent administrative entity with bigger organic, operational and financial autonomy as other independent regulatory entities. The Law nr 12/2014 also issued at March 6 amended, by the second time, Decree-Law nr 194/2009, of August 20 (already amended by Decree-Law nr 92/2010, of July 26) and established the legal regime of the municipal services of public water supply, of urban wasted water sanitation and urban waste management, changing invoicing and administrative procedures.

TAP Group

In 2014, the national and international framework surrounding TAP Group's economic and financial management had some instability and some changes both geological and economic.

In the 25th anniversary of the fall of the Berlin Wall, war arose again in Europe: in Ukraine. In the Middle East and North of Africa conflicts took place some originated from the so called Arabian Spring beginning in 2011, others from underlying tensions and conflicts between regional powers, such as the war in Syria and Iraq.

The growing tension between Russia and Europe had some direct economic and commercial effects due to the embargo on exports to Russia and the retaliatory measures. However, in real and speculative terms, the new situation had the biggest impacts in the energy markets essential to the Russian economy. At a strictly economic level, the slowdown of the Chinese economy and the stagnation of the European economy, both with a significant weight in the global GDP, also contributed for the severe fall of the oil market from the second half of the year.

After three years of great stability if the oil price (between 2011 and 2013) with the Brent price between 10% up or down USD 110 per barrel, at the end of the year the price decreased sharply and fast to half that level, to about USD 50 per barrel. The price of other raw materials also decreased. Concerning the jet fuel price that between 2011 and 2013 stabilised at USD 1 000 per tonne it had an average drop to USD 750, during the second half of the year, reaching about USD 500 in the end of the year.

In 2014, other than the European economy, the Brazilian economy also registered a near-stagnation. Moreover, the fall of the raw materials prices, mainly the oil price, somehow overshadowed the growing and expansion prospects of many emerging economies which strongly depend on that income source for their development. On the other hand, due to the growing importance of the emerging markets in the current world economy, the slowdown of the emerging economies can quickly led to break in the exports demand from the developing markets. That is the case of Angola where there was an abrupt economic braking at the end of the year.

Naturally, all the movements in national and international economy have impact in the TAP Group, since its business is affected by the macro and micro tendencies of the markets in which it operates. The oil price is one of the global variables with decisive impact in the air transport business. Several local factors, such as the Portuguese touristic market, or cyclical factors such as the Football World Championship in Brazil, during the Spring of 2014, have a more or less significant impact in the Group profit and loss, namely in its main business the passengers air transport.

On the other hand, the Group did not face risks and opportunities with a passive and wait-to-see attitude and so 2014 was also a year of great changes and internal growth, with all the related difficulties. The scope of business of the Group was enlarged by the increase of TAP Group fleet from 55 to 61 medium and long haul aircrafts as well as by the launching, in the middle of the year, of 11 new destinations in Europe and Latin America that increased its offer, its range of business opportunities and allowed the Group to actively face risks in an ever changing scenario.

In this context, management risk, or in other words, the continuing effort for adapting to changes, is of vital importance.

i) Price risk

80% of TAP Group total income and gains, about 2,8 billion euro, comes from the passengers' air transport business. Cargo and postal air transport represents about 4% of total income and maintenance services (maintenance and engineering both in Portugal and Brazil) represent almost 6% of 2014 total income. The Group free shop business, managed by Lojas Francas de Portugal, S.A., represents a little more than 6% of total income and gains. The remaining companies owned by TAPGER, including Cateringpor, have no significant impact in what sales away from the Group are concerned.

The Group income level in its core-business – the passengers and cargo air transport – is high. Air transport is currently a common consumer good with easy access to many market segments and in 2014 TAP S.A. transported 11,4 million passengers during more than 320 thousand flying hours. The passengers' volume/kilometres/transported units ("PKUs") increased 7% in 2014, reflecting not only a growth but also an acceleration of the business comparing to previous years. However, the average ticket price, which increased in 2013 relating to 2012, decreased significantly in 2014, in the same extent as the volume of PKUs. The final global amount of tickets income was the same with about 2,2 billion euro. It should be also noted that the total occupancy rate increased in comparison with previous year representing 80% of the total operating activity, at a high level for the industry.

In geographical terms, Europe (including Portugal) still represents 43% of the total business measured in PKUs, the Brazilian routes represent 39% of total passengers-transported. On one hand, the rest of Latin America and USA and Africa on the other are responsible for almost 10% each of the total TAP S.A. business. In growing terms, the business was particularly dynamic in the European and USA routes with a growth of about 10%. Also in the Middle Atlantic there was a significant growth due to the new routes to Colombia and Panama. The traffic volume in the Brazilian routes grew about 4% (mainly in the Northern Brazil airlines) and in Africa just 1% with a decrease in almost all the routes counterbalanced by two big important increases, above 10%, in the Angola and Cape Verde markets.

Concerning sales, Portugal and Brazil keep almost the same level of total tickets sale with 23% and 22% respectively. Europe, except Portugal, is responsible for of 40% of total sales, Africa for 7% (4,7% from Angola), USA and Latin America (except Brazil) for 4% each. However in Venezuela sales decreased all over the year due to the difficulties to repatriate the related amounts to Portugal and for that reason the Group chose to enhance that route sales only outside Venezuela.

In development terms, in 2014 ticket sales registered an increase of about 8% in the European markets, a decrease of 2,5% in the domestic market and a decrease of 7% in the sales amount in euro in the Brazilian market. The sale drop in the Brazilian market could be partially related to the drop on demand due to the Football World Championship with less Brazilian consumers flying abroad and, in a more general way, to the consumption slowdown of the Brazilian economy and to the competition increase of other Airlines in some routes.

The structure and geographical configuration of the Group network, business and sales did not changed substantially relating previous years being grounded in three major pillars: Europe, Portugal and Brazil and weight: Americas (except Brazil) and Africa. Throughout the years, and mainly in 2014, a significant effort has been made to develop and profit from the traffic flows of the transatlantic routes, mainly between Europe and South America.

This effort from TAP Group to develop the market faces mainly two kind of significant obstacles: on one hand, the economic constraints in both sides of the Atlantic Ocean either due to the weak consumption in Europe and in Portugal, or the obvious downturn of the Brazilian economy; on the other hand, the competition is increasingly growing and diverse not only in the traditional Brazilian routes, such as Rio de Janeiro and São Paulo, but also in other routes, such as Brasília, where some competing European airlines are getting some weight. Non-European companies, from Latin America or other geographical areas, can in the future also change even more the competing chessboard of the South Atlantic and eventually menace the strategic position developed by TAP Group throughout the years.

The competing menace is naturally stronger in the European routes than in the transatlantic routes and the strong presence of EasyJet and Ryanair (new headquarters in Lisbon) competing with TAP S.A. in several European routes, leads to a high constraint in the tariff increase and to a downward trend of the average tariff reflected in the yield. All these factors lead to a complex and difficult situation of trade-off between price and quality, and to a constant need of adjustment to cope with the tariff and network strategies of the competitors.

Besides the income from passengers air transport, the income from cargo and postal air transport is also important with a weight in revenue similar to one of the big European markets, such as Germany, with an annual amount about 120 million euro and, in 2014, with an increase of about 7% in cargo air transport income. The cargo air transport has a modus operandi affected, in several routes, by the limitation in space and weight related to the passengers' occupancy rate of the airplane and to the routes and operating equipments together with the related needs of fuel. For instance, in a long distance route with a medium-haul airplane, such as Moscow or Sal, the available space for cargo is limited by the necessary fuel volume. However, in a route with long haul airplanes, the cargo area is much bigger due to the airplane characteristics, namely concerning the fuel tanks. Still concerning long haul airplanes, it is a different situation if it is an Airbus A330 or an Airbus A340.

Concerning cargo air transport, the most important markets are Brazil and Portugal, Germany and also USA, Italy and France. Angola, although a very important market of cargo destination, is not a significant originating or issuing market. In 2014, Brazil recorded a very important growth. It should be mentioned that the cargo market is very sensitive to other companies competition, with less loyalty, namely due to the several alternative routings being therefore subject to the influence of the operators of important fleets and with big capacity airplanes, such as the Golf airlines.

If the passengers and cargo air transport of TAP S.A. represents about 84% of total TAP Group income, maintenance and engineering business represents about 6% of the total income and in 2014 reached a turnover of almost 160 million euro, being about 70 million euro from TAP M&E Brazil. However if, on one hand, the maintenance services to third parties have a limited weight in the Group total income, on the other hand, their total contribution has a very significant importance, including the work done in the Group fleet.

The maintenance of the 61 medium and long haul aircrafts fleet of TAP Group represents, together with the work to third parties, an amount much higher than the maintenance and engineering accounting importance in TAP Group accounts. The maintenance and engineering business has a very significant importance in some indicators, such as staff and specialized staff. For instance, the volume of materials consumed with the TAP Group fleet and with other Airlines annually exceeds 150 million euro. The works for third parties of the two companies in Portugal and Brazil should represent approximately half of the total economic extent of the maintenance and engineering business. The other half represents the work with the TAP Group fleet. In 2014 and in comparison with last year, the accruals in third parties maintenance and engineering in Portugal was mainly due to the work in new long haul aircrafts received and upgraded by TAP S.A., under the related renting contract.

Besides the passengers and cargo air transport and the maintenance and engineering businesses, the duty free sales business, managed by Lojas Francas de Portugal, S.A., also has a significant weight in the total Group income. This business is growing, developing and restructuring itself each year and registered in 2014 a revenue increase higher than 10%, due not only to larger operating commercial areas but mainly to the traffic increase of almost 10% in domestic airports, allowing a higher sales volume and even a slight increase in the unit price per transaction.

In short, during 2014 the total amount of air transport income remained the same despite the increase in the business and related drop of the average tickets price and the significant growth of the total income either from the maintenance business, or the free shop exploitation.

ii) Currency risk

The TAP Group currency risk comes in first place from its geographical distribution of passengers and cargo air transport and than from its maintenance services in Portugal and in TAP M&E Brazil. The currency exposure also depends on the currency of the operating costs, such as fuel that is the most significant line in costs and almost entirely in dollar. Finally, both the Group’s assets and liabilities included assets and debts are direct or indirectly subject to the recognised or non-recognised influence of currency changes. Those assets are from the Brazilian unit of maintenance and engineering affected by the Brazilian real, or still cash in foreign currency, or in liabilities the remunerated debt contracted in dollar representing about 12% of the Group’s total debt. Finally, liabilities and the share capital of TAP M&E Brazil are a passive currency exposure to the Brazilian real.

The proceeds in euro from the passengers’ air transport represent half of the total sales of Portugal in the Euro Zone and in European and African countries with Exchange rate regimes connected to the euro. The exposure to the dollar comes from the sales in the USA, in Brazil and in Angola, representing about 30% of total. Other currencies, corresponding to 20% of the sales, include the pound and the Swiss franc, the northern and Eastern Europe currencies, the metical (Mozambique) or the bolivars (Venezuela). This last currency has an impact not only in income but also in the financial situation, in cash, due to the fact that the carrying amount related to the sales from recent periods is pending from slow decisions of the Venezuelan authorities due to the difficult financial situation of the country.

In the Brazilian market, there is still the exposure to the dollar with historical roots in the hyperinflation periods in the past in and related partial dollarization of its economy. However, this situation is decreasing and the importance and sensibility of the consumers to the currency fluctuation against the dollar is gradually decreasing.

In 2014, in the Angolan market there was also a progressive decoupling of the kwanza against the dollar, and, in the second half of the year, the authorities established a progressive devaluation of the kwanza, no doubt related to the significant change in the country's financial scope due to the fall of oil price.

The most important currency exposure of the Group is related to the dollar and mainly concerns the purchase of airplane fuel which, depending on the average prices in each economic year of TAP Group, can break the balance of the Exchange account and the exposure to that currency. With a significant less weight than fuel, expenses with materials and sub-contracting in maintenance and repair of own or third parties aircrafts also have a significant percentage of its total in dollar. Also navigation and landing fees are in dollar (and other currencies) but the most significant part is in euro, either in Portugal or in Europe in the Euro-control scope. Other costs, such as operating leasing, are almost totally in dollar but their weight is very small in the costs structure of the airline and the TAP Group.

Concerning fuel - and this market operates in dollar, regardless of the invoicing conditions agreed with domestic and international suppliers – the currency exposure do not include fees and margins of the suppliers in markets such as Portugal and Europe, in which that part is established in euro or other local currencies. This component of fuel costs is relatively so significant all the more the prices of jet fuel market are low, since it is a set of more or less fixed and rigid costs in every multiannual contract period.

However, in 2014, the impact of the exposure to the dollar from the effective market price of jet fuel represented about 90% of the total fuel invoicing and the rest was related to the remaining expenses. If the drop in oil price, as verified at the end of 2014, continues it will cause a significant contraction in the net currency exposure to the dollar of the TAP Group, in the future.

In conclusion, in the last years and in 2014, the exposure to the dollar has been a negative net exposure related to the costs and income structure. The current decrease in oil prices will cause the decrease of the referred net currency exposure but its effect will however depend in the future of the lifetime and intensity of the referred price drop.

As in 2014 relating the end of 2013, in the end of the current year, the impact of more than 10%of the currency quotation of the euro against the dollar will generate currency changes in the debt in dollar which, although not having a decisive weight on the total debt - just 12% of the total debt is in dollar – will suffer significant effects if the currency variation is too big. Unlike the variation of the dollar quotation at the end of the year, at December 2014 in comparison with the end of 2013, which was very important, the average variation of the dollar during 2014 relating 2013 had almost a negligible value. Therefore, the high increase of the dollar at the end of the year had a significant cost in financial results, relating the debt.

In future, besides all the above mentioned factors, the currency exposure risk of the Group lies in the strategic project and in the existent investment commitment relating to the purchase of a new fleet of long haul Airbus A350, to be delivered as from 2017, as well as its financing method.

The exposure of the TAP Group to currency risk at 31 December 2014 and 31 December of 2013, based on the amounts of the financial position, assets and liabilities of the Group, in currencies, translated to euro using the exchange rates of the balance sheet date, are as follows:

Assets and liabilities in currencies	31-Dec-14			
	USD	BRL	Other	TOTAL
ASSETS				
Cash and cash equivalent	3.189	1.052	36.467	40.708
Restricted Bank deposits	-	-	100.917	100.917
Accounts receivable–Trade debtors	28.383	64.838	18.962	112.682
Accounts receivable – Other	43.319	31.749	801	75.869
	74.891	**97.639**	**157.147**	**329.677**
LIABILITIES				
Borrowings	123.673	9	-	123.682
Accounts payable – Trade creditors	11.835	16.030	7.473	35.338
Accounts payable – other	3.834	13.013	4.371	21.218
	139.342	**29.052**	**11.844**	**180.238**

Assets and liabilities in currencies	31-Dec-13			
	USD	BRL	Other	TOTAL
ASSETS				
Cash and cash equivalent	14.490	2.626	121.478	138.594
Accounts receivable–Trade debtors	23.523	98.865	25.584	147.972
Accounts receivable – Other	32.561	26.133	1.044	59.738
	70.574	**127.624**	**148.106**	**346.304**
LIABILITIES				
Borrowings	114.626	13	-	114.639
Accounts payable – Trade creditors	21.932	13.428	4.563	39.923
Accounts payable – other	3.224	12.315	3.167	18.706
	139.782	**25.756**	**7.703**	**173.268**

In 2014, the amount recorded in Restricted Bank deposits in Other currency is related to funds held in Venezuela, in Venezuelan bolivars (VEF”).

In 2013, “Others” included the amount of 98,7 million euro, recorded in Venezuelan bolivars (“VEF”) and related to: 93,7 million euro in “Cash and cash equivalents” and 5 million euro in Accounts receivable.

At 31 December 2014, a variation (positive or negative) of 10%, in all currency rates against euro, would have an impact on the net results for the year of about 15 million euro (31 December 2013: 17 million euro).

iii) Interest rate risk

The year 2014, in a stabilization context of international financial markets and with a virtually nonexistent inflation, in Europe, continued to be characterized by near-zero interest rates in Europe and very low interest rates in the USA. Also long-term interest rates, especially of public debt, in Portugal and in most

European countries, remained at historically low levels. The decompression of the financial markets, after years of great tension caused by the crisis of public debt in the Euro Zone, also allowed a widespread drop in financing costs, in international markets and the domestic market. The increased liquidity in the money markets, the financial stabilization of the national economy and the slight recovery of economic growth have allowed financial institutions begin practicing less restrictive credit conditions and contract loans with lower margins, including short- period.

The global amount of interest-bearing debt of TAP Group, 1 062 million euro, remained during 2014 roughly at the same level as in 2013, with a significant replacement of medium and long term loans with shorter term operations, predominantly in the domestic market. The short-term lines used during the year showed, in general, lower margins than those contracted in the last two years. As a result of this circumstance, the average margin floating rate of operations decreased slightly. On the other hand, having the short-term component represented almost all of the new debt contracted and being the new operations at variable rates, the weight of floating rate debt went from 48% to 56% of the total. The planned partial amortization of non-current loans at fixed rates, with the inherent replacement for current debt at a variable rate, indexed to Euribor, has resulted, in some cases, in a slight reduction of the effective interest rate payable, despite the spreads practiced. Taking also into account the maintenance of almost zero of Euribor rates, the weighted average interest rate of the TAP Group was reduced, although slightly, in 2014 in comparison with 2013 level.

The net financial result of TAP Group, in 2014, was substantially influenced by changes originated from the foreign currency exposure to the US dollar in relation to the debt denominated in that currency, and also arising from the registration of foreign exchange losses in Bolivar, of exceptional nature, as a result of the new framework determined by the Venezuelan authorities. In summary, around 43% of the total financial expenses in 2014 resulted from currency differences. About 6% corresponded to financial expenses of TAP M&E Brazil. Marginally more than half of the Group's financial expenses corresponded to interest and other financial expenses and financial leases of TAP SA, Portugália and TAP SGPS. This value, of approximately 48 million euro, remunerated during the year a total debt which at the end of the year stood at 1 062 million euro.

In the following table of remunerating liabilities, comprising capital and interests, assumptions regarding market interest rates and Eurodollar were assumed as follows: 3% to Euribor, 1,75% for USD Libor, and 1.241% in the Eurodollar (2013: 1,3791% in Eurodollar). The amounts recognized in liabilities reflect the amounts to be paid within the specified term, including estimates of all contractual cash flows with reimbursements and interest, not discounted, until the term of the loans. A simplifying assumption of an intra-annual linear reimbursement rate was considered for the effect of calculation of future interests:

	31-Dec-14				
	< 1 year	**1- 2 years**	**3 - 5 years**	**6 - 10 years**	**TOTAL**
Borrowings	534.044	85.446	50.204	-	669.714
Finance Leases	133.178	93.447	220.143	6.399	453.167
Total	**667.222**	**178.913**	**270.347**	**6.399**	**1.122.881**
Fixed rate borrowings	102.380	49.087	49.047	-	200.514
Fixed rate finance leases	85.736	52.238	151.050	6.399	295.423
Total	**188.116**	**101.325**	**200.097**	**6.399**	**495.937**

	31-Dec-13				
	< 1 year	**1- 2 years**	**3 - 5 years**	**6 - 10 years**	**TOTAL**
Borrowings	311.537	138.087	135.671	-	585.295
Finance Leases	116.763	130.303	272.767	34.959	554.792
Total	**428.300**	**268.390**	**408.438**	**34.959**	**1.140.087**
Fixed rate borrowings	51.676	102.380	98.134	-	252.190
Fixed rate finance leases	68.530	82.894	162.418	34.959	348.801
Total	**120.206**	**185.274**	**260.552**	**34.959**	**600.991**

TAP Group uses the technique of sensitive analysis that measures the estimated changes in profit or loss, as a result of an immediate increase or decrease in interest rates, considering the remaining variables constants. This analysis is used for illustrative purposes only, since, in reality, the market rates, rarely change in an isolated way.

The sensitive analysis is based on the following assumptions:

- Changes in market interest rate affect the income or the expenses of interest of floating financial instruments;
- Changes in market interest rates only affect the income or expenses of interest, regarding financial instruments with fixed interest rates, if they are recognised at fair value.

Under these assumptions, an increase or decrease of 0,5% in the market interest rate, in all currencies of the Group loans, at 31 December 2014, would result in a decrease or increase in interest becoming due amount of, approximately, 4 million euro (2013: 3,5 million euro).

iv) Fuel price risk

The total specific expenses of air transport business, including fuel, handling, navigation and airport fees, catering, maintenance costs, amounted near to 1,5 billion euro of a total of TAP Group's global spending close to 2,9 billion euro, being more than half of the total. The aggregate of these expenses does not include salary expenses of flight staff or the expenses related to the leasing of aircrafts and equipment depreciation.

Of the total of those variable expenses, more than half corresponded in 2014 to fuel, which is responsible for about 27% of the Group's global expenses, approximately in line with what was verified in previous years since the rise in oil prices to USD 100 per barrel, although with a higher dimension, this year, with the operation in about 5%, both in terms of flight hours and in terms of seats available per kilometre ("PKOs").

The year 2014 was marked by a severe fall in oil prices in the last quarter of the year, which has not yet had a material impact on the Group's global fuel invoice. In fact, the average market prices between January and September 2014 was only marginally lower than the average price of previous year and only in the last quarter of the year the fall of prices was strongly intensified. Moreover, the reduction of prices registered in the market only has influence on the billing approximately one month later, following the data billing procedures established with the supply companies. However, on the other hand, , there is a component of the total price which is rigid at low prices, and whose proportion in the turnover increases inversely to the market price, i.e., rates, margins of suppliers and other expenses and commissions contracted and that add to the market price, regardless the level of the market.

Finally, the effect of hedging transactions contracted for 2014 and 2013, for the current year, delayed the impact of the prices fall. The exchange rate of the euro against the dollar, although it has strongly depreciated by the end of the year, recorded an average rate in 2014 very close to 2013, having been a relatively neutral factor in the expenses concerning fuel.

The increased activity, in terms of number of flights and flight hours, resulting from the increase in the fleet and new routes in the second half of the year, implied an increased fuel volume consumption of 5,5%. The average market price in 2014, taking into account the usual time lag of billing, was 5% lower than in 2013. The around 4%, increase in total TAP Group fuel expenses occurred in 2014, compared to 2013, is thus justified either in the fixed cost component, which limits the implications of the fall of the price or in the price hedging component which, in a context of sudden prices drop, has an immediate unfavourable effect . It should be noted, however, that the hedging policy of TAP Group remained conservative in terms of time and amounts and therefore has a lesser extent than in many of its fellow and competitor companies, according to disclosed data.

After fuel, the most relevant operating expenses relates to staff expenses that being not directly variable with the operation are not also completely fixed. On one hand, these expenses are subject to salary frameworks defined in Portugal by the Government, having undergone significant changes in recent years due to policy decisions and decisions of the Constitutional Court. Also in Brazil, the local legislation determines mandatory values for salary increases to be respected. On the other hand, wage costs are influenced by the economic situation and the labour market behaviour, which influences the ability to obtain wage increases by the unions. On the other hand, overall staff expenses are inevitably influenced by scale increases and business activity increases, which was the case of TAP Group in 2014. The increase in the fleet and in the network of TAP Group involved the training of new pilots and flight attendants. However, despite this significant increase in current flight staff, taking into account the different wage levels and the combined effect of the legislative changes occurred in 2014, compared to 2013, the overall growth of staff expenses was very small, between 2 and 3% in the airline and only 1% in TAP Group.

Although different in nature, expenses from supply of handling services, which are highly intensive labour, ends up being too dependent on factors such as the progress of the labour market and inflation, the latter being one of the variables of pricing defined in contracting with handling operators on land, such as the SPdH. The SPdH, accounts for a significant portion of the total carried out since it assists the handling services provider in the hubs in Portugal. In contrast to what happens in Portugal and in Europe where inflation levels remain close to zero, in markets such as Brazil expenses tend to rise by indirect effect of inflation in mandatory wage increases, reflected in billing by handling operators.

Another source of exposure of TAP Group to expenses lies in airport charges and flying taxes. Airport charges per aircraft and per passenger, had a significant increase in the year due to contractual changes imposed by ANA - Aeroportos de Portugal SA ("ANA"), after its privatization and also abroad, in Brazil in particular, due to price rises imposed by the Brazilian airports, following the investments made by these entities as part of the rehabilitation of infrastructure prior to the World Football Cup. As for flying taxes, their increase stood in line with the increase of PKOs and flight hours, which means that it was in line with the growth of the Group effective level of activity, about 5%. At European level, in particular, the increase in "Service Units" in the Eurocontrol (flights weighted by the aircraft weight and distance travelled) was 5, 3%, added by slightly price increase slightly smaller than 1%. Concerning the remaining air traffic control authorities, the average cost rose less than in Europe, among other reasons due to shortest distance of the new long haul routes launched in the year comparing to routes already operated, lowering the average cost per flight.

