

PARPÚBLICA
PARTICIPAÇÕES PÚBLICAS (SGPS) S.A.

DOCUMENTS
ANNUAL ACCOUNTS

2015

DOCUMENTS ANNUAL ACCOUNTS

Financial Year of 2015

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GOVERNING BODIES

General Assembly

Elsa Maria Roncon Santos
Chairman

Bernardo Xavier Alabaça
Vice-Chairman

Maria Luísa da Silva Rilho
Secretary

Board of Directors

Pedro Macedo Santos Ferreira Pinto
Chairman

Carlos Manuel Durães da Conceição
Executive Member

José Manuel Pereira Mendes de Barros
Executive Member

Fernanda Maria Mouro Pereira
*Non -executive Director, Audit Committee's Chairman
and member of the Evaluation Committee*

Maria João Dias Pessoa de Araújo
*Non-executive Director, Member of the Audit
and Evaluation Committees*

Pedro Miguel Nascimento Ventura
*Non-executive Director, Member of the Audit