Among other expenses related to the flight operation, still stand out costs such as leasing, chartering and amortization. Group fleet maintenance expenses depend on the repair and maintenance needs, usually growing with the increasing average age of the fleet and the number of flight hours. On the other hand, also the rise of the dollar impacts on the materials component and on part of the services subcontracted to external Maintenance, Repair and Overhaul ("MRO"). In 2014, a significant portion of the increase in materials consumed costs was caused by works for third parties. In 2014, the operating lease of aircrafts increased 10% over previous year, which resulted from the combined effect of the introduction in the fleet operating lease of 6 additional aircrafts, compared to those 18 that already existed, being the average level of monthly rentals of the new aircrafts lower than the previous rentals and also taking into account that the lease began only in the middle of the year.

In contrast, there was need for several charters, at higher levels than in previous years, to make up the gap between the entry into operation of the new aircrafts and new crews and the existing commitments from the sale of tickets carried out previously. Another important aspect related to the set of expenses associated with the fleet was the change in the overall value of annual depreciation of aircraft and spares, in line with the expectation of longer-lasting average stay of the fleet in the ownership and operation of the TAP Group.

Concerning commercial expenses of the air transport business, the costs with commissions continue to decrease due to the investment in new technologies and to the growing interest of the clients in buying tickets online.

Also in free shop exploitation's commercial costs a significant double digit growth was verified in line with the business growth. It was an increase in costs of merchandise sold as well as due to a worsening in renting and exploitation rates in airports within the contractual renegotiation with ANA. Although this expenses increase had an adverse impact in 2014, the extension of all the business licences, till 2020, created favourable expectations and a predictability limit for the development of this business segment of TAP Group.

v) Credit risk and liquidity

Therefore, the liquidity risk of TAP Group is a combination of factors related to the exploitation, the current financing and related debt, the terms of negotiation of new transactions, the liquidity provision within the Group, the currency losses and gains and the investment activities, whenever they are significant. TAP Group has to ensure the annual service of the debt, that although dully planned and distributed in time, has a weight in cash and has to be regularly evaluated relating the developments occurred during the year. Possible dysfunctions in financial markets, as occurred during the crisis of the sovereign debts, or possible markets shocks concerning current expenses or income of the company, in a higher or lower degree, limit cash, liquidity, economic-financial balance and prosperity of TAP Group.

At the end of 2014 and 2013, and after the changes of the debt during the year, the current remunerated liabilities, as well as the estimate of all the contract cash flows with undiscounted amortisations and interests, present the following amounts and maturities:

	2014		2013	
	1rst Half	2nd Half	1rst Half	2nd Half
Amortisation				
Borrowings	90.514	421.133	36.781	252.911
Financial Leases	74.145	42.531.	47.657	48.365
	164.659	**436.664**	**84.438**	**301.276**
Interests				
Borrowings	12.168	10.229	11.264	10.581
Financial Leases	9.082	7.420	10.893	9.848
Off-balance sheet credit risk exposure	**21.250**	**17.649**	**22.157**	**20.429**

Besides the short and long term financial management and cash management also the current assets management has a special attention to monitoring the clients' positions and to the effects of the economic crisis in their credit quality. It was thus possible to restrict the worsening, for instance, of the adjustments to a value with less importance for the business dimension.

The following table presents the elements regarding the liquidity position of TAP Group as at 31 December 2014 and 31 December of 2013, as well as the balances of trade receivables, which reflect the maximum credit risk in these same dates:

	31-Dec-14	31-Dec-13
Non-current assets		
Court deposits – Brazil	27.560	17.649
Other non-current assets	23.131	25.253
Current assets		
Cash and cash equivalents	140.364	270.611
Restricted Bank deposits	100.917	-
Accounts receivable – trade debtors	146.991	205.690
Other current assets	69.806	75.246
	508.769	**594.448**
Off-balance sheet credit risk exposure		
Guarantees	88.756	66.904
Other commitments	310.001	252.462
	398.757	**319.366**

TAP Group credit and liquidity risk quality, at 31 December 2014 and 31 December 2013, concerning to financial assets (cash and cash equivalents and derivative financial instruments), with financial institutions as counterparties are as follows:

	31-Dec-14	31-Dec-13
AA-	104	-
A+	287	108
A	17.014	18.219
A-	4.714	769
BBB-	761	-
BB+	151	-

BB	46.331	5.346
BB-	41.529	3.522
B+	2.092	-
B	-	61.446
Other	128.221	188.984
	241.204	**278.394**
Derivative financial instruments	-	7.988
Restricted Bank deposits	100.917	-
Bank deposits	140.287	270.406
	241.204	**278.394**

"Other" includes amounts from several international institutions, for which rating notation was not possible to obtain.

At 31 December 2014 and 31 December 2013, the accounts receivable from trade debtors presented the following ageing structure, considering the maturity date as reference:

	2014	**2013**
Undue amounts	67.910	136.754
From 1 to 90 days	24.851	10.090
From 91 to 180 days	18.592	20.375
From 181 to 270 days	20.153	17.504
From 271 to 365 days	22.996	17.662
Over 366 days	65.331	63.165
	219.833	**265.550**
Impairments	(72.842)	(59.860)
Net balance	**146.991**	**205.690**

The mentioned amounts correspond to the outstanding amounts, considering the contracted due dates. Despite some delays in the settlement of these amounts considering maturities, this does not affect the identification of other impairment situations in addition to those considered through corresponding losses. Acknowledged imparity mainly respects to debts with more than 366 days.

From the total amount of trade debtors' receivables, the balances of airlines and travel agencies are mainly regulated through the BSP and *IATA Clearing House* system, substantially minimizing TAP Group credit risk.

vi) Capital management

The share capital of TAP Group summarises the development over time of the business results of the several activities performed, as well as the accumulated effect of the successive changes of assets and liabilities over time. In 2014, the unfavourable financial ratios were still registered due to the several restrictions and constraints to the capitalization of the Group, worsening the net equity of TAP Group. The capital constraints of TAP Group lead to significant variations in financing needs according to the more or less favourable economic-financial performance each year.

In 2014, the increase of operating costs related to the performed expansion strategy of the air transport business – an increase of about 5% - had no effect in income increase due to the decrease in the average yield that cancelled the effects of the weighted average volume of transported passengers. As a result of the general operating costs without effect in income increase, there was a negative economic result of TAP S.A. in 2014, contrary to 2013. In addition to the negative results, there were the negative developments in Exchange, in the dollar and in the Venezuelan bolivars. On the other hand, TAP M&E Brazil recorded another loss, although significantly lower than in the previous year. The results of the companies owned by TAPGER, and also the results from Portugália and SPdH, have a less global relevant impact although with a positive contribution to the business of TAP Group. In short, the negative result was 3% of the total income and gains amount of total business, worsening again the negative net equity of TAP Group.

The financial position was negatively affected not only by business results but also by adjustments in share capital mainly adjustments at fair value related to hedging operations. On the other hand, liabilities overall had no changes in the aggregated amount and therefore every contraction in share capital had in exchange a global amount almost similar in assets spread over the main lines, namely cash, clients, inventories and property, plant and equipment.

57 - Contingent assets and liabilities and subsequent events

<u>PARPÚBLICA</u>

i) Contingent Assets and Liabilities

No contingent assets and liabilities are known besides possible liabilities regarding variable remunerations of former Directors related to management contracts for 2007-2009, but there is the doubt if they really are company's liabilities. The bonuses related to 50% of the variable remuneration of 2008 (77 850,06 euro), whose payment was approved by the shareholder, and also to the variable remuneration of 2009 and to the performance in the 2007-2009 mandate. In 2010, the shareholder decided not to give the variable remuneration according to article nr 172 of Law OE/2010.

The proceedings related to inspective actions of Tax and Customs Authority to Sociedade Gestora do Autódromo Fernanda Pires da Silva SA (after closure was transferred to Parpública) was also transferred to Parpública. Thus, it should be mentioned the challenge relating the IRC due to no tax withholding concerning 2002, 2003 and 2004, in the total amount of 865 thousand euro. The lawsuit is waiting for the Court decision.

ii) Relevant Subsequent Events

The Council of Ministers Resolution nr 4-A/2015 of 20 January approved the specifications of the reference direct sale of shares related to 66% of TAP; SGPS, S.A. share capital, as well as some conditions relating the employee public offering. The deadline to submit binding offers of the shares sale was established under Order nr 1469-A/2015 of 11 February.

PARPÚBLICA will integrate the Public Administrative sector and therefore it will be subject to rules of that sector, namely no to be able to financing in the market.

At the beginning of 2015, a survey about eventual synergies in the real estate sector was carried out in case of a merger of the companies administrative areas take place. If this operation is carried out it could lead to reorganisations within PARPÚBLICA Group.

A reversal of 20% in PARPÚBLICA's wage cuts is expected for 2015.

AdP Group

(i) Contingent assets and liabilities

Name	Description of process	Amount (EUR)
Águas de Santo André, S.A.	Injunctions and administrative ordinary actions against Santiago do Cacém City Hall, related to services rendered of Collecting and Treatment of Urban Wastewater.	2.913.356,21
Águas de Santo André, S.A.	Injunctions and administrative ordinary actions against Sines City Hall, related to rendered services of Collecting and Treatment of Urban Wastewater and Supply of Water for Human Consumption in the High Level System.	3.438.419,28
Águas de Trás-os-Montes, S.A.	Administrative offense for lack of permit (the construction was dully licensed by CCDRN, according to permit P. Dv. nr 266/07). Defence already presented by ATMAD. Proc. Nr 403549	2.500.000,00
Águas de Trás-os-Montes, S.A.	Defence already presented by ATMAD, proc. nr 2063/2008.	2.500.000,00
Águas de Trás-os-Montes, S.A.	Administrative offense for disposal of waste water in the ditch. Defence already presented by ATMAD.Proc. nr 5955/2008.	2.500.000,00
Águas de Trás-os-Montes, S.A.	ATMAD already filled its defence. Proc. Nr 403549.	2.500.000,00
Águas de Trás-os-Montes, S.A.	Administrative offense for disposal of waste water in the ditch. Defence already presented by ATMAD.Proc.nr10586/2009	2.500.000,00
Águas de Trás-os-Montes, S.A.	In this action it is alleged that the Defendant, within the construction agreement "Construction of the Pretarouca Dam", imposed changes and amendments to the initial project, modifying its object and the initial form of the public tender, in order to obtain an indemnity. This was contested with what is believed to be enough documental proof to win the action. In both situations the scheduling of the trial is waited. Currently it is not possible to determine with reasonable probability the final estimation of responsibilities, including legal fees and other costs. Proc. Nr 334/10.	4.383.551,95
Águas de Trás-os-Montes, S.A.	Declaratory action of conviction for lack of payment concerning invoices issued by ATMAD. Proc. Nr 149/12.	1.736.979,58
Águas de Trás-os-Montes, S.A.	Common Administrative Action, where Consortium SADE/EDIOC, claims the payment of the amount of 3 053 327,10 euro, as an indemnity for surcharges in the construction. ATMAD contested and also formulated a request in the amount of 1 917 816, 48 euro, as damage compensation for the breach of the contract term. For this breach ATMAD applied fines to the consortium, which are not being legally discussed.	1.859.935,84
Águas de Trás-os-Montes, S.A.	Administrative and fiscal Court of Mirandela - Administrative action by Conduril company related to construction contract of Olgas dam. Proc. Nr 280/09.	2.019.888,40
Águas do Centro Alentejo, S.A.	Proc. nr 360365/10.4YIPRT - 1st Civil Court of Évora - ordinary action of the injunction of November 2010 filled by AdCA against Évora Municipality to collect 5 599 742,96 euro. The subsequent declaratory is waiting for trial. Under PAEL the municipality already paid a significant amount of the debt. At the date, the amount to be paid is about 107 737, 39euro plus interests. Meanwhile a decision was delivered and the Câmara Municipal de Évora has to pay the debt 107 737, 38euro, as well as the interests of the total amount of the process. The decision was not yet rendered final.	5.599.742,96, amount, interests and judicial fees (at the date of the file) are included
Águas do Centro Alentejo, S.A.	Proc. Nr 358/13.1BEBJA – in the Administrative Court of Beja injunction 98658/13.5YIPRT against the Évora Municipality to collect 7 498 698,00 euro. Injunction of July 2013 converted to executive title due to a statement opposition lodging by the referred Municipality. High possibilities of winning. Under PAEL the municipality paid a set of invoices included in the process. The amount of 3 377 884, 27euro is still due.	7.498.698,00 amount, interests and judicial fees (at the date of the file) are included

Name	Description of process	Amount (EUR)
Águas do Centro Alentejo, S.A.	Proc. Nr 358/13.1BEBJA – in the Administrative Court of Beja injunction 98658/13.5YIPRT against the Évora Municipality to collect 7 498 698, 00 euro. Injunction of July 2013 converted to executive title due to a statement opposition lodging by the referred Municipality. High possibilities of winning.	7.030.769,97 amount, interests and judicial fees (at the date of the file) are included
Águas do Noroeste, S.A.	AMM – Process concluded. Waiting for agreed terms.	8.457.484,60
Águas do Noroeste, S.A.	IM – Water supply to a non-municipal client.	8.200.000,00
Águas do Oeste, S.A.	Injunction Alcobaça Municipality (invoicing of minimum fees in 2010)	2.377.802,70
Águas do Oeste, S.A.	Injunction Alenquer Municipality	3.736.617,00
Águas do Oeste, S.A.	Process nr 82/14.8BELRA – Alcobaça Municipality (invoicing of minimum fees in 2011)	1.535.950,31
Águas do Zêzere e Côa, S.A.	Procedure nr 740/14.7 BECTB, brought by AdZC, at 15.12.2014, against Guarda Municipality, claiming the amount of 2 204 887, 04 euro (value) + 250 368, 77 euro (interests). Waiting for appeal.	2.455.256,00
Águas do Zêzere e Côa, S.A.	Procedure nr 297/14.9 BECTB, brought by AdZC, at 24.06.2014, against Guarda Municipality, claiming the amount of 1 822 736,94 euro (value) + 218 729,34 euro (interests). Waiting for trial.	1.822.738,00
Águas do Zêzere e Côa, S.A.	Arbitration procedure filled by Fundão Municipality claiming an indemnity payment of 43 394 957, 71 euro. In the same procedure ÁGUAS DO ZÊZERE E CÔA, S.A., claims an indemnity payment of 186 149 euro. By decision dated 29 October 2010, the Arbitration Court acknowledged partially the Municipality claim, determining that the exact amount to be paid should be defined in the stage of sentence execution considering that the maximum amount is 762 022,59 euro. On the other hand ÁGUAS DO ZÊZERE E CÔA, S.A. indemnity request was also partially acknowledged being the final amount to be equally defined in the stage of execution with a maximum amount of 364 615 euro. Both parties appealed against this decision and the process waits for decision of the Central Administrative Court of the South.	43.394.958,00
Águas do Zêzere e Côa, S.A.	Proc. nr 450/11.7BECTB – Common Administrative Action, with ordinary procedure, in Administrative Court of Castelo Branco, filled by the following Municipalities: AGUIAR DA BEIRA, ALMEIDA, BELMONTE, CELORICO DA BEIRA, FIGUEIRA DE CASTELO RODRIGO, FORNOS DE ALGODRES, FUNDÃO, GOUVEIA, GUARDA, MANTEIGAS, MEDA, PENAMACOR, PINHEL and SABUGAL against the MINISTRY OF AGRICULTURE, SEA, ENVIRONMENT AND TERRITORY PLANNING and ÁGUAS DO ZÊZERE E CÔA, S.A.. In the process the Municipalities claim *(i)* the declaration of invalidity of the concession agreement for the exploration and management of the multi-municipal system of water supply for public consumption and collection, processing and disposal of effluents, dated 15 September 2000, between the Portuguese State and ÁGUAS DO ZÊZERE E CÔA, S.A., *(ii)* the declaration of invalidity of the agreements for collection of effluents and water supply, signed in the same date between the Plaintiffs and ÁGUAS DO ZÊZERE E CÔA, S.A., and *(iii)* the declaration of invalidity of the agreements for transfer and improvement of municipal infrastructures signed between the Plaintiffs and ÁGUAS DO ZÊZERE E CÔA, S.A.. The process is awaiting the exoneration stage, prior to the trial.	n/a
Águas do Zêzere e Côa, S.A.	Process nr736/14.9BECTB – Common Administrative Action, with ordinary procedure, in Administrative Court of Castelo Branco, filled by AdZC, claiming the FUNDÃO MUNICIPALITY to pay the invoices issued between December 2012 and June 2013, as well as the payment of the interested accrued in the total amount of euro 1 508 254,59 (one million eight thousand and fifty four hundred euro and fifty nine cents). Waiting for the conclusion of the pleadings.	1.508.255,00
Ersuc, S.A.	Process nr 40/15.5BECBR Administrative Court of Coimbra Judicial challenge of the decision and of the act of determining the patrimonial Challenged: Tax and Customs Authority – Financial Services of Aveiro 2 Contesting part: ERSUC S.A. over the patrimonial tax value of 12 765 890 euro.	
Sanest, S.A.	Type of procedure: Injunction nr 389714/08.3YIPRT, becoming Legal Proc nº 119/09.2BELSBTAC Lisboa. Description of the procedure: Injunction filled by SANEST according to instructions from AdP against Sintra Municipality due to debt from SMAS related to rendering of services of effluents collection in the area of the referred Municipality invoiced under the implementation of invoice system by flow measurement, according to the Concession Contract and the Effluent Collection Contract.	1.845.277,04

Name	Description of process	Amount (EUR)
Sanest, S.A.	Type of procedure: Legal Proc nr 3872/07.4TBCSC and Annex / Cascais – to determine the value of the compensation for expropriation. Description of the procedure: Judicial Appeal of the Indemnity Arbitration within the expropriation of Plot 1 by SANEST, required for the construction of the new Guia ETAR, Liquid Stage, as per Declaration of Public Utility issued in decision nr 26441/2005 of the SEOTC, published in D.R. II Series, nr 244, from 22/12/2005.	1.382.600,00
Sanest, S.A.	Type of procedure: Legal Proc nr 1263/12.4BELSB – Lisbon Administrative Court - Administrative Legal Action, with ordinary procedure, filed by the Sintra Municipality against SANEST, by alleged damages caused by the refund procedure concerning overpaid VAT by the Municipality to SANEST related to invoicing from July 2000 to April 2003, for the Services of Collection and Treatment of Residual Water, according to the Concession Agreements for Effluents Collection.	1.564.420,13

(ii) *Subsequent relevant events*

At 9 of April 2015, the Council of Ministers approved the setting up the multi-municipal system of water supply and sanitation of the North of Portugal, the multi-municipal system of water supply and sanitation of the West Coast of Portugal and the multi-municipal system of water supply and sanitation of Lisbon and Tagus Valley. In the first case, the multi-municipal system of water supply and sanitation of the North of Portugal and the Águas do Norte Company will replace 4 extinguished multi-systems of water supply and sanitation and related managing entities. In the second case, the multi-municipal system of water supply and sanitation of the West Coast of Portugal and the Águas do Centro Litoral, S.A. will replace 3 extinguished multi-systems of water supply and sanitation and related managing entities. Finally, the multi-municipal system of water supply and sanitation of Lisbon and Tagus Valley and the Águas de Lisboa e Vale do Tejo, S.A. company will replace 8 extinguished multi-systems of water supply and sanitation and related managing entities. In the scope of the referred process, assets and liabilities, rights and responsibilities of 15 managing entities will be transfer to the new created entities which will continue with the current activities under new concession contracts. This process is expected to be concluded at the beginning of the second half of 2015.

<u>TAP Group</u>

(i) Contingent assets

At 31 December 2014 and 31 December of 2013, the Group had no contingent assets.

(ii) Contingent liabilities

The Brazilian subsidiary TAP ME Brazil has the below mentioned tax, civil and labour actions, involving risks of loss classified as possible by the Board of Directors, based on the assessment of their legal counsels, for which no provision was set:

(in thousand euro)

Description	31-Dec-14	31-Dec-13
Labour actions – Undeposited Guarantee for Time of Service Fund ("FGTS") between 2002/2004 and Hazard/Unhealthy The main labour action is a process moved by the Union where is claimed the deposit of the FGTS between 2002 and 2004 of all employees of Porto Alegre. The other action refers to the requirement of an additional payment regarding the hazard, for all the employees who work as auxiliary aircraft maintenance in Porto Alegre. After the analysis of the expert evidence, it was concluded that the activities performed were not dangerous for health. The process is in TST (Brasília) due to the appeal from the Union, waiting for the judgement. TAP ME Brazil considers that, based on the information provided by its lawyers, from these processes it will not result any significant impacts that may affect the financial statements as at 31 December 2014.	61.722	67.701
Tax Action - Tax execution of accessory obligations of ICMS On December 2007, the subsidiary was notified of a fiscal execution brought by Fazenda do Estado de São Paulo (Guarulhos), regarding the fulfilment of accessory obligations of ICMS. The subsidiary was pledged in 2% of the revenue, as well as the suspension of the execution on the grounds for the revision of the tax execution. Currently the company is waiting for the Judge's decision on the suspension of the execution. The chance of failure by the subsidiary is considered possible.	9.589	8.927
Tax Action – Infraction auto for import tax ("II"), industrialized products tax ("IPI"), social integration program ("PIS") and contribution for social security financing ("COFINS") The subsidiary was notified by the Federal Reserve, on 16 October 2007, which understood that the exemption from II and IPI and the aliquot 0% of PIS and COFINS were not applicable to the import operations performed by the subsidiary. It is awaited the trial of the defence presented by the subsidiary. TAP ME Brazil understands that, based on information given by its lawyers, from this process won't result significant impacts to the financial statements as at 31 December 2014. The chance of loss by the subsidiary is considered possible.	22.966	34.677
Tax action - Infraction auto of PIS and COFINS Federal tax authorities considered there was inconsistency between the analytic ledger and the Federal Tax profit and loss statement ("DCTF") concerning 2006. Currently the company is waiting for the appeal trial in Delegacia da Receita Federal do Brazil de Julgamento ("DRJ"). There is a high possibility of loss.	6.328	n.a.
Tax action - Infraction auto for non-compliance of the temporary admission regime In 2012 Receita Federal notified the subsidiary due to non-compliance of temporary import regime. Waiting for trial of appeal by the Board of Directors of Tax Resources ("CARF"). Defence lawyers concluded the chance of failure is possible.	5.881	5.090
Tax action - Infraction auto for corporate income tax ("IRPJ"), social contribution on net profit ("CSLL"), PIS and COFINS from 2007 Federal tax authorities considered there was inconsistency in TAP ME Brazil declarations, therefore ignored the accounting for the period and determined the amount of tax due. During 2013, the process related to IRPJ and CSLL was successfully concluded. Relating to PIS and Cofins taxes Declaration of Inconformity was filled and is waiting for trial.	1.268	1.449
Tax action - Infraction auto of IRPJ/CSLL In 2012 several administrative processes were started because of non recognition of the offsetting procedure, from Offsetting Tax Declaration referring to negative balances of IRPJ and CSLL, for supposed use of undue credits. It was filled a Declaration of Inconformity and the trial is waited. Lawyers consider the chance of loss is possible.	796	213
Tax action - Infraction auto – Tax fine Subsidiary TAP ME Brazil was fined for non-compliance of temporary export regimes in 2009. All related administrative procedures are being defended in Conselho de Contribuintes. The chance of failure is considered possible.	206	190
Tax action - Infraction auto – Non recognition of the offsetting procedure The subsidiary was notified of unconformities in the Offsetting Tax Declaration, which was not recognized. Defence lawyers concluded the chance of failure is considered possible.	83	77
Civil proceeding - Payment of lawyers' fees Execution of lawyer's fees against Brazilian affiliate, after withdrawal of the proceeding and adhesion to the instalments payment procedure within the Tax Recovery Program (REFIS). The appeal is currently being decided and risk of defeat is probable.	3.854	n.a.
Civil proceeding – Work accident Compensation claim for a work accident. Defence lawyers concluded the chance of failure is considered possible.	1.306	n.a.
Civil proceeding - Debt recovery action for tax contribution The affiliate TAP M&E was notified to pay a monthly tax contribution, on the grounds that the company is regarded and classified as industry. New hearing is waited and risk of defeat is probable.	113	n.a.
Civil proceeding – Compensation claim Compensation claim against TAP M&E Brazil and others for contractual breach. Waiting for reconciliation hearing. Defence lawyers concluded the chance of failure is considered possible.	10	n.a.

Description	31-Dec-14	31-Dec-13
Others – Pledged assets Subsidiary TAP ME Brazil owns several pledged assets, amounting to 15 070 thousand euro (18 158 thousand euro in 2012), regarding guarantees required for fiscal and labour processes. Among these assets are cars, computers, parts, and items of the hangar in Rio de Janeiro and Porto Alegre.	15.243	15.070

Baía do Tejo Group

(i) Contingent liabilities

At 31 December 2014, the several lawsuits pending with a supplier who claimed the payment of issued invoices and interests, as well as of other works performed, went already to trial with favourable decision to Baía do Tejo. The bank guarantee in the amount of 1 666 thousand euro, was already cancelled in January 2015.

The favourable remaining decisions to Baía do Tejo and related to lawsuits filed by the mentioned supplier, went to trial in 2014 and beginning of 2015.

During 2014 the same plaintiff/supplier appealed for the unfavourable decisions such as: an administrative procedure against Baía do Tejo and the Environmental Ministry claiming 1 647,9 thousand euro, as soon as they received it from the Portuguese State; other administrative procedure claiming 3 053,3 thousand euro for interests and amounts of invoices nr 1 and 2 of 2015. These procedures are ongoing.

It should be noted that, of the total claimed amount, Baía do Tejo has registered an invoice amounting to 635 thousand euro. On the other hand, since this matter is related with the de-pollution process of the historical dust of Maia, all this process expenses will be assumed by the Portuguese State, by order of the Secretary of State of Treasury and Finance nr 814/08-SETF, of October, and for that, no provision was set.

Also related with the process of the historical dust of Maia, a lawsuit was filed at July 2008 against Urbindústria, Snesges, SN Longos and the above mentioned supplier concerning a claim of an alleged removal of waste unduly deposited in the plaintiff lands. The claim amounts to 1 045 thousand euro. As in the above mentioned situation, process expenses will be assumed by the Portuguese State and, for that, no provision was set.

1) Environmental matters

In the scope of the liquidation process of Siderurgia Nacional, SGPS, S.A. and under the joint order of the Secretary of State of Treasury and Finance and the Secretary of State of Industry and Energy, Urbindústria took over the responsibilities of that company under the agreements signed at July 1995 with Lusosíder, Aços Planos, S.A., Siderurgia Nacional – Empresa de Produtos Longos, S.A., related to the privatization processes, and Siderurgia Nacional – Empresa de Serviços, S.A., (later became SNESGES). Those agreements were related to environmental decontamination procedures, treatment solid waste and sediments in those companies' facilities in Seixal and Maia, which were generated before their construction.

Under the above 1995 mentioned agreements, the so called Siderurgia Nacional – Empresa de Serviços, S.A., took also similar environmental responsibilities.

Therefore and related to the merger in 2009, Baía do Tejo took over all the mentioned responsibilities.

On its turn, former Quimiparque, by including in its assets an industrial area in Barreiro, where during the years several chemical industries operated, also took over the responsibilities related to the waste and sediments which existed in that area.

1. a) Steel plants of Maia

The environmental decontamination procedure of the waste of Maia plant, belonging to NA Longos, began in 1998. However and under a decision of the Regional Directorate of Environment and Spatial Planning – North, the works of waste remove were suspended in order to clarify some doubts related to the quantity and classification of the removed and to remove waste. As result of this decision, the Board of Directors decided to suspend the payment of invoices submitted directly by the entity responsible for the waste removal until complete understanding of the situation.

As a consequence of the suspension of the works and of the invoices payment, injunction procedures claiming the payment of the due invoices, were filled, in a first stage, by the company responsible by the waste removal, in the amount of 1 648 thousand euro.

Baía do Tejo lodged an opposition statement considering the doubts related with the quantity of the removed waste and presented a guarantee in the total amount claimed by the supplier. Meanwhile, one invoice, in the amount of 1 013 thousand euro, was returned because it was considered that it did not match the services actually rendered.

The remaining 635 thousand euro are recorded in Suppliers-current account, although no accrued interests are been recognized.

The financial statements do not reflect any liabilities related to these law procedures as the Board of Directors understands that the Company acted according to the law. However, if there is an unfavourable decision, any liability of Baía do Tejo will be supported by the State because those environmental responsibilities are related to facts occurred before the privatization period.

Meanwhile at December 2011, the removal of the remaining historical dust of the SN-Longos Maia facilities was concluded and the Certificate of Non Contamination of the referred area was issued by the Portuguese Agency for Environment under the agreement signed at December 2009 between Urbindústria, SN-Longos and PARPÚBLICA. This work has no impact on the profit and loss statement of Baía do Tejo since the State will assume the related responsibilities.

1.b) Steel Facilities of Seixal

With the transformation of the Siderurgia Nacional, Empresa de Serviços, SA, (National Steel Company) giving rise to SNESGES, that took place in 2005, the main objectives of the management focused on the development of the study of the Urban Planning and Landscape for the conversion of the area dedicated to the steel activity of Seixal, with the perspective to create a Business Park that shall host new business units for industry, trade and services, residential areas, playground and recreational area along the river.

In the meantime, during the year 2011, the procedures concerning the demolition of a significant part of the discontinued buildings and the dismantling of the equipment of the old steel activity as well as cleaning of the respective plots were completed.

Following the Joint Order Nr 28.176/2007, of 24 August, of the Ministries of Environment, Spatial Planning and of Regional Development and of the Economy and Innovation, regarding the inventorying, qualification and quantification of environmental liabilities for contaminated soils in agricultural, industrial and mining areas, among others, and related implementation of an investment plan for its recovery, a Working Group was set up to develop guidelines and priorities for rehabilitation of contaminated areas and to structure the investment programme in this domain to submit to Community funding under the Operational Programmes of the National Strategic Reference Framework (NSRF 2007-2013).

In this context, a Joint Venture with EGF was formed in December 2008, with the purpose of coordinating and preparing the application for the Operational Programme for Territorial Development, in order to obtain EU Community funding required carrying out the environmental upgrading programme of the land previously allocated to the steel business in Seixal.

Under this Joint Venture, it was contracted the final study of characterizing the state of contamination of soil and groundwater and defining future uses of the territory, risk assessment and definition of decontamination scenarios and the respective costs estimate as well as the rendering of monitoring services of this study, which took place under the applications submitted.

The application of this study to the POVT grants had a favourable decision, involving a financing contract of 514 thousand euro already signed, with a contribution of 350 thousand euro.

The referred study was completed in the 4th quarter of 2011 allowing the preparation of the Master Plan of Intervention presented to the Agência Portuguesa do Ambiente (Portuguese Environment Agency) and to the POVT/QREN for validation and subsequent submission of new applications for EU funds in order to proceed with the waste removal and decontamination of soils and groundwater.

In the meantime, in 2010, a second application was submitted to POVT for the removal of waste deposited in the Central Dump and Dump I, including the respective monitoring actions, as well as its transport and delivery at final destination suitable for recycling/treatment/disposal. This application, which has been subject to a favourable financing decision, covers an estimated investment of 12 974 thousand euro with an estimated EU contribution of 9 082 thousands euro.

In 2011 and following an international public tender, it was contracted and completed the action of removing the waste deposited in the Dump West Zone I. This action, which included the rendering of monitoring services, had an overall expenditure of 2 870 thousand euro with EU contribution of 2 009 thousand euro.

In 2012 and following a new international public tender, it was awarded and completed the removal of sludge from the blast furnace located in the central area, more specifically on the north bank of the Lagoa da Palmeira. This action had an overall spending, including the monitoring services, amounting to 2 084 thousand euro.

According to the methodology of previous actions, in 2014 two actions were executed to eliminate environmental liabilities (waste removal in Central and East Zones of the Dump I), in the total amount of 5 714 thousand euro.

A provision in the amount of 4 222 thousand euro was set up to cover the arising environmental liabilities. Additionally, there is another provision designed to cover the charges of dismantling facilities in the amount of 499 ME, in the total amount of 4 914 thousand euro.

Accordingly, the Board of Directors is not yet in a position to assess whether the provision made is or not sufficient to cover the charges involved which are company's responsibilities.

1.c) Industrial facilities of Barreiro

The process concerning the environmental responsibilities related to the industrial activity in the industrial Park of Barreiro is very similar to the referred process of Seixal lands.

At the end of 2008 and following the above mentioned Joint Order nr 28.176/2007, of August 24, another Joint Venture was formed, also including EGF, with the purpose of coordinating and preparing the application for POVT, in order to get the community funding needed to accomplish the environmental updating programme of the industrial zone of Barreiro, belonging to Baía do Tejo.

The work of the above Joint Venture led to the contract of the final study for the characterization of the soil contamination and groundwater and definition of future use of the land, the risk evaluation and definition of decontamination scenarios and related costs estimate, as well as the supervision services related to this study concerning the submitted application.

The application of this study to POVT support was approved including a financing contract of 537 thousand euro, signed last September of 2009, with a contribution of 376 thousand euro.

The above mentioned study was finished during the 3rd quarter of 2011 and allowed the preparation of the Intervention Master Plan presented to the Portuguese Environment Agency and to the P.O.V.T./Q.R.E.N. for validation and subsequent approval of new applications for community funds in order to proceed with waste removals and soil and groundwater decontamination.

Meanwhile and following the tender procedure, the work of removal of the waste disposed in the Zinc Sludges Dump (Parque de Lamas de Zinco) was already awarded and finished. This investment was contracted in the amount of 4 355 thousand euro by approval of co-funding in the amount of 3 049 thousand euro.

Although the ongoing works help to reduce the environmental responsibilities, it is not yet possible to estimate the total charges amount to Baía do Tejo. No related provision is yet set up to cover the responsibilities concerning the Barreiro territory.

However and as stated in 1.b), provisions are set up to cover the environmental responsibilities in the amount of 4 721 thousand euro (4 914 thousand euro in 2013).

SIMAB Group

There are the following contingent liabilities in SIMAB Group, related to MARL:

Name	Type	MARL position	Claim value	Stage of the process
Amilcar Augusto	Declaratory law procedure	Plaintiff/Defendant	2,83 thousand euro	Compensation claim for breach of contract. Notified of the counterclaim.
ASAE	Administrative infraction	Defendant	Fine of 3,5 to 30million euro	MARL appealed and waits for the decision of the administrative body.
Disgelo	Declaratory law procedure	Plaintiff	119,29 thousand euro	Compensation claim for breach of contract. Notification of the appeal waits for the decision/prior hearing and court notification about the object of investigation.
Liberty Seguros	Summary procedure	Defendant	19,25 thousand euro	Claim compensation for working accident due to lack of security at work facilities. MARL was sentenced to pay franchise of civil liability insurance signed with Tranquilidade, in the amount of 19, 25 thousand euro. Tranquilidade has appealed and MARL takes profit of it as co-plaintiff of the contestant. Waiting for the decision of the Court of Lisbon.
Securitas	Tax and Administrative Court	Defendant	30 thousand euro (procedure value)	Waiting for trial.

CE

At 31 December 2014 the contingent liabilities are the following:

Type	Description	Measurable	Probability	Amount	Time Horizon	Comments
Legal action	Proc nr 435/12.9 TBCSC – Administrative procedure	Yes	15%	573,9		Several parties involved (not only CE). CE appealed and waits for further process development.
Legal action	Proc nr179/05.7 TBELSB – Special Administrative procedure	No		0		The court granted the procedure. The Portuguese State and CE appealed to the Tribunal Central Administrativo – Sul, and waits for a decision.
Legal action	Proc nr 991/103.3 BESNT – Pre-contract legal procedure	No		0		High Court decided that the process should be judge by the Court of 1st instance in order to decide if CE shall be considered the awarding authority concerning the Account Code enforcement and possible conversion of the procedure into a compensation procedure.
Operating Leasing	Renting Car 50-NN-92. Contract ends at 12/03/2017 not	Yes	100%	13,84	12/03/2017	

	yet due instalments 27 – 0.513X27=13,84 thousand euro					
Operating Leasing	Renting car 32-NO-15 Contract ends at 15/03/2017 not yet due instalments 27 – 0,522X27=14,09 thousand euro	Yes	100%	14,09	15/03/2017	
Operating Leasing	Renting car75-PI-59 Contract ends at 22/12/2018 not yet due instalments 48 – 0,593X48=28,49 thousand euro	Yes	100%	28,49	22/12/2018	

Companhia das Lezírias

The Companhia das Lezírias asked for the VAT (Value Added Tax) reimbursement relating to July 2013 in the amount of 202 thousand euro. This amount has been credited by the Tax and Customs Authority (TCA) in 08/01/2014.

Following the reimbursement request, the TCA made a tax inspection to the years 2012 and 2013 and the related report from 13 May 2014, received at 21 May, broadly concludes that the VAT was deductible but , at the same time, there was the VAT amount of 687 thousand euro to be paid (305 thousand euro + 382 thousand euro, respectively), there was an improper deduction of 19 thousand euro (7 thousand euro + 12 thousand euro, respectively) and an improper tax deduction over a credit note issued to a client, in December 2013, in the amount of 3 thousand euro. In other words, the report considered that there was an unpaid total tax in the amount of 708 thousand euro.

Following the receiving of the related assessment notes, the Companhia das Lezírias used the related defence resources to challenge them.

Concerning the unpaid VAT, the TCA alleged “No VAT payment in Real Estate Leases”, because “concerning real estate leases, the review to the renting contracts signed between Companhia das Lezírias and several entities, in 2012 and 2013, showed that some of the agricultural leases, namely related to the buildings in Lezíria Grande de Vila Franca de Xira zone, are free of charge temporary leases of exploitation rights, which are not covered by nr 29, of art. 9 of VAT Code, but are considered services rendered subject to VAT payment, according to paragraph a) of nr 1 of art. 1 of the VAT Code together with nr 1 of art. 4 …”

The Companhia das Lezírias does not agree with the interpretation and conclusion of the TCA resulting from a deficient perception, apprehension and legal qualification of the facts in question and applicable law. No services are effectively rendered to those tenants and the contractual agreements are only related to land leases and therefore no VAT should be applied to the agricultural rental amounts under nr 29 of art. 9 of the VAT Code.

The current systems and infrastructures of Lezírias Norte e Sul are owned by the State, that means, they are public property managed by the Associação de Beneficiários da Lezíria Grande de Vila Franca de Xira under the concession contract. They are not owned by the Companhia das Lezírias. On behalf of the Associação, this company just collect to the tenants the amounts related to the services rendered exclusively by the Associação and gives the Associação the invoiced amounts in terms of exploitation and preservation rates.

Concerning the VAT undue deduction, the TCA grounded its decision in relation to tax deducted in purchases of "merchandise cars" between 1 of January 2012 and 15 of October 2013. Under the clarification given by Letter-Circulated nr 30152, of16/10/2013, the TCA considered that those transactions "were not entitled to the VAT deduction right, since the related assets are not vital to the productive activity or are easily used for private consumption".

The Companhia das Lezírias cannot also agree with these interpretation and conclusions of the TAC since the related invoiced expenses are directly related to the activity subject to VAT and are not subject to any exemptions foreseen in art 21 of VAT Code. On the other hand, the company considers that the interpretation under Letter-Circulated of 16 October 2013 is not applicable to the years 2012 and 2013, due to the general principles of legal certainty and of non-retroactivity of tax law.

As an alternative to the payment of the TAC assessment notes, the Companhia das Lezírias choose to give to TAC a bank guarantee in the amount of 859 thousand euro at October 2014.

Under the order about the administrative appeal lodged, TAC partially rejected the request by given right to Companhia das Lezírias regarding the claim about the tax deduction on the credit note and annulling the related assessment notes, but keeping the decision concerning the other two matters. Therefore there is still an ongoing litigation in the amount of 706 thousand euro.

Therefore, at February 2015, the Companhia das Lezírias filled in the Tribunal Administrativo e Fiscal de Leiria a legal procedure for the suspensive effect of the VAT additional assessment notes made by the TAC and has not made any related provision since the company considers that those additional assessment notes are not well founded and no significant impact on assets is expected in the end of this process.

58 - Non-accounting nature disclosures

i) Guarantees

AdP Group

Responsibilities with bank guarantees given to business units of the companies included in the consolidation perimeter of AdP Group were as follows:

BU	Courts	Financial Institutions	Grantors	Other	31-Dec-14	31-Dec-13
UNAPD	7.442	-	-	14.201	21.464	23.538
EPAL	5.176	165.722	-	325	171.223	135.729
UNADR	-	-	-	407	407	314
UNI	-	2.524	-	782	3.307	2.552
Corporate	-	1.714.514	-	1.409	1.715.923	1.629.092
TOTAL	**12.618**	**1.882.760**	**-**	**16.944**	**1.912.323**	**1.791.225**

The holding company (AdP SGPS), regarding the borrowings contracted with EIB, is the grantor for the fulfilment of the contracted obligations.

The guaranties amount of EGF Group recorded in held for sale, is detailed as follows:

BU	Courts	Financial Institutions	Grantors	Other	31-Dec-14	31-Dec-13
UNR	132	12.005	1.484	4.926	18.546	10.931
TOTAL	**132**	**12.005**	**1.484**	**4.926**	**18.546**	**10.931**

TAP Group

At 31 December 2014 and 31 December 2013 the guaranties granted to TAP Group were detailed as follows:

	31-Dec-14	31-Dec-13
Bank guarantees given to TAP S.A.		
Portuguese State – Exploration of Azores flying route	1.654	1.654
Natwest - "Acquiring" regarding credit cards	2.696	2.519
Labour Court	1.525	2.243
Aircrafts	37.573	25.848
BIC Angola credit line (not used)	16.473	14.502
Fuel	3.072	2.956
Other	16.004	9.932
Guarantees given to L.F.P., S.A.		
Concession agreements regarding the exploration airport duty free shops	9.000	6.500
Bank guarantees given to other Group companies	**672**	**663**
Cautions given to insurance companies	**87**	**87**
Total	**88.756**	**52.402**

In 2014, the increase of bank guarantees of TAP S.A., related to aircrafts, is mainly due to the operating leasing contracts.

At 31 December 2014, there were financial responsibilities from the subsidiary TAP S.A., related to operating leasing of aircrafts and reactors in the amount of 310 001 thousand euro (252 462 thousand euro at 31 de December 2013).

Additionally, the future purchase of twelve Airbus A350 aircrafts, with three more as an option and to be delivered between 2017 and 2019, is contracted.

Baía do Tejo Group

At 31 December 2014, the bank guarantees given to third parties were as follows:

Beneficiary	Nature	31-Dec-14	31-Dec-13
Câmara Municipal do Seixal	Good execution of the infrastructures construction contract.	141	141
Tribunal Cível da Comarca do Seixal	Caution to be attributed a suspension effect to the appeal related with Terriminas process (Maia Dust).	1.666	1.666
Administração do Porto de Lisboa (APL)	To guarantee the expenses related with the use of Seixal terminal.	68	68
Administração do Porto de Lisboa (APL)	Use of the public domain area.	42	42
EDP	To guarantee the electric infrastructures in the Seixal Industrial Park - Process EDP-RCLER.	21	21
Tribunal do Trabalho de Almada	Caution for a process involving a former worker.	19	19
SLE	Supplying of electrical power to the facilities located in Barreiro Park.	7	7
		1.963	**1.963**

In what the 1 666 thousand euro guarantee is concerned, Baía do Tejo was definitively acquitted from the claim in the procedure and its cancellation was requested in February 2014. The guarantee was returned by the Court already at January 2015 and its cancellation was requested to the Bank at 14 January 2015.

In turn, it promised, as collateral, to the Municipality of Seixal, to make the lieu of compliance of 10 plots of land in Parque Industrial do Seixal – 3rd stage (PIS III) in case of breach of commitment to proper implementation of the infrastructure to make in the referred park, budgeted in 4 660 thousand euro.

SIMAB Group

Guarantees granted to third parties

Beneficiary	Issuing entity	Values	Company
REPSOL	Millennium BCP	2	SIMAB
REPSOL	CGD, SA	2	MARL
CEMG – Subscribed Promissory Note	CEMG – Secured CA	1.500	SIMAB
CEMG – Subscribed Promissory Note	CEMG – Commercial Paper	29.000	SIMAB
BES, S.A.	BES, S.A.	3.334	SIMAB

Guarantee from the European Investment Bank (EIB)

In the scope of the funding held by MARL, SA, MARF, SA and MARB, SA at the European Investment Bank (EIB), a personal guarantee from the Portuguese State was granted for the bonds and interests related to loans from the EIB on the investment in the project "Projeto Agro Logistics Portugal". Thus, the State replaced commercial banks in more inexpensive conditions for the companies and exempting SIMAB, SA from the responsibility assumed when the contracts were signed being the related *side letters* no longer in force.

At September 2011, a State personal guarantee was already granted for MARL, SA. Funding and at August 2013 for MARB, SA and MARF, SA.

Guarantees held from third parties

1) In MARL, SA had the following bank guaranties from third parties, related to the accomplishment of the responsibilities resulting from the related contracts of services rendered:

Issuing entity (ies)	Purpose	Type	Value (in thousand euro)
Armando Cunha, Lda	Remodelling Works in the area surrounding the CTT Expresso building	Bank guarantee – Millennium BCP	0,87
Caetano Coatings	Remodelling Works in the area surrounding the CTT Expresso building	Bank guarantee – Millennium BCP	0,93
Casa dos Asfaltos – Isolfrei, Lda	Works of rehabilitation of the waterproofing Coverage of NAC	Proof of payment	1,43
Casa dos Asfaltos – Isolfrei, Lda	Works to build the coverage of the Technical and Surveillance rooftop	Proof of payment	1,04
CHARON, Lda	Services Rendered, Security and Monitoring Contract	Bank guarantee - BES	23,06
Dalkia, S.A.	Contract of Maintenance and Mechanical and Electric Operational Services of AVAC, Of Structures and Buildings of *Chillers* and of Heat Pumps	Bank guarantee- BES	40,68
Edivisa, S.A.	Improvement Works of the Pavilhão do Pescado	Bank guarantee – Banco BIC (BPN)	9,74
Electrolimpa Sul, S.A.	Contract of Inside Cleaning Services	Bond Insurance AXA	29,92
Electrolimpa	Contract of Inside Cleaning Services	Bond Insurance COSEC	100
JCDecaux, S.A.	Contract of Services of Urban Furniture	Bank guarantee - SANTANDER	59,32
Proman, Lda	Monitoring Services of Coverage of the CTT Expresso Building	Bank guarantee – Banco BIC (BPN)	1,13
Ramos Catarino, Lda	Contract of Rehabilitation of the Coverage of the CTT Expresso Building	Bank guarantee – Banco Popular	3,80
Ramos Catarino, Lda	Contract of Rehabilitation of the Coverage of the CTT Expresso Building	Bank guarantee – Banco Popular	3,66
Resopre, Lda	Contract of Remodelling and Installation of the Pórtico IT System.	Bank guarantee - CGD	15,37

Issuing entity (ies)	Purpose	Type	Value (in thousand euro)
Strong, S.A.	Prevention and Surveillance Services	Bank guarantee – Millennium BCP	15,00
Strong, S.A.	Prevention and Surveillance Services	Bank guarantee – Santander	24,79
TRAFIURBE, S.A.	Works of Painting of Markings in Bituminous Pavements.	Bank guarantee - BES	0,75
SUMA, S.A.	Contract of Cleaning Services	Bank guarantee - Millennium BCP	60,80
VISACASA, S.A.	Contract of Equip. and Facilities Maintenance Services	Bank guarantee – Banco BIC	9,62
VISACASA, S.A.	Contract of Rehabilitation of the Northern side of A07 pavilion	Bank guarantee - Millennium BCP	2,97
VISACASA, S.A.	Contract of Coverage of MARL A08 and A10 Pavilions	Bank guarantee - Millennium BCP	13,36
VISACASA, S.A.	Contract of painting Works of the facades of the A01, A03 and A08 Pavilions	Bank guarantee - BIC	3,72
Total			**421,96**

At 31 December 2014, MARL SA hold the following bank guarantees and promissory notes over third parties, related to collateral of good and full compliance of the responsibilities concerning the contract of spaces in the MARL:

Issuing entity (ies)	Purpose	Type	Value (thousand euro)
Bargosa, S.A.	Contract Collateral	Bank guarantee - BES	9,98
Catefru, Lda	Contract Collateral	Bank guarantee - BPI	18,97
CEMG	Contract Collateral	Bank guarantee - MG	24,35
Doca Marinha, Lda	Contract Collateral	Bank guarantee - BES	1,85
Eurotejo, Lda	Contract Collateral	Bank guarantee - BES	3,69
Espada Pescas, Lda	Contract Collateral	Bank guarantee - BES	5,56
Figueira, Lda	Contract Collateral	Bank guarantee - BES	36,13
Repsol, Lda	Contract Collateral	Bank guarantee – Millennium BCP	14,96
Torrestir, S.A.	Contract Collateral	Bank guarantee - BPI	15,40
Total			**130,90**

Issuing entity (ies)	Purpose	Type	Value (thousand euro)
MARL Energia, Lda	Contract of use of space for the photovoltaic plant.	Promissory note	500,00
HYPESOLAR Fanhões, Lda	Guarantee of the full and timely compliance with the building lease.	Promissory note	50,00

Issuing entity (ies)	Purpose	Type	Value (thousand euro)
HYPESOLAR Sacavém, Lda	Guarantee of the full and timely compliance with the building lease.	Promissory note	50,00
Total			600,00

2) In MARF, SA at 31 December 2014, the company hold the following bank guaranties over third parties related to the compliance with the contracts of services rendered:

Issuing entity (ies)	Purpose	Type	Value (thousand euro)
NCC Fcility Sistems, SA	Acquisition of internal cleaning services of offices, market pavilion and lobby	Insurance Collateral- AXA	1,5
Total			**1,5**

3) In MARB, SA at 31 December 2014, the bank guarantees hold over third parties were as follows:

Issuing entity (ies)	Purpose	Type	Value (thousand euro)
Construções Europa Ar Lindo, S.A.	Construction Contract of the CTT Expresso Facilities in MARB	Bank guarantee - BCP	16,99
Construções Europa Ar Lindo, S.A.	Construction Contract of the CTT Expresso Facilities in MARB	Bank guarantee - BES	17,34
Construções Europa Ar Lindo, S.A.	Construction Contract to checking and repair of the rainwater system in MARB building.	Bank guarantee - BES	0,72
Climex, controlo de ambiente, S.A.	Contract of Cleaning and Solid Waste Removal Services in MARB	Bank guarantee – Millennium BCP	3,10
Líder – Serviços Gerais de Vigilância, Lda	Security and surveillance services in the Braga Wholesale Market	Bancária – Millennium BCP	1,9
Total			**39,70**

4) In MARE, SA at 31 December 2014, the bank guarantees hold over third parties were as follows:

Issuing entity (ies)	Purpose	Type	Value (thousand euro)
Bloco	10% of the value of works of reinforcement and isolation of the Market Hall coverage.	Bank guarantee - BCP	4,80
Bloco	10% of the value of works of reinforcement and isolation of the Market Hall coverage (other works)	Bank guarantee - BCP	1,00
José Quintino, Lda	External repairs of the Warehouse Surroundings (Chronopost)	Bank guarantee - BPI	6,80
JFS, S.A.	Execution of Alterations in the Warehouse (Chronopost)	Bank guarantee – BCP	18,35

Issuing entity (ies)	Purpose	Type	Value (thousand euro)
JFS, S.A.	2nd Amendment to the Contract of Execution of Alterations in the Warehouse (Chronopost)	Bank guarantee – Santander Totta	1,92
Total			**32,9**

Companhia das Lezírias

At 31 December 2014, Companhia das Lezírias hold the following bank guarantees over third parties:

- Bank guarantee in the amount of 2, 5 thousand euro, in BPI, to secure wine export;
- Bank guarantee in the amount of 45 thousand euro, in BCP, to secure the BP supply of diesel; and
- Bank guarantee in the amount of 859 thousand euro, in BCP, to secure a VAT reimbursement.

The amount of 22 thousand euro is registered in “Other receivables” and deposited on behalf of Tribunal de Trabalho de Tomar (Labour Court of Tomar) relating to the process concerning the work accident of Bernardo da Silva Moreira and was done as a guarantee for future pensions due.

ii) Financial off balance sheet commitments

AdP Group

The estimate of off-balance sheet financial commitments assumed by AdP Group resulting from the celebration of the concession agreements regarding initial, replacement, renewal and expansion investments to be made throughout the remaining concession period, can be shown as follows:

	Contractual investment	Investment made	Ongoing investment	Contractual investment not made (N+1)	Contractual investment not made (N+2…N+5)	Contractual investment not made (>N+5)
UNA-PD	6.994.106	4.809.572	239.035	159.329	351.874	1.434.297
	6.994.106	**4.809.572**	**239.035**	**159.329**	**351.874**	**1.434.297**

The EGF Group contract investment amount is recorded in held for sale and is detailed as follows:

	Contractual investment	Investment made	Ongoing investment	Contractual investment not made (N+1)	Contractual investment not made (N+2…N+5)	Contractual investment not made (>N+5)
UNR	1.416.276	994.906	70.056	60.982	111.604	189.594
	1.416.276	**994.906**	**70.056**	**60.982**	**111.604**	**189.594**

In the following table it can be found the future commitments of the Group regarding the rents to be paid to municipalities for infrastructures integration, as defined in the concession agreements.

Companies	Rents already recognised	Recognised rents not yet paid	Future Rents - (N+1)	Remaining future rents	31-Dec-14	31-Dec-13
Águas do Algarve, S.A.	1.677	-	206	4.466	6.349	4.771
Águas do Centro Alentejo, S.A.	1.603	-	145	1.545	3.294	3.840
Águas do Mondego, S.A.	32.906	-	1.519	1.842	36.267	36.267
Águas do Norte Alentejano, S.A.	419	8	57	1.090	1.574	1.919
Águas do Noroeste, S.A.	5.257	-	-	3.635	8.891	9.299
Águas do Oeste, S.A.	45	-	5	108	158	158
Águas de Santo André, S.A.	6.225	-	479	7.662	14.365	14.365
Águas de Trás-os-Montes e Alto Douro, S.A.	8.357	1.834	529	9.143	19.863	22.138
Águas do Zêzere e Côa, S.A.	6.965	1.795	995	17.919	27.675	27.792
AgdA – Águas Públicas do Alentejo, S.A.	-	702	174	13.995	14.871	14.871
Simarsul, S.A.	2.349	136	376	5.267	8.128	8.712
Simdouro, S.A.	57.115	-	4.574	12.668	74.357	74.357
Simlis, S.A.	1.572	-	101	1.206	2.879	2.879
	124.491	**4.476**	**9.160**	**80.546**	**218.672**	**221.368**

TAP Group

At 31 December 2014 there were financial commitments assumed by affiliate TAP S.A. regarding aircrafts and reactors operating lease rents, in the amount of 310 001 thousand euro (252 462 thousand euro at 31 December 2013).

Additionally, there is a purchase contract of twelve Airbus A350 aircrafts with three more options, to be received between 2017 and 2019.

Baía do Tejo Group

At 31 December 2014 the off-balance financial commitments are as follows:

Nature	31-Dec-14	31-Dec-13
IMT payment regarding “Complexo da Margueira”	3.782	3.782
Employee benefits estimate regarding the workers of former Quimigal	1.628	1.943
Renting contracts	66	84
Total	**5.746**	**5.808**

As mentioned above there are also responsibilities assumed for the execution of the infrastructure of PIS III lands, estimated in about 10 180 thousand euro.

Companhia das Lezírias

The Development Plan approved by Law nr 2058, of December 29 of 1952, included the project of defence and sweating of the Lezíria Grande of Vila Franca de Xira. The works carried out were financed by the

Portuguese State and the owners were the responsible for the payment of the amounts borrowed by the State. The land was the guarantee for the compliance with the commitments.

The works were handed over to the then called Associação de Defesa da Lezíria Grande de Vila Franca de Xira, currently known as Associação dos Beneficiários da Lezíria Grande de Vila Franca de Xira.

The approval of these loans was established in the following legal acts: Decree-Law nr 39601, of April 3, of 1954; Decree-Law nr 41956, of November 12, of 1958 and Decree-Law nr 840/76, of December 4.

Currently the responsibility of Companhia das Lezírias amounted to 10 492,57 euro to be paid in 17 instalments of 617,21 euro each.

iii) *Employees at service*

During 2014 and 2013, the average number of employees at service (of the company and of the subsidiaries) was 15 253 and 17 074, respectively.

iv) Territorial reorganisation of AdP Group

At 1 October 2014, the Minister of Environment, Spatial Planning and Energy presented a plan of re-structuring of the water sector including the aggregation of the current 19 multi-municipal systems into 5 bigger systems, maximizing scale and scope gains, benefiting the tariff, mitigating tariff gap and normalizing the relationship with Municipalities. Currently and after the related studies, the works continued leading to the aggregation of the water supply and sanitation multi-municipal systems. In this context, the assets and liabilities, rights and responsibilities of the 19 multi-municipal systems will be transfer to the new companies, which will continue with the current activities, under a new concession contract. The conclusion of this process is expected to be concluded at the end of the first half of 2015.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved in the Board of Directors' meeting at 30 April of 2014, being their opinion that they present a complete, true, timely, clear, objective and licit view of the operations of PARPÚBLICA Group, as well as of its financial position as at 31 December of 2014 and of its performance and cash-flows during 2014, according to the International Financial Reporting Standards, as adopted in European Union.

Board of Directors

Pedro Macedo Santos Ferreira Pinto
Chairman

Carlos Manuel Durães da Conceição
Director

José Manuel Pereira Mendes Barros
Director

Fernanda Maria Mouro Pereira
Non-executive Director

Maria João Dias Pessoa de Araújo
Non-executive Director

Pedro Miguel Nascimento Ventura
Non-executive Director

Separate Financial Statements

STATEMENT OF FINANCIAL POSITION

Currency: euro

	Notes	Position		
		31-12-2014	31-12-2013 Restat.	31-12-2013
Non-current assets				
Property, Plant and Equipment	4	24.086,70	34.633,97	34.633,97
Intangible assets	5	3.077,97	2.599,07	2.599,07
Financial investments	6	2.737.073.861,27	3.070.893.312,30	3.070.893.312,30
Borrowings	6	413.715.560,75	478.169.649,25	478.169.649,25
Other receivables	7		177.441,37	177.441,37
Other financial assets	8	4.588.830.020,29	4.205.263.113,07	4.205.263.113,07
		7.739.646.606,98	7.754.540.749,03	7.754.540.749,03
Current assets				
Trade debtors	9	64.059,01	26.680,99	26.680,99
Public administrative sector	10	4.075.956,16	23.751.117,07	23.751.117,07
Borrowings	6	42.230.164,93		
Other receivables	7	11.793.954,28	81.227.422,01	81.227.422,01
Deferrals	11	1.521.957,60	1.855.424,53	1.855.424,53
Non-current assets held for sale	13		248.400.000,00	248.400.000,00
Cash and cash deposits	14	18.375.449,62	146.011.080,99	146.011.080,99
		78.061.541,59	501.271.725,59	501.271.725,59
Total assets		7.817.708.148,57	8.255.812.474,62	8.255.812.474,62
EQUITY AND LIABILITIES				
Equity				
Share capital		1.027.151.031,48	1.027.151.031,48	1.027.151.031,48
Legal reserves		695.688.928,89	695.688.928,89	695.688.928,89
Retained earnings		1.312.243.021,24	786.105.558,74	786.105.558,74
Adjustments on financial assets		-6.127.674,50	-38.642.281,87	-47.855.504,88
Other changes in equity		-514.122,37	-403.174,81	-403.174,81
		3.028.441.184,74	2.469.900.062,43	2.460.686.839,42
Net income for the period		-461.877.977,96	576.137.462,50	585.350.685,51
Total equity	15	2.566.563.206,78	3.046.037.524,93	3.046.037.524,93
Liabilities				
Non-current liabilities				
Provisions	16	498.000,00	373.810.000,00	373.810.000,00
Retirement benefits obligations	26	649.874,70	373.276,75	373.276,75
Borrowings	17	3.821.618.162,19	2.680.608.849,55	2.680.608.849,55
Other financial liabilities	12	202.470.394,34	110.121.652,03	110.121.652,03
Other payables	18	17.231,80	481.473.553,39	481.473.553,39
		4.025.253.663,03	3.646.387.331,72	3.646.387.331,72
Current liabilities				
Trade creditors	19	117.905,47	11.660.964,94	11.660.964,94
Public administrative sector	10	21.839,45	976.501,81	976.501,81
Borrowings	17	221.134.246,54	1.540.583.321,07	1.540.583.321,07
Other payables	18	492.757.287,30	10.166.830,15	10.166.830,15
Liabilities related with non current assets held for sale	13	511.860.000,00		
		1.225.891.278,76	1.563.387.617,97	1.563.387.617,97
Total liabilities		5.251.144.941,79	5.209.774.949,69	5.209.774.949,69
Total liabilities and equity		7.817.708.148,57	8.255.812.474,62	8.255.812.474,62

INCOME STATEMENT

Currency: euro

	Notes	Period		
		2014	**2013 Restatements**	**2013**
Dividends	20	84.975.653,28	136.085.830,65	136.085.830,65
Gains/losses with reprivatizations	21	60.798.547,08	543.741.132,73	543.741.132,73
Materials and services consumed	22	-2.199.172,00	-2.832.114,26	-2.832.114,26
Employee benefits expenses	23	-2.135.966,11	-2.200.491,39	-2.200.491,39
Increases and reversals of receivables adjustments	24	-773.011,42	-649.578,44	-649.578,44
Provisions (increases/decreases)	25	-138.548.000,00	16.092.000,00	16.092.000,00
Increases and reversals of impairment of non depreciable (amortizable) assets	24	-12.119.512,59	2.172.305,75	2.172.305,75
Net changes in fair value	27	-285.472.745,21	83.362.781,17	92.576.004,18
Other operating income	28	67.093.433,65	36.699.124,94	36.699.124,94
Other operating expense	29	-2.476.611,53	-1.000.453,45	-1.000.453,45
Profit and loss before interest, tax, depreciation and amortization		-230.857.384,85	811.470.537,70	820.683.760,71
Expense/reversals of depreciation and amortization	30	-27.459,65	-41.222,53	-41.222,53
Operating profit and loss before funding expenses and taxes		**-230.884.844,50**	**811.429.315,17**	**820.642.538,18**
Interest and other financial expenses	31	-229.375.531,44	-235.269.812,36	-235.269.812,36
Profit and loss before taxes		**-460.260.375,94**	**576.159.502,81**	**585.372.725,82**
Income tax for the period	32	-1.617.602,02	-22.040,31	-22.040,31
Net profit or loss for the period		***-461.877.977,96***	***576.137.462,50***	***585.350.685,51***
Net profit and loss from discontinued operations (net of tax) included in the net profit and loss	33	**-38.510.240,58**	**638.118.595,13**	**638.118.595,13**

Basic earnings per share		-1,15	1,44	1,46

STATEMENT OF COMPREHENSIVE INCOME

Currency: euro

	2014	2013 Restatements	2013
Net profit and loss for the period	-461.877.977,96	576.137.462,50	585.350.685,51
Other comprehensive income			
Values that may afterwards be reclassified in the income			
Reclassification of the net losses on financial assets held for sale	17.399.161,80		
Gains and losses on the remeasurement of the assets held for sale	15.115.445,57	9.213.223,01	
Values not afterwards reclassified in the income			
Actuarial gains/losses	-110.947,56	-209.803,15	-209.803,15
	-429.474.318,15	585.140.882,36	585.140.882,36
Comprehensive income	-429.474.318,15	585.140.882,36	585.140.882,36
Distribution of the comprehensive income			
Shareholders	-429.474.318,15	585.140.882,36	585.140.882,36
Minority interests			

STATEMENT OF CHANGES IN EQUITY

Currency: euro

Description		Equity attributed to equity holders							Total equity
		Equity	Legal reserves	Retained earnings	Adjustments on financial assets	Other equity changes	Net profit and loss for the period	Total	
Position at 01-01-2013 (with restatements)	**1**	**1.027.151.031,48**	**695.688.928,89**	**322.043.114,11**	**-47.855.504,88**	**-193.371,66**	**514.062.444,63**	**2.510.896.642,57**	**2.510.896.642,57**
Changes in the period									
Changes on accounting policies (actuarial gains/losses)						-209.803,15		-209.803,15	-209.803,15
Adjustments on FAHS					9.213.223,01			9.213.223,01	9.213.223,01
	2				**9.213.223,01**	**-209.803,15**		**9.003.419,86**	**9.003.419,86**
Net profit and loss for the period	**3**						576.137.462,50	576.137.462,50	576.137.462,50
Comprehensive income	**4=2+3**				**9.213.223,01**	**-209.803,15**	**576.137.462,50**	**585.140.882,36**	**585.140.882,36**
Operations with equity holders									
Results application				514.062.444,63			-514.062.444,63		
Dividends				-50.000.000,00				-50.000.000,00	-50.000.000,00
	5			**464.062.444,63**			**-514.062.444,63**	**-50.000.000,00**	**-50.000.000,00**
Position at 31-12-2013	**6=4+5**	**1.027.151.031,48**	**695.688.928,89**	**786.105.558,74**	**-38.642.281,87**	**-403.174,81**	**576.137.462,50**	**3.046.037.524,93**	**3.046.037.524,93**

Currency: euro

Description		Equity attributed to equity holders							Total equity
		Equity	Legal reserves	Retained earnings	Adjustments on financial assets	Other equity changes	Net profit and loss for the period	Total	
Position at 01-01-2014	**1**	**1.027.151.031,48**	**695.688.928,89**	**786.105.558,74**	**-38.642.281,87**	**-403.174,81**	**576.137.462,50**	**3.046.037.524,93**	**3.046.037.524,93**
Changes in the period									
Changes on accounting policies (actuarial gains/losses)						-110.947,56			-110.947,56
Adjustments on FAHS					32.514.607,37			32.514.607,37	32.514.607,37
	2				**32.514.607,37**	**-110.947,56**		**32.514.607,37**	**32.403.659,81**
Net profit and loss for the period	**3**						**-461.877.977,96**	**-461.877.977,96**	**-461.877.977,96**
Comprehensive income	**4=2+3**				**32.514.607,37**	**-110.947,56**	**-461.877.977,96**	**-429.363.370,59**	**-429.474.318,15**
Operations with equity holders									
Results application				576.137.462,50			-576.137.462,50		
Dividends				-50.000.000,00				-50.000.000,00	-50.000.000,00
	5			**526.137.462,50**			**-576.137.462,50**	**-50.000.000,00**	**-50.000.000,00**
Position at 31-12-2014	**6=4+5**	**1.027.151.031,48**	**695.688.928,89**	**1.312.243.021,24**	**-6.127.674,50**	**-514.122,37**	**-461.877.977,96**	**2.566.674.154,34**	**2.566.563.206,78**

CASH FLOW STATEMENT

Currency: euro

Rubricas	Notas	2014	2013
Operating activities			
Receipts from trade debtors		470.759,56	645.123,96
Payments to trade creditors		-2.631.065,76	-2.850.432,40
Payments to employees		-1.923.044,96	-1.709.898,09
Cash flows generated by operations		**-4.083.351,16**	**-3.915.206,53**
Receipts/Payments from income tax		16.442.967,58	-15.375.016,97
Other operating activities (receipts/payments)		-1.236.826,73	-1.776.973,41
Cash flows from operating activities		**11.122.789,69**	**-21.067.196,91**
Atividades de Investimento:			
Receipts related to:			
Financial investments		584.818.595,47	2.124.715.592,69
Plant, property and equipment			
Interest and other financial income		39.113.919,40	75.717.497,46
Dividends		84.975.653,28	136.085.830,65
		708.908.168,15	**2.336.518.920,80**
Payments related to:			
Financial investments		-404.276.890,01	-1.535.883.393,78
Plant, property and equipment and intangible assets		-17.391,28	-9.387,97
		-404.294.281,29	**-1.535.892.781,75**
Cash flows from investing activities		**304.613.886,86**	**800.626.139,05**
Financing activities			
Receipts related to:			
Borrowings		1.350.000.000,00	969.238.426,05
		1.350.000.000,00	**969.238.426,05**
Payments related to:			
Borrowings		-1.534.512.954,84	-1.528.100.000,00
Interest and other financial income		-208.859.353,08	-218.500.822,37
Dividends		-50.000.000,00	-50.000.000,00
		-1.793.372.307,92	**-1.796.600.822,37**
Cash flows from financing activities		**-443.372.307,92**	**-827.362.396,32**
Changes in cash and cash equivalents		**-127.635.631,37**	**-47.803.454,18**
Cash and cash equivalent at the beggining of the period		146.011.080,99	193.814.535,17
Cash and cash equivalent at the end of the period	14	18.375.449,62	146.011.080,99
Cash flows from discontinued operations	33	**360.878.378,09**	**1.815.441.041,02**

NOTES

1. Presentation of the Company and financial report

PARPÚBLICA – Participações Públicas, SGPS, SA is a whole owned public company and sets its main corporate object on management of investments (SGPS). The Company was incorporated by Decree-Law Nr. 209/2000 as of September 2, with the aim to be an essential tool of the State, to intervene in the following areas:

(i) Managing participations in companies undergoing a privatizing process, or able to be privatized, in a certain term;
(ii) Developing privatizing processes, in the scope of the law;
(iii) Re-structuring companies transferred to its portfolio;
(iv) Following participations in privatized companies, which grant special rights to the State;
(v) Managing surplus public real estate patrimony, through specialized subsidiary companies;
(vi) Support to the work of the Finance Minister of the financial tutelage over State-owned companies and companies concessionary of general economic interest service.

The Company presents its financial statements in accordance to International Financial Reporting Standards – IFRS, International Accounting Standards and Interpretations, collectively designated IFRS, issued by the International Accounting Standards Board (IASB), and as adopted by the European Union (EU), hereinafter designated by IFRS/EU. IFRS/EU were adopted in 1 January 2010 as an option to Sistema de Normalização Contabilística, as predicted in n.º 3 of article 4.º of the Decree-Law n.º 158/2009, from July 13, considering that the Company prepares its consolidated financial statements in accordance to IFRS/EU.

Considering that the Company holds investments in subsidiaries, has to present consolidated financial statements, and so the present information is related to separate financial statements, as predicted in IAS 27 – Consolidated and Separate Financial Statements, being prepared in accordance with the Portuguese Trading Companies Code and other legal dispositions. These financial statements are related to the PARPÚBLICA consolidated financial statements included.

These separate financial statements respect to the annual period ended at 31 December 2014, and were prepared from the accounting records of the Company considering the assumption of operational continuity and accrual and are presented in euro, unless otherwise referred.

2 – Basis of presentation and main accounting policies

2a - Introduction

The main accounting policies used by PARPÚBLICA – Participações Públicas, SGPS, S.A. in the presentation of the financial statements, are reported in the following notes. These policies were used consistently throughout all statements, except in the situations described in note 2b.

The preparation of the financial statements according to the IFRS requires the use of some critical accounting estimates. It is also required that the Board judges the adequate use of the accounting policies. The areas, where the most relevant estimates and judgments were made, are presented in note 2n.

2b – Alterations in accounting policies

In the 1st of January, 2014, new rules entered into force, as well as the interpretations and amendments to the current rules adopted in the EU by the following regulations:

- Regulation nr 1254/2012, of December 11
- Regulation nr 313/2013, of April 4
- Regulation nr 1174/2013, of November 20
- Regulation nr 1374/2013, of December 19
- Regulation nr 1375/2013, of December 19

New rules, as well as interpretations and amendments of the current rules, entered into force in the EU for the periods beginning at or after January 1st 2015, by the following regulations:

- Regulation nr 634/2014, of June 13
- Regulation nr 1361/2014, of December 19
- Regulation nr 28/2015, of December 17
- Regulation nr 29/2015, of December 17

The purpose of the rules adopted by the previously mentioned regulations is detailed in the basis of presentation and main accounting policies paragraph of the consolidated financial statements which, together with the current statements, are the PARPÚBLICA financial statements.

2c- Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are measured at cost, after deducting the accumulated deprecations or amortizations and accumulated impairment losses, whenever applicable.

Subsequent expenses with property, plant and equipment are recognized as an asset if, and only if, it is likely that it will arise from it future economic benefits. Expenses with ordinary repair and maintenance of these assets are recognized as an expense.

When there is an indication that an asset or a cash generating unit may be impaired, its recoverable value is estimated, and an impairment loss is recognized whenever the net value of an asset exceeds its recoverable amount.

In principle, the recoverable amount is determined as the higher of an asset's fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the continuing use of the asset and from its ultimate disposal. However, it can be considered only the value in use, when an accurate estimate of the fair value is not available and it can be considered only the fair value less the costs to sell when it can be anticipated that the value in use does not exceed the fair value for a materially relevant amount.
The discount rate used to esteem the value in use is based on the weighted average cost of capital (WACC). The *Capital Asset Pricing Model* is considered to determine the equity cost.

The carrying amount of an item of property, plant and equipment or intangible asset is derecognized on its disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition is included in profit or loss when the item is derecognized being considered as the difference between the net disposal profit, if any, and the carrying amount of the item.

Depreciation is calculated applying the straight-line method, according to the following estimated useful life (in years):

	Useful life
Transport equipment	4- 8
Administrative equipment and utensils	4-12
Other fixed tangible assets	4-10

2d- Financial investments in subsidiaries and associates

Subsidiaries, for the purpose of the present separate financial statements, are all entities in which PARPÚBLICA has a direct participation in equity and exercises direct or indirect control. Control is deemed as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence of control was assumed when PARPÚBLICA is, directly or indirectly holder, through subsidiary companies, of more than half of the voting power of an entity.

All entities over which PARPÚBLICA has a significant influence, and that are neither a subsidiary nor an interest in a joint venture, have been deemed as associated companies. Significant influence was deemed as the power to participate in the financial and operating policy decisions of the invested company but is not control or joint control over those policies. The existence of a significant influence was taken into account, when the parent company directly or indirectly holds 20% or more of the voting power in the invested company.

Investments in subsidiaries and in associates are measured at acquisition cost and are object of impairment tests.

Investments in subsidiaries and in associates are tested for impairment whenever events or changes in the evolving conditions indicate that the carrying amount may not be totally recovered, namely, by comparing the carrying amount with the amount used to prepare the consolidated financial statements (including goodwill), in accordance to paragraph 12 (h) of IAS 36 – Impairment of Assets. An impairment loss is recognized when the recoverable amount of an asset is less than its carrying amount. Recoverable amount is determined in accordance to the procedures described for property, plant and equipment and intangible assets. Impairment test is annually performed for all investments in subsidiaries with associated *goodwill*.

The amounts related to the release of funds or other financial businesses with the subsidiaries considered as shareholders' loans not reimbursed within one year, shall be recorded as granted loans in non-current assets. Interests shall be calculated on these loans accordingly to the market situation rate.

2e- - Other financial assets and liabilities

Financial assets in the scope of IAS 39 and IFRS 9 are classified in accordance to each of the following categories, depending on its genesis or the purpose for which they were acquired:

- Financial assets at fair value through profit or loss are financial assets that were designated as such or are classified as held for trading, so that are held by PARPÚBLICA for the main purpose of generating short term profit and include derivatives not classified as hedging instruments. They are measured at fair value, and any subsequent changes in their fair values are directly recognized in profit or loss.

- Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. These assets are initially measured at fair value plus direct transaction costs, and subsequently are measured at amortized cost using the effective interest method.

- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially measured at fair value plus direct transaction costs, and subsequently are measured at amortized cost using the effective interest method.

- Financial assets available for sale include financial assets that do not comply with the requirements to be classified in other category.

Among the financial assets at fair value through profit or loss are, in the end of 2014, by designation, the GALP shares underlying in a bond loan, in order to avoid the *mismatch* between the measure of the embedded options and the underlying assets used to assess their value.

Not all the derivative instruments were used to hedge financial risks as they don´t comply with all the requirements according to the hedge accounting; so, they were classified as held for trading.

The fair value of financial assets at fair value through profit or loss is, whenever available, its market value, or in its absence, determined by external entities using valuation techniques, including discounted cash flows models, namely to evaluate *swaps* and options.

Investments in equity instruments, other than investments subsidiaries and associates, that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost.

The company evaluates on a regular basis whether there is objective evidence that a financial asset or a group of financial assets not measured at fair value through profit or loss, have any indications of impairment, and in that case, the future discounted cash flows arising from the asset are estimated and an impairment loss is recognized.

If, in a subsequent period, the amount of impairment loss decreases, and such fact is objectively related to an event which occurs after the recognition of impairment, the previously recognized impairment loss is reverted, not surpassing, however, the amortized cost which would result, had the impairment not been recognized, on the date on which it was reverted. In the case of investments in equity instruments measured at cost the recognized impairment losses are not reversible.

A financial asset is derecognized when (i) the contractual rights to the cash flows from the financial assets expire; or (ii) all risks and benefits associated to the holding of that asset have been substantially transferred; or (iii) despite the risks and the benefits have not been substantially transferred, the Group did not hold back the control over that asset.

2f- Non-current assets held for sale and related liabilities

PARPÚBLICA classifies a non-current asset or disposal group as held for sale if its carrying amount will be recovered mainly through a sale transaction rather than through continuing use and if it is in condition for immediate sale its sale is highly probable within one year after its classification.

Non-current assets held for sale or disposal groups are measured by the small amount between the classification amount and the one at fair value less the selling costs.

2g- Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2h- Issued equity instruments

Equity instruments issued respect exclusively to share capital. The amount of share capital not realised is presented as a deduction to the issued share capital.

Dividends attributed are recognized as liabilities and directly debited in the equity in the financial year in which these distributions are approved by the shareholder.

2i- Borrowings and other payables

Borrowings and other payables to third parties are measured, initially, at fair value resulting from its transaction price, and subsequently at cost, or amortized cost using the effective interest method.

For borrowings with embedded options (reimbursement with shares existing in PARPÚBLICA's portfolio), the embedded option is separated from the host contract, as it is considered that the risks and benefits from the derivative are not related with the characteristics of the host contract. The host contract is measured at amortized cost and the embedded option is measured at fair value through profit or loss which is also applicable to the underlying shares in order to minimize the *mismatch* in the fair value measurement (see note 17).

2j- Provisions and contingencies

Provisions are recognized for uncertain timing liabilities or uncertain amount that have arisen as a result of past transactions and are recognized for its best estimate and for its present value whenever time value of money is significant.

Contingent assets and liabilities are not recognized in the financial statements, but disclosed in the notes. In the cases in which the possibility of an outflow of resources that incorporate economic benefits is remote, or if it is less probable that an inflow of economic benefits occur, the respective contingent liabilities or contingent assets are not disclosed.

2k- Employee benefits

Under the Social Benefits Regulations in force, the permanent staff of former Portucel, SGPS with more than five years of service, is entitled, after retirement or in a disability situation, to a monthly retirement or disability pension complement. This complement is defined according to a formula, which takes into account the updated gross monthly remuneration for the professional category of the employee on the date of his retirement and the number of years in service, maximum 30, being also guaranteed a survival pension to the spouse and to the direct descendants.

In order to cover this responsibility, an autonomous pension fund was created, managed by an external entity.

PARPÚBLICA obligations are defined benefits retirement obligations, given that the criteria in determining the amounts of pensions and other benefits that employees will receive throughout retirement and pre-retirement are determined and are usually dependant on one or more factors, such as age, years of service and retribution at retirement date.

The company recognizes as an asset, the difference between the present amount of the retirement benefits obligation at balance date, and the fair value of plan assets assigned for the fulfillment of the obligations.

Actuarial business and interest expenses/profits are recognized as staff expenses. Gains/losses of remeasurement are annually recognized as other comprehensive income.

Annually, on closing date, independent experts, based upon the Projected Credit Unit Method, assess the obligations of the company and in this way the present value of its definite benefits obligations and the respective current service costs are determined. For that purpose, certain actuarial assumptions are used. The actuarial assumptions are the Company's best available estimates of the variables, which will determine the final cost of providing post-employment benefits. The actuarial assumptions comprise:

- Demographic assumptions on the future features of current and former employees (and their dependent relatives) are eligible to receive the benefits. The demographic assumptions deal with matters such as:

    - Mortality, either during or after the time of employment;
    - The proportion of the members of the plan, when dependents, who are eligible to receive benefits.

- Financial assumptions, dealing with items such as:
    - Discount rate,
    - Levels of future wages and of benefits; and
    - Expected return ratio of the assets of the plan.

2l- Recognition of expenses and losses and of revenue and gains

Expenses and income are recognized in the period, which they refer to, independently of their payment or receipt on an accrual basis. Differences between the paid and received amounts and their respective expenses and incomes are respectively registered in the liabilities and in the assets.
Revenue arising from the use assets, yielding interest, royalties and dividends should be recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliable. Additionally:

- Interests are recognized using the effective interest method; and

- Dividends are recognized when the company's right to receive payment is established.

As these are separate financial statements, the equity method is not applied, and so, all gains regarding the investments in subsidiaries and associates are, like other equity investments, recognized in accordance to the dividends received.

Borrowing costs are recognized as an expense in the period in which it incurs them, as there are no reasons for their capitalization. Financing expenses are recognized using the effective interest method, by measuring the financial liabilities at amortized cost. Although the interest rate of the issued bonds with embedded option is fixed considering the prospects of evolution in the fair value of the underlying shares and the corresponding option, the difference between the changes in fair value in the options and in the underlying shares are included in the line "net changes in fair value" in the income statement and not as a supplement or reduction of interest financing expense recognized, as it is considered that such changes have a close relationship with the respective assets privatizing operations.

2m- Income tax

Income tax comprises the current tax regarding the net profit or loss for the period and the deferred taxes assessed on the temporary differences between the accounting values of the assets and the liabilities and their tax base or report of tax losses or gains.

Considering the characteristics of the tax regime in place for the Holding Companies and the terms of detention of the participations, it is unlikely that there will be conditions for recognition of deferred taxes, not resulting in any effects from the application of this accounting standard for PARPÚBLICA.

2n- Business judgments and estimates

The preparation of the financial statements according with IFRS-EU requires PARPÚBLICA to make certain estimates and assumptions that affect the application of accounting policies and the amounts of income, expense, assets and liabilities. The areas that involve a significant level of judgment and complexity, or where assumptions and significant estimates are made in preparing the consolidated financial statements are discussed below:

– Determination of useful lives of property, plant and equipment and the depreciation method;

– Assessment of fair value in financial instruments with no active market, based on valuations performed by financial institutions, reflecting the "*mark-to-market*" of such instruments with judgments on the selection of the techniques and assumptions to use for the derivative valuations at balance date;

– Assessment of future cash flows, discount rates and fair value on determining impairment losses on financial investments and on non-current assets held for sale;

– Analysis of evidence of impairment in financial investments and receivables;

– Assessment of the obligations with retirement benefits, using studies performed by an independent actuary.

3 - Restatements

The comparative figures of 2013 point to the following restatements compared to that period financial statements values:

	Debit	Credit	Amount
Reclassification to financial Assets available for sale	Adjustments in financial assets (E)		38.642.281,87
	Increases / decreases at fair value (PL)		9.213.223,01
		Retained Earnings	47.855.504,88

The restatements are related to the reclassification and measurement at the financial Assets available for sale of shares of non-associate companies (investments in equity instruments i.e., REN's shares, GALP's shares – shares that are not underlying to the embedded option of the bond loan, of PT and ZON) classified in financial Assets at fair value through profits and losses. The financial Assets available for sale are measured at fair value and the variations at fair value are recognized at Other comprehensive income (not in the profit or loss for the period).

4 – Property, plant and equipment

Throughout the years ended January, 31, 2014 and 2013 the changes occurred in property, plant and equipment, and in the correspondent accumulated depreciations, were as follows:

2014				
	Transporte Equipment	Administrative Equipment	Other Fixed Tangible Assets	Total
Gross Assets				
Opening balance	**109.432,66**	**933.816,60**	**4.250,82**	**1.047.500,08**
Increases		8.157,36	250,00	8.407,36
Sales			-70,92	-70,92
Closing balance	**109.432,66**	**941.973,96**	**4.429,90**	**1.055.836,52**
Accumulated depreciations				
Opening balance	**109.432,66**	**899.182,63**	**4.250,82**	**1.012.866,11**
Increases		18.704,63	250,00	18.954,63
Sales			-70,92	-70,92
Closing balance	**109.432,66**	**917.887,26**	**4.429,90**	**1.031.749,82**
Carrying amount	**0,00**	**24.086,70**	**0,00**	**24.086,70**

2013				
	Transport Equipment	Administrative Equipment	Other Fixed Tangible Assets	Total
Gross Assets				
Opening balance	**109.432,66**	**932.765,15**	**4.257,79**	**1.046.455,60**
Increases		1.051,45	70,92	1.122,37
Sales			-77,89	-77,89
Closing balance	**109.432,66**	**933.816,60**	**4.250,82**	**1.047.500,08**
Accumulated depreciations				
Opening balance	**94.637,42**	**881.695,98**	**4.159,51**	**980.492,91**
Increases	14.795,24	17.486,65	169,20	32.451,09
Sales			-77,89	-77,89
Closing balance	**109.432,66**	**899.182,63**	**4.250,82**	**1.012.866,11**
Carrying amount	**0,00**	**34.633,97**	**0,00**	**34.633,97**

5 – Intangible assets

Throughout the years ended, December, 31, 2014 and 2013 the changes occurred in intangible assets, and in the correspondent accumulated amortizations, were as follows:

2014			
	Computer Software	**Other Intangible Assets**	**Total**
Gross assets			
Opening balance	28.599,98	2.599,07	31.199,05
Increases	8.983,92		8.983,92
Closing balance	**37.583,90**	**2.599,07**	**40.182,97**
Accumulated depreciations			
Opening balance	28.599,98	0,00	28.599,98
Increases	8.505,02		8.505,02
Closing balance	**37.105,00**	**0,00**	**37.105,00**
Carrying amount	**478,90**	**2.599,07**	**3.077,97**

2013			
	Computer Software	**Other Intangible Assets**	**Total**
Gross assets			
Opening balance	20.334,38	2.599,07	22.933,45
Increases	8.265,60		8.265,60
Closing balance	**28.599,98**	**2.599,07**	**31.199,05**
Accumulated depreciations			
Opening balance	19.828,54	0,00	19.828,54
Increases	8.771,44		8.771,44
Closing balance	**28.599,98**	**0,00**	**28.599,98**
Carrying amount	**0,00**	**2.599,07**	**2.599,07**

Other intangible assets have indefinite useful life, and were not submitted to impairment tests given the immateriality of the carrying amount.

6– Financial Investments and loans

The companies where PARPÚBLICA holds directly a share in equity and which are qualified as subsidiaries – excluding those which are classified as held for sale (see Note 13) - are the following:

Company	Location	Main Activity	% share capital held in 2014	% share capital held in 2013
Adp - Aguas de Portugal (SGPS), SA.	Lisboa	Investment management	81,00%	81,00%
Baia do Tejo, SA	Barreiro	Industrial parks	100,00%	100,00%
CE - Circuito do Estoril	Alcabideche	Sport events	100,00%	100,00%
Companhia das Lezirias, SA	Samora Correia	Agriculture and livestock breeding	100,00%	100,00%
INCM - Imprensa Nacional Casa da Moeda, SA.	Lisboa	Portuguese coin issuing, official printing and other publications	100,00%	100,00%
Lazer e Floresta	Lisboa	Real estate forest development	100,00%	100,00%
MARGUEIRA - Sociedade Gestora Fundos Investimento Imobiliário, SA.	Almada	Management of real estate fund "Margueira Capital"	51,00%	51,00%
SAGESECUR - Sociedade de Estudos, Desenvolvimento e Participação em Projectos, SA.	Lisboa	Studies, development and participation in security investments	80,50%	80,50%
SAGESTAMO - Sociedade Gestora Participações Sociais Imobiliárias, SA.	Lisboa	Investment management and rendering of services	100,00%	100,00%
SIMAB - Soc Instaladora de Mercados Abastecedores, SA	Loures	Installation and management of wholesale markets	100,00%	100,00%
SPE - Sociedade Portuguesa de Empreendimentos, SA.	Lisboa	Mining / ore	81,13%	81,13%

The companies where PARPÚBLICA holds directly a share in equity and which are qualified as associates - excluding those which are recorded in non-current assets as held for sale (see Note 13) - are the following:

Company	Location	Main Activity	% of share capital 2014	% of share capital 2013
CVP - Sociedade de Gestão Hospitalar, SA	Lisboa	Health care management	45,00%	45,00%
INAPA - Investimentos de Participação e Gestão, SA. a)	Lisboa	Investment management	a)	32,72%
ISOTAL - Imobiliário do Sotavento Algarvio, SA	Faro	Touristic resorts development	31,05%	31,05%
PARCAIXA, SA.	Lisboa	Gestão de Participações Sociais	49,00%	49,00%
PROPNERY - Propriedade e Equipamentos, SA	Castelo Branco	Real estate investment management	41,82%	41,82%

(a) In the Extraordinay General Assembly held at 06 of August 2014, a deliberation was approved in which votes are not considered during the period in which the preferencial shares gives voting right (attibuted at 23 April 2014), corresponding to shares held by a shareholder or shareholders subject to a common domain, that exceed a third of total votes relating to the share capital. Thus, the 49.084,738 shares of INAPA held by PARPÚBLICA represent 8,26% of the voting rights (31DEC13: 32,72%), condidering that PARPÚBLICA and PARCAIXA are under a common control, the State. PARPÚBLICA has no longer significant influence and the investment in INAPA is now classified in financial Assets available for sale and measured at fair value with variations recognized at Other comprehensive income.

The names, addresses, % in share capital and amounts, in thousand euro, of equity and net profit of subsidiaries and associates – including those which are classified as held for sale in non-current assets - are:

Currency: thousand euro

Company	Location	% held of equity	Financial Statements Data							
			Year	Equity 2014	Net Income 2014	Interest in equity	Assets		Liabilities	
							Current	Non-current	Current	Non-current
Adp - Aguas de Portugal, SA. **(a)**	Rua Visconde Seabra n.º 3 Lisboa	81,00%	2014	1.327.665	102.324	1.075.409	1.721.179	5.770.564	1.598.338	4.565.740
Baia do Tejo, SA	Largo Alexandre Herculano, Barreiro	100,00%	2014	235.721	441	235.721	25.112	242.217	4.916	26.691
CE - Circuito do Estoril, SA.	E.N. 9, Km 6 Alcabideche	100,00%	2014	7.585	-145	7.585	1.088	9.170	2.673	0
CL - Companhia das Lezirias, SA	Largo 25 de Abril, 17 Samora Correia	100,00%	2014	90.425	2.397	90.425	13.029	96.462	2.487	16.579
CVP - Sociedade de Gestão Hospitalar, SA	Rua Duarte Galvão, 54 Lisboa	45,00%	2014	11.294	434	5.082	23.273	15.376	15.921	11.434
INCM - Imprensa Nacional Casa da Moeda, SA.	Av. António José Almeida Lisboa	100,00%	2014	87.567	17.537	87.567	69.661	61.049	13.385	29.759
ISOTAL - Imobiliária do Sotavento do Algarve, SA	Rua Rebelo da Silva, 3 - 2º Lisboa	31,05%	2014	188	-9	58	143	48	3	0
Lazer e Floresta, SA.	Rua Laura Alves n.º4 - 10ª Lisboa	100,00%	2014	98.381	423	98.381	33.523	70.593	369	5.366
MARGUEIRA - Sociedade Gestora Fundos Investimento Imobiliário, SA.	Avenida Aliança Povo-MFA Almada	51,00%	2014	1.000	133	510	1.072	3	75	1
PARCAIXA, SGPS, SA.	Av. João XXI, 63 Lisboa	49,00%	2014	959.878	16.260	470.340	974.025		14.147	
PROPNERY - Propriedade e Equipamentos, SA	R Prof Hugo Correia Pardal, 3 - Castelo Branco	41,82%	2014	2.620	-294	1.096	322	3.016	495	223
SAGESECUR - Sociedade de Estudos, Desenvolvimento e Participação em Projectos, SA.	Rua Laura Alves, 4 Lisboa	80,50%	2014	32.755	641	26.368	11.696	90.856	3.357	66.440
SAGESTAMO - Sociedade Gestora Participações Sociais Imobiliárias, SA.	Rua Laura Alves, 4 Lisboa	100,00%	2014	846.121	-6.719	846.121	1.000.581	340.783	115.865	379.378
SIMAB - Sociedade Instaladora de Mercados Abastecedores, SA	MARL - São Julião do Tojal	100,00%	2014	26.691	2.882	26.691	3.029	144.331	10.981	109.688
SPE - Sociedade Portuguesa de Empreendimentos, SA.	Rua dos Fanqueiros, 12-2º Lisboa	81,13%	2014	-10.268	-691	-8.330	2.094	11.871	2.532	21.701
TAP - SGPS, SA.	Aeroporto Lisboa-Ed 25 -8º Lisboa	100,00%	2014	-511.860	-85.096	-511.860	586.222	974.175	1.535.412	536.845

Changes in assets related to financial investments due to acquisitions or due to the classification as non-current asset held for sale, were as follows:

Company	Shares	Acquisition cost	Impairments	Carrying amount	Unit value
Investments in subsidiaries					
Adp - Aguas de Portugal, SA.	70.389.000	540.132.915,39		540.132.915,39	7,67
BAIA DO TEJO, SA	29.525.000	158.431.318,50		158.431.318,50	5,37
CL - Companhia das Lezirias, SA	1.000.000	33.443.379,47		33.443.379,47	33,44
CE - Circuito do Estoril, SA.	15.000.000	39.307.523,61	31.577.523,61	7.730.000,00	0,52
INCM - Imprensa Nacional Casa da Moeda, SA.	6.000.000	68.072.266,00		68.072.266,00	11,35
LAZER e FLORESTA, SA.	11.577.527	57.394.783,06		57.394.783,06	4,96
MARGUEIRA - Sociedade Gestora Fundos Investimento Imobiliário, SA.	51.000	259.279,00		259.279,00	5,08
SAGESECUR - Sociedade de Estudos, Desenvolvimento e Participação em Projectos, SA.	3.622.500	18.112.500,00		18.112.500,00	5,00
SAGESTAMO - Sociedade Gestora Participações Sociais Imobiliárias, SA.	186.800.000	934.000.000,00	80.852.600,82	853.147.399,18	4,57
SIMAB - Sociedade Instaladora de Mercados Abastecedores, SA	8.045.267	17.560.225,00		17.560.225,00	
SPE - Sociedade Portuguesa de Empreendimentos, SA.	8.113.881	28.187.883,58	28.187.883,58	0,00	0,00
		1.894.902.073,61	**140.618.008,01**	**1.754.284.065,60**	
Investments in associated companies					
CVP - Sociedade de Gestão Hospitalar, SA	225.000	8.000.000,00	2.186.000,00	5.814.000,00	25,84
ISOTAL - Imobiliária do Sotavento do Algarve, SA	18.637	144.375,00		144.375,00	7,75
PARCAIXA, SGPS, SA.	490.000.000	490.000.000,00	19.659.815,77	470.340.184,23	0,96
PROPNERY - Propriedade e Equipamento, SA	424.500	1.254.600,00		1.254.600,00	2,96
		499.398.975,00	**21.845.815,77**	**477.553.159,23**	
Other financial investments					
EFACEC International Financing, SGPS, SA	7.650	18.000,00		18.000,00	2,35
GALP Energia SGPS, SA.	4.105	34.609,25		34.609,25	8,43
GALP Energia SGPS, SA. - Acções subjacentes	58.656.830	494.535.733,73		494.535.733,73	8,43
IHRU - Instituto da Habitação e da Reabilitação Urbana, IP	377.590.008	11.467.500,00	11.467.500,00	0,00	0,00
Lisnave Infraestruturas Navais, SA.	106.000	54.091.758,86	54.091.758,86	0,00	0,00
INAPA - Investimentos, Participações e Gestão, SA.	49.084.738	7.362.710,70		7.362.710,70	0,15
Lisnave - Estaleiros Navais, SA	29.666	2.000.000,00		2.000.000,00	67,42
PT-Portugal Telecom, SA.	801.332	692.350,85		692.350,85	0,86
NOS, SGPS, SA	112.870	590.987,32		590.987,32	5,24
Outras		216.512,70	214.268,11	2.244,59	
		571.010.163,41	65.773.526,97	505.236.636,44	
Granted loans					
CE - Circuito do Estoril, SA.		1.961.658,88		1.961.658,88	
SAGESECUR - Sociedade de Estudos, Desenvolvimento e Participação em Projectos, SA.		52.797.500,00		52.797.500,00	
SPE - Sociedade Portuguesa de Empreendimentos, SA.		14.365.973,71	14.365.973,71	0,00	
SAGESTAMO - Sociedade Gestora Participações Sociais Imobiliárias, SA.		401.186.566,79		401.186.566,79	
TAP, SGPS					
		470.311.699,38	**14.365.973,71**	**455.945.725,67**	
Total financial investments		**2.965.311.212,02**	**228.237.350,75**	**2.737.073.861,27**	
Total loans		**470.311.699,38**	**14.365.973,71**	**455.945.725,67**	

The detail of investments and gross loans to subsidiaries and associated companies, foreseen in Decree-Law nr 495/88 of December 30, is as follows:

Investment: CE ESTORIL, SA.

31-12-2013	Increase *	Decrease	31-12-2014
27.500,00			27.500,00
18.000,00			18.000,00
12.500,00			12.500,00
1.000.000,00	903.658,88		1.903.658,88
1.058.000,00	**903.658,88**	**0,00**	**1.961.658,88**

* Restatement of other debtors and creditors account

Investment: SAGESECUR, SA.

31-12-2013	Increase	Decrease	31-12-2014
3.558.500,00		2.012.500,00	1.546.000,00
26.242.379,22			26.242.379,22
24.509.120,78			24.509.120,78
500.000,00			500.000,00
54.810.000,00	**0,00**	**2.012.500,00**	**52.797.500,00**

Investment: SAGESTAMO (SGPS), SA.

31-12-2013	Increase	Decrease	31-12-2014
1.308.424,94			1.308.424,94
50.000.000,00		21.115.082,46	28.884.917,54
250.000.000,00			250.000.000,00
20.000.000,00			20.000.000,00
50.000.000,00			50.000.000,00
50.993.224,31			50.993.224,31
422.301.649,25	**0,00**	**21.115.082,46**	**401.186.566,79**

Investment: SPE, SA.

31-12-2013	Increase	Decrease	31-12-2014
400.000,00			400.000,00
170.000,00			170.000,00
125.000,00			125.000,00
210.000,00			210.000,00
240.000,00			240.000,00
100.000,00			100.000,00
170.000,00			170.000,00
173.000,00			173.000,00
3.234.973,71			3.234.973,71
155.000,00			155.000,00
100.000,00			100.000,00
50.000,00			50.000,00
2.050.000,00			2.050.000,00
145.000,00			145.000,00
1.038.000,00			1.038.000,00
130.000,00			130.000,00
100.000,00			100.000,00
200.000,00			200.000,00
110.000,00			110.000,00
100.000,00			100.000,00
325.000,00			325.000,00
100.000,00			100.000,00
95.000,00			95.000,00
65.000,00			65.000,00
90.000,00			90.000,00
60.000,00			60.000,00
95.000,00			95.000,00
90.000,00			90.000,00
80.000,00			80.000,00
120.000,00			120.000,00
58.000,00			58.000,00
135.000,00			135.000,00
135.000,00			135.000,00
62.000,00			62.000,00
133.000,00			133.000,00
160.000,00			160.000,00
125.000,00			125.000,00
55.000,00			55.000,00
56.000,00			56.000,00
131.000,00			131.000,00
53.000,00			53.000,00
150.000,00			150.000,00
150.000,00			150.000,00
135.000,00			135.000,00
55.500,00			55.500,00
57.500,00			57.500,00
137.000,00			137.000,00
11.908.973,71	0,00	0,00	11.908.973,71

Investment: SPE, SA.

31-12-2013	Increase	Decrease	31-12-2014
140.000,00			140.000,00
140.000,00			140.000,00
60.000,00			60.000,00
140.000,00			140.000,00
55.000,00			55.000,00
155.000,00			155.000,00
140.000,00			140.000,00
	160.000,00		160.000,00
	110.000,00		110.000,00
	110.000,00		110.000,00
	185.000,00		185.000,00
	90.000,00		90.000,00
	85.000,00		85.000,00
	200.000,00		200.000,00
	50.000,00		50.000,00
	149.000,00		149.000,00
	73.000,00		73.000,00
	78.000,00		78.000,00
	58.000,00		58.000,00
	77.000,00		77.000,00
	53.000,00		53.000,00
	75.000,00		75.000,00
	74.000,00		74.000,00
12.738.973,71	**1.627.000,00**	**0,00**	**14.365.973,71**

490.908.622,96	**2.530.658,88**	**23.127.582,46**	**470.311.699,38**

The financial investments in 2014 were as follows:

Subsidiaries	Restatements	Acquisitions	Disposals	Impairment	Changes at fair value
SAGESTAMO - Sociedade Gestora Participações Sociais Imobiliárias, SA.				-15.109.717,82	
TAP, SGPS (ver nota 13)	0,00				
Gross Assets	-15.000.000,00				
Impairment	15.000.000,00				
Sub-Total subsidiaries	0,00	0,00	0,00	-15.109.717,82	0,00
PARCAIXA, SGPS, SA.				4.617.205,23	
INAPA - Investimentos, Participações e Gestão, SA.	-13.743.726,64				
Sub-Total associated companies	-13.743.726,64	0,00	0,00	4.617.205,23	0,00
GALP Energia SGPS (associadas a emp. obrigacionista)		5.120.924,97			-204.813.202,42
GALP Energia SGPS					-14.301,82
INAPA - Investimentos, Participações e Gestão, SA.	13.743.726,64				-6.381.015,94
PT - Portugal Telecom, SA					-1.839.858,27
REN - Redes Energéticas Nacionais, SA.			-141.695.191,20		23.369.132,28
NOS (ex-ZON)					-18.510,68
Sub-Total other companies	13.743.726,64	5.120.924,97	-141.695.191,20	0,00	-189.697.756,85
TOTAL FINANCIAL INVESTMENTS	0,00	5.120.924,97	-141.695.191,20	-10.492.512,59	-189.697.756,85
CTT - Correios de Portugal, SA		12.440.618,67	-260.840.618,67		
TOTAL ANCDV	0,00	12.440.618,67	-260.840.618,67	0,00	0,00

The impairment losses and reversals for the year are recognized in the income statement as “Increases and reversals of impairment of non depreciable /amortizable assets” (see note 24). Regarding the most significant issues in the balance sheet and with more significant impairment losses, a decrease of 1% in the assets was esteemed as having the following impact in impairment losses:

- SAGESTAMO: 8.531 thousand euro;
- CE ESTORIL: 77 thousand euro.

7 – Other receivables

The detail of the amounts presented in current and non-current assets is as follows:

	31-12-2014		31-12-2013	
	Current	Non Current	Current	Non Current
Trade debtors with credit restructuring				177.441,37
Accrued income	967,33		161.974,35	
Interest from loans	11.788.243,43		28.152.620,16	
CTT-direct sale			52.690.911,60	
Other receivables	4.743,52		221.915,90	
	11.793.954,28	**0,00**	**81.227.422,01**	**177.441,37**

8 – Other financial assets

The balance respects to privatization receipts as the result of the application of Law 11/90, 14 April , compensating according to article 9.º of Decree-Law 209/2000, of 2 September and to amounts not to be compensated by the State as a result of the intervention of PARPÚBLICA in the liquidation of former IPE.

9 – Trade debtors

The detail of trade debtors balances is as follows:

	31-12-2014	31-12-2013
Services rendered to participated companies	64.059,01	13.613,12
Trade debtors from extincted companies (FMG e SGA)	211.211,49	211.211,49
	275.270,50	224.824,61
Accumulated impairment losses (SGA)	211.211,49	198.143,62
Total	**64.059,01**	**26.680,99**

10 – Public administrative sector

The detail of captions in assets and liabilities, with no overdue debts in liabilities, is as follows:

	31-12-2014	31-12-2013
Assets		
Income tax	4.075.956,16	23.751.117,07
	4.075.956,16	**23.751.117,07**
Liabilities		
Withholding tax	5.830,80	237.570,60
VAT to be paid	14.652,82	703.624,86
Social security and other complementary regimes	1.355,83	35.306,35
	21.839,45	**976.501,81**

11- Deferrals

The expenses not to be recognized in the current year are:

	31-12-2014	31-12-2013
Insurances	41.812,12	24.899,13
Expenses with ongoing reprivatizations	1.393.414,25	337.543,26
Bank commissions		1.441.415,33
Other	86.731,23	51.566,81
	1.521.957,60	**1.855.424,53**

This segment includes the ongoing reprivatisation expenses at 31-12-2014 (TAP, SGPS and EGF, SA).

12 – Other financial liabilities

At 31 of December 2014 there were three *swaps* associated to the bond loan of 599.238.426.05 euro, recorded at Other financial liabilities – non-current. The initial value of these s*waps* was 133.647.554.37 euro, and at 31 of December 2014 of 202.470.394.34 euro.

13 - Non-current assets held for sale and related liabilities

The following companies have capital shares owned by PARPÚBLICA and are classified as non-current assets held for sale, as they are in an ongoing privatization process expected to be concluded for recognition within one year:

Company	Headquarters	Main business	Shareholders	% of equity held in 2014	% of equity held in 2013
CTT - Correios de Portugal, SA	Lisboa	Postal, financial and commercial services	PARPUBLICA, SGPS, SA.	-	30,00%
TAP - Transportes Aéreos Portugueses, SGPS, S.A.	Lisboa	Public investments management	PARPUBLICA, SGPS, SA.	100,00%	100,00%

The non-current assets held for sale de-recognitions were as follows:

Subsidiaries	Restatements	Acquisitions	De-recognitions
CTT - Correios de Portugal, SA		12.440.618,67	260.840.618,67
TAP, SGPS, SA	0,00		
Gross Assets	15.000.000,00		
Impairment	-15.000.000,00		
Total	0,00	12.440.618,67	260.840.618,67

From the shares sold in 2013, some CTT's shares were repurchased in the beginning of 2014 corresponding to 1,5% of the share capital, under a *put option* up to 6,364% of the shares done by the financial entities that took part in the shares' placement at privatisation scope. The assets de-recognition corresponds to the total portfolio shares' sale (31,5%), through an institutional sale with accelerated book building, at the beginning of September 2014.

Liabilities related to non-current assets held for sale were as follows:

	31-12-2013	Restatements	Increases	31-12-2014
Responsibility under art. 491, 501 and 502 of the Trade Companies Code (TAP)	0,00	373.312.000,00	138.548.000,00	511.860.000,00
TOTAL	0,00	373.312.000,00	138.548.000,00	511.860.000,00

14 – Cash and cash equivalents

The detail is the following, being all amounts immediately available:

	31-12-2014	31-12-2013
Cash	358,80	400,00
Bank Deposits	18.375.090,82	146.010.680,99
	18.375.449,62	**146.011.080,99**

15 – Equity

The balances and the changes in equity were as follows:

	Opening balance	Increases	Decreases	Closing balance
Equity	1.027.151.031,48			1.027.151.031,48
Legal reserves	695.688.928,89			695.688.928,89
Retained earnings	786.105.558,74	526.137.462,50		1.312.243.021,24
Financial assets adjustments	-38.642.281,87	32.514.607,37		-6.127.674,50
Other changes in equity	-403.174,81		110.947,56	-514.122,37
Net profit for the year 2013	576.137.462,50		576.137.462,50	0,00
Net loss for the year 2014			461.877.977,96	-461.877.977,96
Total	**3.046.037.524,93**	**558.652.069,87**	**1.038.126.388,02**	**2.566.563.206,78**

The equity of PARPÚBLICA, of 2.000.000.000,00 euro, is represented by 400.000.000 nominative shares, with a par value of 5 Euro each, is totally held by the Portuguese State and is partially realized in 1.027.151.031,48 euro.

Legal reserves represent the reserves set up in compliance with Article 295 of the Trading Companies Code, which foresees that at least 5% of the net profit of the year has to be assigned to legal reserves until it reaches one fifth of the share capital. This reserve is not distributable, except in case of liquidation of the company, but it may be used to absorb losses, after the other reserves have been used, or incorporated into the share capital.

16 – Provisions

The accumulated provisions presented the following detail and movements in the year ended at 31-12-2014:

	31-12-2013	Reclassifications	Recoveries	Increases	31-12-2014
Responsabilities according to art. 491.º, 501.º and 502.º of the Portuguese Commercial Societies Code	373.312.000,00	-373.312.000,00			0,00
Contested payments of stamp tax of former PORTUCEL, SGPS	498.000,00				498.000,00
Total	**373.810.000,00**	**-373.312.000,00**	**0,00**	**0,00**	**498.000,00**

17 – Borrowings

The carrying amounts of the borrowings measured at amortized cost, are as follows:

	31-12-2014		31-12-2013	
	Current	**Non-current**	**Current**	**Non-current**
Bonds				
500 000 m€ 2004-2014			504.228.362,99	
500 000 m€ 2005-2020		504.321.078,75		504.242.338,80
150 000 m€ 2005-2020		152.320.930,47		151.542.873,91
250 000 m€ 2006-2026		251.294.520,55		251.308.370,63
150 000 m€ 2012-2014			150.059.872,82	
200 000 m€ 2013-2015	200.108.336,86			200.167.585,77
170 000 m€ 2013-2016		171.641.407,09		171.156.986,09
750 000 m€ 2014-2019		748.234.229,44		
600 000 m€ 2014-2021		606.017.953,06		
Changeable Bonds				
885 650 m€ 2010-2017		879.392.647,60		884.286.444,97
Mutual Contracts				
599 238 m€ 2013-2042	21.025.909,68	508.395.395,23	10.512.954,84	517.904.249,38
Commercial Paper			875.782.130,41	
Total	221.134.246,54	3.821.618.162,19	1.540.583.321,06	2.680.608.849,55

Maturity and interest rate are the following (in million euro):

	31-12-2014	31-12-2013
Total loans		
Up to 1 year	221,03	1.534,51
From 1 year to 2 years	191,03	221,03
From 2 year to 3 years	906,68	191,03
From 3 year to 4 years	21,03	906,68
From 4 year to 5 years	771,03	21,03
Over 5 years	1.983,60	1.404,62
	4.094,40	4.278,90
Fixed interest loans		
Up to 1 year		499,00
From 1 year to 2 years		
From 2 year to 3 years	885,65	
Over 3 years	1.350,00	1.635,65
	2.235,65	2.134,65

The evolution of the 885,65 M€ borrowing with embedded option is as follows:

885.650 m€ borrowing	**31-12-2014**	**31-12-2013**	**31-12-2012**	**31-12-2011**	**31-12-2010**
Bonds in liabilities	879.392.648	884.286.445	979.634.661	859.431.397	978.568.115
Bond (interest paid included)	877.975.608	871.180.205	865.385.811	859.431.397	854.071.018
Option	1.417.040	13.106.240	114.248.850	0	124.497.097
Shares in assets	494.535.734	694.228.011	682.966.810	660.898.154	832.801.365
Liabilities-Assets	**384.856.914**	**190.058.434**	**296.667.851**	**198.533.243**	**145.766.750**

The 500 million euro bond loan issued in September 2005 for 15 years shall bear a fixed annual interest rate of 3,567%. The 150 million euro bond loan issued December 2005 for 15 years shall bear an annual variable interest rate indexed to *Euro Mid Swap* for 10 years. The 250 million euro bond loan issued in November 2006 for 20 years shall bear a fixed annual interest rate of 4,2%. These loans foresee the possibility for the bondholders to exercise their right to an anticipated reimbursement of the bonds, if the State stops holding the totality of the share capital of PARPÚBLICA and/or loses the direct or indirect control over the company, and/or also if Articles 501 to 503 of the Trading Companies Code stop being applied in the relationship between the State and the company. Additionally, PARPÚBLICA has the obligation to reimburse the bondholders, in case of an anticipated maturity of other financial debts, of insolvency, of total or substantial cessation of business, or of submission to lawsuits that affect the assets and the revenues.

The issue of 2013-2015 PARPÚBLICA's bonds of 200 million euro, at June 2013, for 2 years, bears interests at a variable biannual interest rate indexed to Euribor for 6 months. It foresees the possibility for the bondholders to exercise their right to an anticipated reimbursement of the bonds, if the State stops holding the totality of the share capital of PARPÚBLICA and/or loses the direct or indirect control over the company, and/or also if Articles 501 to 503 of the Trading Companies Code stop being applied in the relationship between the State and the company. During the issue, PARPÚBLICA will be unable to give guarantees on its assets to other trade creditors. Additionally, PARPÚBLICA has the obligation to reimburse the bondholders, in case of an anticipated maturity of other financial debts, of insolvency, of total or substantial cessation of business, or of submission to lawsuits that affect the assets and the revenues.

The issue of 2013-2016 PARPÚBLICA's bonds of 170 million euro, at September 2013, for 3 years, bears interests at a variable biannual interest rate indexed to Euribor for 6 months. It foresees the possibility for the bondholders to exercise their right to an anticipated reimbursement of the bonds, if the State stops holding the totality of the share capital of PARPÚBLICA and/or loses the direct or indirect control over the company, and/or also if Articles 501 to 503 of the Trading Companies Code stop being applied in the relationship between the State and the company. During the issue, PARPÚBLICA will be unable to give guarantees on its assets to other trade creditors. Additionally, PARPÚBLICA has the obligation to reimburse the bondholders, in case of an anticipated maturity of other financial debts, of insolvency, of total or substantial cessation of business, or of submission to lawsuits that affect the assets and the revenues.

The issue of 2014-2019 PARPÚBLICA's bonds of 750 million euro, at June 2014, for 5 years, bears interests at a variable biannual interest rate indexed to Euribor for 6 months. It foresees the possibility for the bondholders to exercise their right to an anticipated reimbursement of the bonds if Articles 501 to 503 of the Trading Companies Code stopped being applied in the relationship between the State and the company. During the issue, PARPÚBLICA will be unable to give guarantees on its assets to other trade creditors. Additionally, PARPÚBLICA has the obligation to reimburse the bondholders, in case of an anticipated maturity of other financial debts, of insolvency, of total or substantial cessation of business, or of submission to lawsuits that affect the assets and the revenues

The issue of 2014-2021 PARPÚBLICA's bonds of 600 million euro, at July 2014, for 7 years, bears interests at a fixed interest rate of 3,75%. It foresees the possibility for the bondholders to exercise their right to an anticipated reimbursement of the bonds, if the State stops holding the totality of the share capital of PARPÚBLICA and/or loses the direct or indirect control over the company, and/or also if Articles 501 to 503 of the Trading Companies Code stop being applied in the relationship between the State and the company. During the issue, PARPÚBLICA will be unable to give guarantees on its assets to other trade creditors. Additionally, PARPÚBLICA has the obligation to reimburse the bondholders, in case of an anticipated maturity of other financial debts, of insolvency, of total or substantial cessation of business, or of submission to lawsuits that affect the assets and the revenues.

The issue of Galp Exchangeable Bonds of 885,65 million euro in September 2010, for 7 years, is part of 5th stage of Galp's re privatization, under Decree-Law nr 185/2008 of 19 September. It bears interests at a fixed annual rate of 5,25%. The investors have the right to ask for the reimbursement of the bonds at the maturity date at nominal price or previously at 28 September 2015 or to convert their bonds in GALP shares as from March 2013. If bondholders choose to convert their bonds for GALP shares, PARPÚBLICA may choose to pay the reimbursement in shares or in cash, in the amount calculated according to defined evaluation criteria. PARPÚBLICA may reimburse the bonds if the value of the underlying assets is equal or higher than 30%, in at least 20 consecutive working days over 30 consecutive working days, as from 13 October 2013. It foresees the possibility for the bondholders to exercise their right to an anticipated reimbursement of the bonds, if the State stops holding the totality of the share capital of PARPÚBLICA and/or loses the direct or indirect control over the company, and/or also if Articles 501 to 503 of the Trading Companies Code stop being applied in the relationship between the State and the company or if some change in Galp's control occur. During the issue, PARPÚBLICA will be unable to give guarantees on its assets to other trade creditors. Additionally, PARPÚBLICA has the obligation to reimburse the bondholders, in case of an anticipated maturity of other financial debts, of insolvency, of total or substantial cessation of business, or of submission to lawsuits that affect the assets and the revenues.

The loan of 599,238 million euro is a syndicated loan with four banks in which PARPÚBLICA succeeded to ELOS Consortium. The loan as a maturity of 30 years, until 15 December 2042, and will be paid in 57 equal instalments, beginning at 15 December 2014 till the maturity date. It has a variable interest rate indexed to Euribor for 6 months. It has associated 4 variable rate-fixed rate *swaps* allowing the bank to change to a fixed rate. One of those Banks already exercised its right and, therefore, the loan bears interests at a variable rate for 465,069 million euro and at a fixed rate of 5, 91% for 134,169 million euro. The remaining 3 *swaps* maintain a variable rate-fixed rate.

The initial loan fair value updated according to the market rate was 514.770.944,42 euro resulting in an initial gain of 84.467.481,63 euro to be reverse throughout the loan lifetime measured at amortized cost. The 3 *swaps* negative *mark to market* was initially of 133.647.554,37 euro and, at 31 December 2014, was in the also negative amount of 202.470.394,34 euro.

18 – Other payables

Balances and movements in other payables are as follows:

	31-12-2014		31-12-2013	
	Current	Non-current	Current	Non-current
Bond subscribers (ex: Portucel)		17.231,80		17.231,80
Interest accrued	7.318.136,02		6.374.481,65	
Suppliers from financial investments	481.456.321,59			481.456.321,59
Payroll accruals	265.046,86		218.142,80	
Other spending accruals	545.275,78		402.420,25	
Payables from share capital not paid in	3.171.494,00		3.171.494,00	
Other accruals	1.013,05		291,45	
	492.757.287,30	17.231,80	10.166.830,15	481.473.553,39

The value of "interest accrued" is related to contracts signed with CGD. With the 4th advance payment of these contracts, the debt amount of trade creditors of financial investments became due at 31 January 2016.

Creditors for unpaid investment subscription at 31 December 2014 concerns to Baía do Tejo's equity.

19 – Trade creditors

Results come from commercial transactions, mainly from consulting services and re-privatization expenses.

20 – Dividend from investments at cost or at fair value

In separate financial statements, dividends are the main source of income regarding the exploration of PARPÚBLICA assets and for segment report regarding the assets.

Dividends recognized during 2014 and its proportion considering the carrying amount of the respective subsidiaries and associates are:

	Carrying amount at 01-01-2014	Dividends	
		Amount	Return rate
	(1)	(2)	(2)/(1)
AdP - Aguas de Portugal	540.132.915,39	25.515.000,00	4,7%
CL-Companhia das Lezirias	33.443.379,47	122.000,00	0,4%
CTT - Correios de Portugal	0,00	18.901.533,60	ss
Galp Energia	694.276.922,25	18.527.367,15	2,7%
INCM	68.072.266,00	12.597.079,79	18,5%
LISNAVE E.N.	2.000.000,00	177.996,00	8,9%
PT Portugal Telecom	2.532.209,12	80.133,20	3,2%
REN - Redes Electricas Nacionais	118.326.058,92	9.040.999,14	7,6%
NOS SGPS SA	609.498,00	13.544,40	2,2%
		84.975.653,28	

* CTT were classified has Non-Current Assets Held for Sale (ANCDV).

21 – Shares sale profits

The shares sale profits were as follows (see note 13):

	CTT, SA. (31,5%)	REN (9,9%)
Sale profit	342.590.296,50	141.669.099,12
Losses reclassification at AFDV		-17.399.161,80
Share cost	-260.840.618,67	-141.695.191,20
Sale expenses	-613.452,01	-2.912.424,86
Sale value profit	81.136.225,82	-20.337.678,74
	60.798.547,08	

22 – Materials and services consumed

The detail of materials and services consumed regarding consulting services needed to the current activities is the following:

	2014	2013
Materials and services consumed	1.569.656,31	2.214.570,37
Fees	107.977,34	111.909,82
Rents and leases	229.241,04	224.705,09
Repair and maintenance	53.327,81	49.228,70
Communication	34.012,08	34.786,65
Electricity/water/security	29.063,31	55.714,04
Insurance	34.629,49	6.263,43
Stationery	12.392,62	13.765,62
Cleaning and conmfort	23.686,28	26.487,22
Fuel	19.514,43	18.033,27
Travel expenses	13.123,16	7.824,01
Sundry	72.548,13	68.826,04
	2.199.172,00	**2.832.114,26**

23 – Employee benefit expenses

The detail of social bodies and employees expenses is as follows:

	2014	2013
Wages and salaries	1.561.119,82	1.360.634,56
Post employment benefits	197.391,84	501.318,50
Social security charges	321.503,85	263.127,23
Insurance	37.214,02	5.264,44
Other payroll expenses	18.736,58	70.146,66
	2.135.966,11	**2.200.491,39**

Post-employment benefit expenses are related to the decrease in the surplus of the coverage of the responsibilities, recognized as an asset, regarding the plan contracted by former Portucel (see note 26) in the amount of 165.650,39 euro; the remaining amount of 31.741,45 euro is related to retirement expenses paid to former workers of former Portucel, SGPS.

PARPUBLICA social bodies' gross remunerations were, as follows:

	2014	2013
Board of Directors	307.189,21	263.367,66
General Assembly	1.386,00	1.417,50
Statutory Auditor (ROC)	67.500,00	67.500,00

24 – Impairment of assets

As a result of the impairment tests performed, the following movements of losses and reversals occurred (see notes 6 and 7):

	2014		2013	
	Losses	Reversals	Losses	Reversals
Rceceivable debts	**773.011,42**	**0,00**	**649.578,44**	**0,00**
Trade debtors	13.067,87			
Other trade debtors	759.943,55		649.578,44	
	-773.011,42		**-649.578,44**	
Financial investments	**16.736.717,82**	**4.617.205,23**	**16.293.568,63**	**18.465.874,38**
Investments				
CVP - SGH			88.000,00	
CE ESTORIL			6.356.000,00	
INAPA				4.908.473,44
PARCAIXA		4.617.205,23		13.557.400,94
SAGESTAMO	15.109.717,82		7.559.568,63	
Loans				
SPE	1.627.000,00		2.290.000,00	
	-12.119.512,59		**2.172.305,75**	

The recoverable assets were based in:

(i) the equity appreciation of subsidiaries with independent assets measured at fair value or was known for assets at cost (CE, SAGESTAMO and PARCAIXA));

(ii) independent evaluations or internal analysis based mainly in discounted cash flows (CVP-SGH) and

(iii) in share prices as reference to fair price (INAPA).

25 – Provisions

Reversal of TAP provisions related to the variation of negative equity underlined in TAP Group's financial statements.

26 - Post-employment benefit obligations

The post-employment obligations and the amount of the supporting Fund assets were as follows, in thousand euro:

	2014	2013
Present value of responsibilities	12.541	12.597
Fund assets	11.891	12.224
Coverage surplus/(shortfall)	(650)	(373)

The decomposition of assets at fair value (pension fund) attributable to PARPÚBLICA' obligations are the following (in thousand euro):

	31-12-2014	31-12-2013
Equity instruments	775	1.018
Debt instruments	9.787	10.164
Real estate and hedge funds	660	504
Other assets	669	538
	11.891	**12.224**

The change and coverage of the obligations is due to, in thousand euro:

Obligations		**2014**	**2013**
Past service obligations at beginning period		12.597	12.443
Interest cost		457	572
Cost of current service		4	11
Actuarial gains (-) and losses (+)		320	434
Benefits paid		-837	-863
Past service obligations at end period	**A**	**12.541**	**12.597**
Asset values:			
Fund assets value at beginning period		12.224	12.750
Return/income from fund assets		505	337
Benefits paid		-838	-863
Fund assets value at end period	**B**	**11.891**	**12.224**
Surplus	**C=B**	**-650**	**-373**

Obligations were determined by an independent entity, based on the following main assumptions:

	31-12-2014	31-12-2013
Mortality table	TV 88/90	TV 88/90
Invalidity table	---	---
Rate of growth - wages (2014/15; remaining years)	0, 00%; 1, 50%	0, 00%; 1, 50%
Rate of growth - pensions (2014/15; remaining years)	0, 00%; 1, 00%	0, 00%; 1, 00%
Income rate	2, 75%	3, 75%
Discount rate	2, 75%	3, 75%

The evolution of the obligations and of the fund assets throughout the years was the following (in thousand euro):

	31-12-2014	31-12-2013	31-12-2012	31-12-2011	31-12-2010	31-12-2009
Current obligations	12.541	12.597	12.443	12.312	12.930	11.961
Fund assets	11.891	12.224	12.750	12.764	13.604	13.827
Coverage surplus/(shortfall)	-650	-373	307	452	674	1.866

27 – Net changes at fair value

Gains and losses on financial instruments at fair value through profit or loss were the following:

	2014		2013 Restated	
	Gains	Losses	Gains	Losses
Options and underlying assets				
Bonds due in 2017				
Option	11.689.199,52		101.142.610,48	
GALP shares		204.813.202,42	8.938.179,96	
Swaps related to a 599,238M€ lone		92.348.742,31		110.121.652,03
Other *swaps*				1.063.838,87
Measurement at fair value of the 599,238M€ loan			84.467.481,63	
	11.689.199,52	297.161.944,73	194.548.272,07	111.185.490,90
Net gains/losses	**-285.472.745,21**		**83.362.781,17**	

The fair value of the shares is determined by NYSE Euronext price and the derivatives fair value is based on international financial entities *mark to market*.

28 – Other operating income

Other operating incomes are:

	2014	2013
Supplementary income	187.360,29	145.381,41
Income and gains from other financial assets		355.537,75
Interest income	24.264.939,17	36.169.507,91
INCM equity release	39.091.879,55	
INAPA (AFDV) Profit	2.945.084,64	
Other	604.170,00	28.697,87
	67.093.433,65	**36.699.124,94**

Supplementary incomes shall include amounts formerly classified as materials and services consumed merely because it is a recovery of incurred expenses.

The interest income results essentially from supplies to subsidiaries (2014: 22.426.414,74 euro; 2013: 31.804.886,21 euro).

29 – Other operating expenses

Other operating expenses are:

	2014	2013
Taxes	9.097,88	36.413,27
Changes on previous years	493.494,16	169.499,38
Taxes insuficient estimates (IRC)	1.971.795,78	792.220,51
Sundry	2.223,71	2.320,29
	2.476.611,53	**1.000.453,45**

30 – Expenses/reversals of depreciation and amortization

Expenses with depreciation and amortization were:

	2014	2013
Property, plant and equipment		
Transport Equipment		14.795,24
Administrative Equipment	18.704,63	17.486,65
Other	250,00	169,20
	18.954,63	**32.451,09**
Other intangible assets		
Computer software	8.505,02	8.771,44
	8.505,02	**8.771,44**
	27.459,65	**41.222,53**

31 – Interest and other financial expenses

Interest and other financial expenses with issued debt instruments were:

	2014	2013
Interest expense	214.217.122,84	215.138.731,21
Other expenses and losses	15.158.408,60	20.131.081,15
	229.375.531,44	**235.269.812,36**

The decrease in other expenses and losses is partly explained by the lower use of commercial paper contracted during 2014.

32 – Net Income tax for the period

PARPÚBLICA, S.A. is subject to local income taxation of Corporate Income Tax (Imposto sobre o Rendimento das Pessoas Coletivas-IRC) and Municipal Tax with respectively a 25% and 1,5% rate on taxable profits.

Corporate tax declarations, by PARPÚBLICA, are deemed to be subject to inspection and eventual adjustments by the local tax authorities for a period of four years.

Considering the characteristics of the tax regime in place for the Holding Companies, it is unlikely that there will be conditions for recognition of deferred taxes.

Income tax expenses are exclusively current income tax expenses respecting in full to autonomous taxation calculated as follows:

	2014	2013
Earnings before taxes	-460.260.375,94	585.372.725,82
Non deductible expenses	475.488.668,75	-643.119.595,00
Taxable results (profit/loss)	15.228.292,81	-57.746.869,18
Use of tax losses	10.659.804,97	0,00
Tax expense before autonomous taxation	-1.616.166,84	0,00
Tax expense from autonomous taxation	-1.617.602,02	-22.040,31
Tax expense after autonomous taxation	-1.617.602,02	-22.040,31

33 – Incomes and cash flow of discontinued operations

The incomes from discontinued operations in 2014 and 2013 were as follows:

	2014	2013 Restatements
Dividends yields		
ANA - Aeroportos de Portugal		30.000.000,00
CTT - Correios de Portugal	18.901.533,60	50.000.000,00
	18.901.533,60	80.000.000,00
Earnings on disposals		
ANA - Aeroportos de Portugal		544.205.653,47
CTT - Correios de Portugal	81.136.225,82	-6.189.195,33
	81.136.225,82	538.016.458,14
Provisions of ANCDV		
TAP, SGPS	-138.548.000,00	16.092.000,00
	-138.548.000,00	16.092.000,00
Interest		
TAP, SGPS	0,00	4.010.136,99
	0,00	4.010.136,99
	-38.510.240,58	638.118.595,13

The cash flows from discontinued operations in 2014 and 2013 before and after restatements were as follows:

	2014	2013 Restated
Dividends		
ANA - Aeroportos de Portugal		30.000.000,00
CTT - Correios de Portugal	18.901.533,60	50.000.000,00
	18.901.533,60	80.000.000,00
Sale profit		
ANA - Aeroportos de Portugal		1.108.598.204,16
CTT - Correios de Portugal	341.976.844,49	572.832.699,87
	341.976.844,49	1.681.430.904,03
Loans		
TAP, SGPS, S.A.		54.010.136,99
	0,00	54.010.136,99
Total DOU	360.878.378,09	1.815.441.041,02

Under IFRS 5, the comparative year was restated in order to understand all DOU, due to TAP's reclassification.

34 – Financial instruments in general

Besides the disclosures made in the previous notes, it is important to disclose some information about financial assets and liabilities, financial position, effects on profit or loss and financial risk perception.

34.1. Position and effect in the profit or loss from financial assets and liabilities

For the categories and other groups of financial assets and liabilities, except assets related to investments in subsidiaries and associates and the effects in the profit or loss, we have (in thousands euro):

	31-12-2014				
Financial assets and liabilities	**Loans and receivables**	**Financial assets at fair value through profit or loss**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities measured at amortized cost**	**Total**
Assets					
Non-current assets					
Financial investments - other methods		495.854			495.854
Other financial assets	5.002.546				5.002.546
	5.002.546	**495.854**	**-**	**-**	**5.498.399**
Current assets					
Trade debtors	64				64
Other receivables	11.794				11.794
Outros activos financeiros	42.230				42.230
Cash and bank deposits	18.375				18.375
	72.463				**72.463**
Total assets	**5.075.009**	**495.854**			**5.570.862**
Liabilities					
Non-current liabilities					
Borrowings			1.417	3.820.201	3.821.618
Other payables				17	17
Other financial liabilities			202.470		202.470
			203.887	**3.820.218**	**4.024.105**
Current liabilities					
Trade creditors				118	118
Borrowings				221.134	221.134
Other payables				492.757	492.757
				714.009	**714.009**
Total liabilities			**203.887**	**4.534.227**	**4.738.114**
Net	**5.075.009**	**495.854**	**(203.887)**	**(4.534.227)**	**832.748**

Financial Assets and Liabilities	31-12-2013				
	Loans and receivables	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
ASSETS					
Non-current assets					
Financial investments - other methods		697.418			697.418
Other financial assets	4.683.433	-			4.683.433
Other receivables	177				177
	4.683.610	**697.418**	**-**	**-**	**5.381.028**
Current assets					
Trade debtors	27				27
Other receivables	81.227				81.227
Financial assets held for trading					-
Cash and bank deposits	146.011				146.011
	227.265				**227.265**
Total assets	**4.910.875**	**697.418**			**5.608.293**
LIABILITIES					
Non-current liabilities					
Borrowings			13.106	2.667.503	2.680.609
Other payables			-	481.474	481.474
Other financial liabilities			110.122	-	110.122
			123.228	**3.148.977**	**3.272.205**
Current liabilities					
Trade creditors				11.661	11.661
Borrowings				1.540.583	1.540.583
Other payables				10.167	10.167
				1.562.411	**1.562.411**
Total liabilities			**123.228**	**4.711.388**	**4.834.616**
Net	**4.910.875**	**697.418**	**(123.228)**	**(4.711.388)**	**773.677**

The financial assets and liabilities amounts by management levels in determining the fair value are as follows at 31-12-2014 and 31-12-2013, in thousand e:

	31-12-2014		
	Level 1	Level 2	Total
Financial assets at fair value through profit and loss	495.854	-	495.854
Financial assets at fair value - hedging derivatives	-	-	-
Financial assets available for sale - Fair value	-	-	-
	495.854	**-**	**495.854**
Financial liabilities at fair value through profit and loss	-	203.887	203.887
Financial liabilities at fair value - hedging derivatives	-	-	-
	-	**203.887**	**203.887**

	31-12-2013		
	Level 1	Level 2	Total
Financial assets at fair value through profit and loss	697.418	-	697.418
Financial assets at fair value - hedging derivatives	-	-	-
Financial assets available for sale - Fair value	-	-	-
	697.418	**-**	**697.418**
Financial liabilities at fair value through profit and loss	-	123.228	123.228
Financial liabilities at fair value - hedging derivatives	-	-	-
	-	**123.228**	**123.228**

34.2. Perspective on risks arising from financial instruments

In its activity PARPÚBLICA identifies the following areas of financial risks that may affect its asset value or its interest in third parties: (i) credit risk, (ii) liquidity risk, and (iii) market risk, for interest rate and price.

(i) Credit risk

Credit risk, associated with the possibility that one of the parties involved in a financial instrument does not fulfil its obligation, is presented in the financial treasury investments of treasury surplus (paid once these investments are made by the IGCP), in the *swaps* and in the loans to subsidiaries.

Loans to subsidiaries are granted to companies whose financial policies are controlled (subsidiaries) to be applied in investments with adequate return. These loans are approved by the Executive Commission Board of PARPÚBLICA and they earn interest.

(ii) Liquidity Risk

The liquidity risk in related to the possibility of the company have no financial capacity to fulfil its responsibilities, it is covered by the State's Budget, since Parpública is integrated in the public budgetary consolidated perimeter. Loans not covered by Parpública's own resources are satisfied by DGTF.

Segmentation of debt by nature of instruments and by maturity is as follows (nominal amounts in millions of euro):

31-12-2014

	1-3 months	4-12 months	1-2 years	2-5 years	> 5 years	Total
Borrowings						**4.094,4**
Commercial paper						0,0
Eurobonds					1.500,0	1.500,0
Galp Convertible Bonds				885,7		885,7
Other bonds		200,0	170,0	750,0		1.120,0
Funding		21,0	21,0	63,1	483,6	588,7

31-12-2013

	1-3 months	4-12 months	1-2 years	2-5 years	> 5 years	Total
Borrowings						**4.278,9**
Commercial paper	620,0	255,0				875,0
Eurobonds		499,0			900,0	1.399,0
Galp Convertible Bonds				885,7		885,7
Other bonds		150,0	200,0	170,0		520,0
Funding		10,1	21,0	63,1	505,1	599,2

Covenant clauses existing in debt instruments are as follows:

Borrowings	Covenants
Eurobonds	
Bonds 500M€ - 2005, due 2020	*Cross Default / Force Majeure*
Bonds 150M€ - 2005, due 2020	*Cross Default*
Bonds 250M€ - 2006, due 2026	*Cross Default*
Bonds 600M€ - 2014, due 2021	*Cross Default / Negative Pledge / Pari Passu*
GALP Convertible Bonds 885,65M€– 2010, due 2017	*Cross Default / Negative Pledge / Restrictions on Activity*
PARPÚBLICA bonds 200M€ – 2013/2015	*Cross Default / Negative Pledge / Pari Passu*
PARPÚBLICA floating rate bonds 170M€ - 2013/2016	*Cross Default / Negative Pledge / Pari Passu*
PARPÚBLICA floating rate bonds 750M€ - 2014/2019	*Cross Default / Negative Pledge / Pari Passu*
Funding 599,238M€	*Cross Default / Negative Pledge / Pari Passu*

(iii) Market Risk

Interest rate risk

Interest rate risk respects to the possibility that, due to changes in interest rates, the remuneration of financial instruments changes indexed to a floating interest rate or the fair value of financial instruments indexed to a fixed interest rate.

In what the medium and long term debt is concerned, 54,6% has a fixed interest rate and only 45,4% has floating interest rate.

PARPÚBLICA has contracts for three interest rates *plain vanilla* (floating rate to fixed rate) *swaps* structures. The total *notional* amount of the structures is 456,9 million euro. The set of the three structures had the following impacts, with effects in profit or loss (thousand euro):

	2014	2013
Net cash flows	-12.055	-11.697
Fair value change profits after initial recognition	-92.349	23.526

The forecast interests' flows of the medium and long term debt and of *swaps* were as follows, at 31/12/2014:

31-12-2014

	<1 year	1 a 5 years	>5 years	Total
Interest from medium/long term debt	-157.046,9	-484.647,9	-486.785,4	-1.128.480,2
Flows from *swaps*	-16.336,8	-69.664,7	-129.907,0	-215.908,5

31-12-2013

	<1 year	1 a 5 years	>5 years	Total
Interest from medium/long term debt	-152.474,3	-417.976,6	-589.477,7	-1.159.928,6
Flows from *swaps*	-11.815,4	-50.348,7	-62.541,0	-124.705,1

Price risk

Price Risk is the possibility of the value of a financial instrument to float as the result of markets changes, whether those changes were caused by specific individual instrument factors or of its issuer, or by factors that affect every single instrument traded in the market. This risk exists only in one bond issue with nominal amount of 885,65 million euro with embedded option that allows the investors to convert its bonds to GALP shares held in PARPÚBLICA portfolio, for the effects of changes in the quotes of these shares.

The borrowing of 885,65 million euro has its maturity in 28-09-2017, with the possibility of (i) the investors to convert its bonds to GALP shares as from March 2013, (ii) the company to exercise a *call* option and to reimburse the bonds after 13-10-2013 under certain conditions, and (iii) the investors to ask for the reimbursement of the bonds after 28-09-2015. If bondholders choose to convert their bonds for GALP shares, PARPÚBLICA may choose to pay the reimbursement in shares or in cash, in the amount calculated according to defined evaluation criteria.

The host contract and the embedded option of these borrowings are separated for accounting purposes and are measured according to the referred in 2e and 2i.

By using the fair value to measure the options, and also the underlying shares, the annual net effects caused by the variations in the quotes of the underlying asset are recognized. Those effects were the following (in million euro):

	2014	**2013**
Changes in options' value	+11,7	+101,1
Changes in underlying asset's value	-199,7	11,3
Net gain/loss	**-188,0**	**112,4**

The effects on the embedded option in the convertible bonds into GALP shares, through positive or negative variations of 15% in the shares' price at 31-12-2014, would be the following:

Convertible bonds to GALP shares						
GALP shares			**Option**			**Net variation (M€)**
Cotation	**Value (M€)**	**Variation**	**Value %**	**Value (M€)**	**Variation**	
8,43	494,5	-	**0,16%**	1,4	-	-
9,70	568,7	15,0%	1,10%	9,7	587,5%	65,9
7,17	420,4	-15,0%	0,00%	0,0	-100,0%	-72,8

The effects in the same option through implicit volatility variations would be as follows:

Convertible bonds to GALP shares			
Implicit volatility			
%	Option(%)	Value (M€)	Variation
26,70%	0,16%	1,4	-
31,70%	0,91%	8,1	468,8%
21,70%	0,00%	0,0	-100,0%

The effects in the *swaps* related to the 599,2 million euro loan through 1% positive and negative variations in the floating interest rate (Euribor 6M) were as follows:

Rate	Value	Variation
Euribor 6M	202,5	
Euribor 6M + 1%	133,0	-34,3%
Euribor 6M - 1%	284,5	40,5%

35 – Related parties

The balances with subsidiaries and associates – including those whose shares are classified as non-current assets held for sale – at the years ended 31-12-2014 and 31-12-2013, were as follows:

2014	Balance Sheet				Income Statements			
Company	Creditors for shares not liberated	Trade Debtors	Other payable/receivable	Shareholders loans	Incurred costs	Other Income and gains	Interest of shareholders loans	Dividends
Adp - Aguas de Portugal, SA.								25.515.000,00
ANA - Aeroportos de Portugal, SA.								
BAIA DO TEJO, SA	3.171.494,00							
CL - Companhia das Lezirias, SA								122.000,00
CE - Circuito do Estoril, SA.			251.099,77	1.961.658,88			88.392,35	
CTT - Correios de Portugal, SA.								18.901.533,60
GALP Energia SGPS, SA.								18.527.367,15
INCM - Imprensa Nacional Casa da Moeda, SA.						39.091.879,55		12.597.079,79
IHRU - Instituto da Habitação e da Reabilitação Urbana, IP								40.530,51
LAZER e FLORESTA, SA.								
Lisnave Estaleiros Navais, SA.								177.996,00
MARGUEIRA - Sociedade Gestora Fundos Investimento Imobiliário, SA.								
PORTUGAL TELECOM, SA.								80.133,20
REN - Redes Energéticas Nacionais, SGPS, SA.								9.040.999,14
SAGESECUR - Sociedade de Estudos, Desenvolvimento e Participação em Projectos, SA.			2.424.119,36	52.797.500,00			2.424.119,36	
SAGESTAMO - Sociedade Gestora Participações Sociais Imobiliárias, SA.			9.113.024,30	401.186.566,79			19.302.164,21	
SPE - Sociedade Portuguesa de Empreendimentos, SA.			1.967.358,33	14.365.973,71			611.738,82	
TAP, SGPS								
NOS, SGPS, SA.								13.544,40

2013	Balance Sheet				Income Statements			
Company	Creditors for shares not liberated	Trade debtors	Other payable/receivable	Shareholders loans	Incurred costs	Other Income and gains	Interest of shareholders loans	Dividends
Adp - Aguas de Portugal, SA.		11.456,00						19.035.000,00
ANA - Aeroportos de Portugal, SA.								30.000.000,00
BAIA DO TEJO, SA	3.171.494,00							
CL - Companhia das Lezirias, SA			177.441,37					200.000,00
CE - Circuito do Estoril, SA.			1.066.366,30	1.058.000,00			58.915,92	
CTT - Correios de Portugal, SA.								50.000.000,00
GALP Energia SGPS, SA.								15.360.299,27
INCM - Imprensa Nacional Casa da Moeda, SA.								12.070.795,08
IHRU - Instituto da Habitação e da Reabilitação Urbana, IP								38.967,28
LAZER e FLORESTA, SA.			-7.606,77					
Lisnave Estaleiros Navais, SA.								118.664,00
MARGUEIRA - Sociedade Gestora Fundos Investimento Imobiliário, SA.					22.028,04			
PORTUGAL TELECOM, SA.								260.432,90
REN - Redes Energéticas Nacionais, SGPS, SA.								8.988.127,80
SAGESECUR - Sociedade de Estudos, Desenvolvimento e Participação em Projectos, SA.			3.194.879,62	54.810.000,00			3.194.879,62	
SAGESTAMO - Sociedade Gestora Participações Sociais Imobiliárias, SA.			23.891.375,24	422.301.649,25			23.891.375,24	
SPE - Sociedade Portuguesa de Empreendimentos, SA.			1.355.619,51	12.738.973,71			649.578,44	
TAP, SGPS							4.010.136,99	
ZON Multimédia, SGPS, SA								13.544,40

The effects of transactions and balances with related parties were as follows:

YEAR 2014

	Year movements	Balances at 31-12-2013	
		Receivable	Payable
Advances to the State (art. 9º DL 209/2000)	383.566.907,22	4.588.830.020,29	
Services rendered to the State	106.453,88		
Shares acquisition to CGD (interests included)	7.318.136,02		488.774.457,61

YEAR 2013

	Year movements	Balances at 31-12-2012	
		Receivable	Payable
Advances to the State (art. 9º DL 209/2000)	165.085.907,05	4.205.524.078,17	
Services rendered to the State	143.224,35		
Shares acquisition to CGD (interests included)	6.374.481,65		481.456.321,59

36 – Ativos e passivos contingentes e acontecimentos subsequentes

Contingent assets and liabilities and subsequent events

There are no relevant contingent assets and liabilities besides eventual obligations due to variable remunerations of 2007-2009 contracts of former directors, not yet sure as company's liabilities. The commissions are related to 50% of the variable 2008 (77.850,06 euro) whose payment has been deferred by the shareholder, as well as to the 2009 variable remunerations related to the duties carried during 2007-2009. In 2010, the shareholder decided the suspension of the variable remuneration under article 172 of SB Law/2010.

In connection to all processes related to inspections made by the Autoridade Tributária e Aduaneira (Customs and Tax Authority) to the Sociedade Gestora do Autódromo Fernanda Pires da Silva SA (after closure it was transferred to Parpública), the applicant´s position was transferred to Parpública. Thus, it is worth mentioned the appeal regarding the IRC, due to lack of withholding tax, concerning 2002, 2003 and 2004, in the total amount of 865.496,89 euro. The legal procedure is waiting for Court's decision.

The specifications related to the direct sale of up to 66% of TAP, SGPS, S.A.' s share capital, as well as the terms of the public offering of shares to the employees were approved under the Council of Ministers Resolution nr 4-A/2015 of 20 January. The deadline to submit binding offers for acquisition of shares was established by Order nr 1469-A/2015 of 11 February.

PARPÚBLICA will be part of the Public Management Sector being therefore subject to the related regulations, namely being unable to acquire any financing in the market.

At the beginning of 2015, there was a survey about the potential synergies in real estate in case of a merger of the administrative departments of the companies. The referred merger could involve restructuring at PARPÚBLICA' Group.

A reversal of 20% in the remunerations' cuts is expected for 2015.

37 – Non accounting nature disclosures

The company:

- is not in delay regarding taxes and contributions or social security's discounts (article 21.º from Decree-Law 411/91, of 17 December);

- does not hold any own shares or performed any business involving own shares (article 324.º, nr 2, of Portuguese Trading Code);

- did not performed any transactions whose effects are not reflected in the financial statements (article 66.º-A, 1ª from the Portuguese Trading Code).

The members of the social bodies:

- did not performed any business with the company (article 397º from Portuguese Trading Code)
- neither are, nor were, owners of shares or bonds issued by the company or issued by other companies controlled by PARPÚBLICA, by itself or through other persons or companies, not being relevant the disclosure to be appended to the management report of the list of securities and shareholders referred in articles 447.º and 448.º of the Portuguese Trading Code.

The Statutory Auditor's fees were 67,5 thousand euro in 2014 and 67,5 thousand euro in 2013, complying exclusively with statutory audit services.

Throughout 2014 and 2013, the average number of employees was 23 and 21 respectively. The number of employees at 31-12-2014 was 25, being 12 affected to *corporate* activities, 1 assigned to Direcção-Geral do Tesouro e Finanças and 1 lent to subsidiaries and 1 to a public entity.

FINANCIAL STATEMENTS APPROVAL

These financial statements were approved for in the Board of Directors' meeting of 30 April 2015, stating they entirely reflect in a complete, faithful, current, comprehensible, objective and lawful way the PARPÚBLICA 's operations as well as its position and financial performance and cash flows.

The Certified Accountant (ROC)

Vitor Manuel Saraiva

The Board of Directors

Pedro Macedo Santos Ferreira Pinto, *Presidente*

Carlos Durães da Conceição

José Manuel Barros

Fernanda Mouro Pereira

Pedro Nascimento Ventura

Maria João Dias Pessoa Araújo

PARPÚBLICA – Participações Públicas, SGPS, SA

Headquarters: Av. Defensores de Chaves, 6 – 6.º - 1100-117 Lisboa
Fiscal and Registration number: 502 769 017

Declaration

According to the terms of c) 1. from article 245º of Código dos Valores Mobiliários

(Portuguese Securities' Code)

According to the terms and for the effects of c) 1. from article 245º of Código dos Valores Mobiliários, the Board of Directors of Parpública – Participações Públicas, SGPS, SA, here bellow identified, in the quality and in the scope of its functions, as there referred, declare that, in so far as they are aware:

(i) The information provided in the Managements' Report, in the Annual Financial Statements, in the Statutory Auditors' Report and in the other accounting documents required by law or regulation, regarding the year ended on December 31, 2014, were drawn up in conformity with applicable accounting standards, providing an accurate and appropriate image of the assets and liabilities, the financial position and profit or loss of Parpública – Participações Públicas, SGPS, SA and the companies included in the consolidation perimeter.

(ii) The management report provides a faithful account of the evolution of the business, the performance and position of Parpública – Participações Públicas, SGPS, SA and the companies included in the consolidation perimeter (Group), and it contains a description of the main risks and uncertainties facing the Group.

Lisbon, April 30, 2015

The Board of Directors

Pedro Ferreira Pinto
Chairman

Carlos Manuel Durães da Conceição
Director

José Manuel Pereira Mendes de Barros
Director

Fernanda Maria Mouro Pereira
Director

Pedro Miguel Nascimento Ventura
Director

Maria João Dias Pessoa Araújo
Director

Grant Thornton

Statutory Audit Certification And Auditors' Report On The Separate Financial Statements

Grant Thornton & Associados – SROC, Lda.

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Introduction

1. In accordance with the applicable legislation, we hereby present the statutory audit certification and the auditor's report on the financial information included in the Board of director's report and in the separate financial statements as at December 31, 2014 of **PARPÚBLICA – PARTICIPAÇÕES PÚBLICAS (SGPS), S.A.** comprising the Statement of Financial Position (showing total net assets of 7.817.708.149 euro and a shareholder's equity of 2.566.563.207 euro, including a negative net profit for the year of 461.877,978 euro), the related income statements, comprehensive income, changes in equity, cash flows, and the corresponding notes.

Responsibilities

2. The responsibilities of the Company's board of directors comprise: (i) the preparation of the consolidated financial statements according with International Financial and Reporting Standards (IFRS) as adopted by the European Union that give a true and fair view of the financial position of the company, the results of operations, the comprehensive income, the changes in equity and its cash flows; (ii) that the financial information is prepared according with according with the International Financial and Reporting Standards (IFRS) as adopted by the European Union, and is complete, true, up-to-date, clear, objective and lawful, in compliance with the "Código dos Valores Mobiliários" (Portuguese Securities Market Code); (iii) the adoption of adequate accounting policies and principles; (iv) maintaining an appropriate internal control system; and (v) the disclosure of any relevant fact that has influenced the activity of the company's financial position or results.

3. Our responsibility is to verify the financial information stated in the above mentioned documents, namely if it is complete, true, up-to-date, clear, objective and lawful, as

required by the Portuguese Securities Market Code, expressing an independent and professional report based on our audit.

Scope

4. Our audit was conducted in accordance with the technical standards and directives of the "Ordem dos Revisores Oficiais de Contas" (the Portuguese Association of Statutory Auditors). Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the individual financial statements are free of material misstatement. Accordingly, our audit included:

- the verification, on a test basis, of the evidence that supports the financial numbers and disclosures stated in those financial statements and the assessment of the estimates based on the Company's Board of Directors' own judgment and criteria that were used in the preparation of those financial statements;

- the assessment of whether the accounting policies in use and their disclosure are appropriate under the circumstances;

- the verification that the financial statements were prepared on a going concern basis;

- the assessment of whether the global presentation of the separate financial statements is adequate; and

- the assessment of whether the separate financial information is complete, true, up to date, clear, objective and lawful.

5. Our audit also comprised the verification that the financial information included in the Board of Director's report is in agreement with the remaining accounting documents, as well as the other verifications indicated in the no. 5 of article 451 of Companies Commercial Code "Código das Sociedades Comerciais".

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

Opinion

7. In our opinion the ~~individual~~ separate financial statements previously referred present fairly,
in all material respects, the financial position of **PARPÚBLICA – PARTICIPAÇÕES PÚBLICAS (SGPS), S.A.** as of December 31, 2014, the results of its operations, the comprehensive income, the changes in equity and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union and the information that is included in those financial statements is complete, true, up-to-date, clear, objective and lawful.

Report on other legal requirements

8. It is also our opinion that the information in the Board of Directors' Report is consistent governance includes the elements required under Article 245 A of the Portuguese Securities Code "Código dos Valores Mobiliários".

Lisboa, April 30, 2015

Grant Thornton & Associados – SROC, Lda.
Represented by Carlos Lisboa Nunes

Grant Thornton & Associados – SROC, Lda.

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Statutory Auditor's Report

Separate Financial Statements

To the Sole Shareholder of

Parpública – Participações Públicas (SGPS), S.A.

1. In accordance with article 446, nr 3 of the Trade Companies Code, we herewith, as statutory auditor of **Parpública – Participações Públicas (SGPS), S.A.**, present the report on our supervisory activity on the Annual Report and separate financial statements of the Board of Directors of **Parpública – Participações Públicas (SGPS), S.A.** for the year ended 31 December, 2014.

2. We accompanied the activity of the Company and its more significant subsidiaries and associated Companies with the frequency and to extend we deemed appropriated. We verified the regularity of bookkeeping and related documents. We checked the compliance with Law and Company articles.

3. In the scope of our activities we verified:

   a) The separated financial position statement, the separated income, comprehensive income, changes in equity and cash flows statements and related note concerning the year ended allow a perfect understanding of the financial situation and net results of the company;

   b) The accounting policies and the valuation criteria adopted are adequate;

   c) The management report explains sufficiently the evolution of the activity and the company situation.

4. As consequence of our examination we therefore issued the Statutory Audit Certification and the Auditors' Report of separate financial statements as of December 31, 2014, which is a part of the present document..

5. As a result from the work carried out and taking into account the above referred documents, we are of the opinion that the General Assembly of PARPÚBLICA – PARTICIPAÇÕES PÚBLICAS (SGPS), S.A. should approve:

   a) the management's report and separate financial statements for the annual period ended on December 31, 2014.
   b) the proposal for the application of the results that is included on the management's report.

April 30, 2015

Grant Thornton & Associados – SROC, Lda.
Represented by Carlos Lisboa Nunes

Statutory Audit Certification And Auditors' Report On The Consolidated Financial Statements

Grant Thornton & Associados – SROC, Lda.

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Introduction

1. In accordance with the applicable legislation, we hereby present the statutory audit certification and the auditor's report on the financial information included in the Board of Director's report and in the consolidated financial statements as at December 31, 2014 of **PARPÚBLICA – PARTICIPAÇÕES PÚBLICAS (SGPS)**, S.A. comprising the Consolidated Statement of Financial Position (showing total net assets of 16.969.033 thousand euro and a shareholders equity of 3.668.545 thousand euro, including a negative net profit for the year of 367.176 thousand euro), the related consolidated income statements, cash flows, changes in equity and comprehensive income and the corresponding Annex.

Responsibilities

2. The responsibilities of the Company's executive board of directors comprise: (i) the preparation of the consolidated financial statements according with International Financial and Reporting Standards (IFRS) as adopted by the European Union that give a true and fair view of the financial position of the group of companies included in the consolidation, the consolidated results of their operations and their consolidated cash flows; (ii) that the financial information is prepared according with IFRS is complete, true, up-to-date, clear, objective and lawful, in compliance with the "Código dos Valores Mobiliários" (Portuguese Securities Market Code); (iii) the adoption of adequate accounting policies and principles; (iv) maintaining an appropriate internal control system; and (v) the disclosure of any relevant fact that has influenced the activity of the group of companies included in the consolidation, their financial position or the results of their operations.

3. Our responsibility is to verify the financial information stated in the above mentioned documents, namely if it is complete, true, up to date, clear, objective and lawful, as required by the Portuguese Securities Market Code, expressing an independent and professional report based on our audit.

Scope

4. Our audit was conducted in accordance with the technical standards and directives of the "Ordem dos Revisores Oficiais de Contas" (the Portuguese Association of Statutory Auditors). Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. Accordingly, our audit included:

- the verification, on a test basis, of the evidence that supports the financial numbers and disclosures stated in those financial statements and the assessment of the estimates based on the Company's executive Board of Directors' own judgment and criteria that were used in the preparation of those financial statements;

- the verification of consolidation operations and the application of the equity method;

- the assessment of whether the accounting policies in use and their disclosure are appropriate under the circumstances;

- the verification that the financial statements were prepared on a going concern basis;

- the assessment of whether the global presentation of the consolidated financial statements is adequate; and

- the assessment of whether the consolidated financial information is complete, true, up to date, clear, objective and lawful.

5. Our audit also comprised the verification that the consolidated financial information included in the Board of Director's report is in agreement with the remaining accounting documents, as well as the other verifications indicated in the no. 5 of article 451 of Companies Commercial Code "Código das Sociedades Comerciais".

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

Opinion

7. In our opinion the consolidated financial statements previously referred present fairly, in all material respects, the consolidated financial position of PARPÚBLICA – PARTICIPAÇÕES PÚBLICAS(SGPS), S.A.. as of December 31, 2014, the consolidated results of its operations the consolidated cash flows and the comprehensive income for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union and the information that is included in those financial statements is complete, true, up-to-date, clear, objective and lawful.

Report on other legal requirements

8. It is also our opinion that the information in the Board of Directors' Report is consistent with the consolidated financial statements for the year and that the report on corporate governance includes the elements required under Article 245 A of the Portuguese Securities Code "Código dos Valores Mobiliários".

Emphasis

9. Without qualifying our opinion expressed in paragraphs 7 we draw attention to the following matters:

9.1 As ~~indicated~~ mentioned on AdP – Águas de Portugal, SGPS, S.A.'s ~~in the~~ Audit Report on consolidated financial information ~~of AdP – Águas de Portugal, SGPS,~~ for the purpose of consolidated accounts of PARPÚPLICA – PARTICIPAÇÕES PÚBLICAS (SGPS), S.A., the AdP Group recognises in accounting terms ~~that~~ the value of the shortcomings and excesses of tariffs and prices charged in ~~respect of which would be required to allow~~force against those that would be necessary to allow the recovery of the costs that arise from the concessions and that would allow ~~of extending and~~ the remuneration~~e~~ of the ~~capital~~ invested capital, and thus ~~ensure~~ ensuring concession's ~~the~~ economic and financial ~~balance~~ equilibrium~~of concessions~~, according to the existing concession ~~agreements~~contracts. Although they have not yet been approved by the competent authorities the mechanisms to assess the possible excesses or deficiencies of tariffs and prices, the AdP Group recognized those values in financial statements.

9.2 As indicated in the Audit Report on consolidated financial information of AdP – Águas de Portugal, SGPS, S.A., for the purpose of consolidated accounts of PARPÚPLICA – PARTICIPAÇÕES PÚBLICAS (SGPS), S.A., a Decree-Law was approved by the Ministers Council of April 9, 2015, establishing the strategy for 3 new multi-municipal water supply and sanitation systems and related managing entities, replacing the 15 current multi-municipal systems. Therefore, in the beginning of the second half of 2015, the current multi-municipal systems of water supply and sanitation will be closed, and the related assets and liabilities will be transferred to the new managing entities, established by Decree-Law, which will continue with the current activities of the water supply and sanitation concessionary companies of AdP Group.

9.3 The Council of Ministers approved, at 30 of January 2014, the reprivatisation of EMPRESA GERAL DO FOMENTO S.A. and the winner entity of the public contest was defined under the Council of Ministers Resolution nr 55-B/2014 of September 19. At 31 of January 2014, the process was still waiting for the Competition Commission.

9.4 As mentioned in the Audit Report on the consolidated financial statement of SAGESTAMO – Sociedade Gestora de Participações Sociais Imobiliárias, S.A., for the purpose of consolidated accounts of PARPÚPLICA – PARTICIPAÇÕES PÚBLICAS (SGPS), S.A., there is a pending approval from Parpública, S.A., as direct company shareholder, for a real estate restructuring operation involving Sagestamo, S.A.. If this operation will occur, it will eventually cause significant changes on its organizational structure, as referred in point 5 of note 60 of the notes attached to the consolidated financial statements, being the company continuity at risk.

Lisboa, April 30, 2015

Grant Thornton & Associados – SROC, Lda.
Represented by Carlos Lisboa Nunes

Grant Thornton & Associados – SROC, Lda.

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Statutory Auditor's Report

Consolidated Financial Statements

To the Sole Shareholder of

Parpública – Participações Públicas (SGPS), S.A.

1. In accordance with article 446, nr 3 of the Trade Companies Code, we herewith, as statutory auditor of **Parpública – Participações Públicas (SGPS), S.A.**, present the report on our supervisory activity on the Annual Report and consolidated financial statements of the Board of Directors of **Parpública – Participações Públicas (SGPS), S.A.** for the year ended 31 December, 2014.

2. We accompanied the activity of the Company and its more significant subsidiaries and associated Companies with the frequency and to extend we deemed appropriated. We verified the regularity of bookkeeping and related documents. We checked the compliance with Law and Company articles.

3. In the scope of our activities, we verified:

   a) The consolidated financial position statement, the consolidated by nature income, comprehensive income, changes in equity and cash flows statements and related note concerning the year ended allow a perfect understanding of the financial situation and net results of the company and the set of subsidiaries and associate companies that took part of the consolidation;

   b) The accounting policies and the valuation criteria adopted are adequate;

   c) The consolidated management report explains sufficiently the evolution of the activity and the company situation and set of subsidiaries and associate companies that took part of the consolidation outstanding the most important aspects.

4. As consequence of our examination we therefore issued the Statutory Audit Certification and the Auditors' Report of consolidated accounts as of December 31, 2014, with four emphasis, which is a part of the present document.

5. As a result from the work carried out and taking into account the above referred documents, we are of the opinion that the General Assembly of PARPÚBLICA – PARTICIPAÇÕES PÚBLICAS (SGPS), SA, pondering its content, should approve:

   a) the consolidated management's report and consolidated financial statements for the annual period ended on December 31, 2014.

April 30, 2015

Grant Thornton & Associados – SROC, Lda.
Represented by Carlos Lisboa Nunes

Activity report of the Audit Commission

Annual Period 2014

- INTRODUCTION

The Audit Commission of PARPÚBLICA – Participações Públicas (SGPS), S.A. ("PARPÚBLICA" OR "Company") works according to the competencies foreseen in article 423-F of the Trade Companies Code and other legislation applicable to the State Business Sector, namely nr.3 of article 33 of Decree-Law nr 133/2013 of October 3rd.

The aim of PARPÚBLICA's Audit Commission, composed by three non-executive members of the Board of Directors appointed at the General Meeting of May 29th, 2013, is to supervise the company under the Law and the Company Statutes.

- ACTIVITY DURING 2014

According to the Regulation, the Audit Commission should meet every two months and during 2014 it held seventeen meetings of which were prepared the respective minutes. All the members were present except at one meeting where one member was absent due to illness duly supported by a medical certificate. Whenever considered appropriate, the Commission called for the sessions the Statutory Auditor, and people responsible for certain areas of the Company or the Group subsidiaries.

As intrinsic part of their duties as non-executive Members of the Board of Directors, the Audit Commission members took part in every Board of Directors meetings. In this capacity, the Commission took part in the assessment of the most significant strategic issues for the company, mainly with regard to privatization of subsidiaries, the acquisition and disposal of other investments, the review of PARPÚBLICA's Mission, the restructure of the Group's real estate sector, the integration of PARPÚBLICA in the Public Management Sector, in National Accounts, as well as the main decisions taken in the exercise of shareholder function taking into consideration the Group financing restraints as result of the *rating* changes of the Portuguese Republic and PARPÚBLICA.

In the performance of its duties, the Commission was helped by the Statutory Auditor and External Auditor, Grant Thornton & Associados, SROC, Lda, represented by Dr. Carlos António Lisboa Nunes (ROC Effective) and by Dr. Pedro Miguel Raposo Lisboa Nunes (ROC Alternate) and in general by PARPÚBLICA's internal services, with particular reference to the area of Internal Audit, headed by Dr. João Miguel Mendes Gomes.

During 2014, within their capacities, the Audit Commission acted mainly in the following areas:

1. **Ensure compliance with the law, the articles of association and the rules of the supervisory authorities**

The Audit Commission has been attentive to compliance with applicable laws and the standards of supervisors, the articles of association and internal regulations, namely duties of disclosure to the Court of Auditors, Committee on Securities Market, Bank of Portugal, General Direction of Treasury and Finance and General Inspection of Finance.

The Audit Commission kept informed about the evolution of the legal and regulatory requirements concerning PARPÚBLICA and subsidiaries.

The Audit Commission promoted the systematization and follow-up of the main commitments under PARPÚBLICA's direct intervention or control arising from the *Memorandum of Understanding* signed by the Portuguese State, The European Central Bank, The European Commission and the International Monetary Fund within the Economic and Financial Assistance Program to Portugal in force between May of 2011 and May of 2014.

The Commission followed up the observance by PARPÚBLICA on the best practices of corporate governance, in accordance with article 54 of Decree-Law nr 133/2013 of October 3rd, reinforced by measures of good governance, transparency and streamlining of corporate structures, foreseen in the Resolution of the Assembly of the Republic nr. 53/2011, March 22 and by the observance of the measures foreseen at the Statute of the Public Manager, whose second alteration to Decree-Law nr. 71/2007, of March 27th, amended by Decree-Law nr. 64-A/2008, of December 31, was approved by Decree-Law nr. 8/2012, of January 18 and by Decree-Law nr 133/2013 of October 3rd.

The Audit Commission is the body responsible for managing arrangements for reporting any malpractice, according to PARPÚBLICA'S Risk Prevention Plan of Fraud, Corruption and Related Infractions and Code of Ethics in force. In this context and during 2014, a report was received, analyzed, answered and closed.

2. **Appraisal of the quality and regularity of financial information, accounting records and supporting documents; supervision of compliance with the accounting policies and practices and the valuation criteria**

The Audit Commission analyzed, together with the Statutory Auditor and the leaders of the Company, namely the managers of the Control and Accounting Department and of Internal Audit Department (AAI), the main valuation and accounting criteria adopted, the work plans and the procedures adopted for the preparation of the separated and consolidated accounts of PARPÚBLICA. It also followed the planning and allocation of resources to the preparation of financial statement and related disclosure. Throughout the work, the Commission assessed the compliance with the regulations relating the report of accounts closing.

The Audit Commission also evaluated the compliance, quality and regularity of the accounting and financial information of the company, based on the given reviews and reports.

3. **Supervise the effectiveness of the risk management system and the internal control and audit system**

The Audit Commission followed the integration of PARPÚBLICA in the Public Management Sector, in National Accounts, analyzing the legal, regulatory and operational impact in the Company.

The Commission gave special attention to the evaluation, monitoring and supervision of the efficiency, quality and integrity of internal control and risks management systems of activity. The Commission monitored compliance with internal rules and procedures, as well as with the risk management principles of PARPÚBLICA. In that sense, the Commission gave its opinion, support and monitoring through the Internal Audit Department (AAI):

- The review of the Company's Manual of Procedures introducing the required procedures changes according to the legal changes with impact in the Company and potential changes in the Company's procedures, including the related risk analysis. The reviewed version of the Manual of Procedures is still waiting for validation and approval by the Executive Commission;

- The review of the Code of Ethics and of the Risk of Fraud Management Policy, having both documents been approved by the Board of Directors in 2015.

The Audit Commission followed the ongoing review of the Prevention Plan of Risk of Fraud, Corruption and Related Infractions, as well as the ongoing preparation of the Annual Implementation Report of 2014.

The Audit Commission followed the invested companies, examining with detail the most significant businesses of PARÚPLICA' Group, supporting the upgrading of their internal control related to the exposure to several risks and also to better judge the impact in the overall results and risks of the Group. For this purpose, the Commission was mainly supported by the Internal Audit Department, functionally reporting to the Commission, and has guided, supervised and monitored the Department's work development according to the activities foreseen in the related Activity Plan, approved by The Audit Commission and by the Board of Directors.

The 2014 Activity Report of the AAI was approved by the Audit Commission already in 2015. Among the AAI activities, it is worth mentioned, in the quarter, the end of the support given to the PARPÚBLICA's Procedures Manual in force review, still to be validated and approved by the Executive Commission, the conclusion of the internal audit to Companhia das Lezírias and to Sociedade Portuguesa de Empreendimentos (SPE), SA and to Circuito do Estoril (follow-up audit). During the last quarter, an internal audit to Baía do Tejo has began.

The Internal Audit Plan approved in 2014 also includes the line of work for 2015 considering the work to be done in the invested companies Lazer & Floresta, Sagestamo Group and the parent company.

Legal review and annual approval of the separated and consolidated accounts

The Audit Commission must also supervise the execution of statutory audits by the Statutory Auditor (SA) Prof. Dr. Carlos António Lisboa Nunes. Accordingly the Audit Commission evaluated and discussed with the Statutory Auditor the legal certification for separated and consolidated accounts related to 2014, and he has given its approval.

This year and within its competences, the Commission took part in the Board of Directors' meeting where the accounting annual documents of 2014 in the separated and consolidated accounts versions, were discussed and approved, having afterwards issued its opinion according to point g) of article 423-F of the Trade Companies Code.

Lisboa, April 30, 2015

Fernanda Maria Mouro Pereira, Chairman

Maria João Dias Pessoa de Araújo, Member

Pedro Miguel Nascimento Ventura, Member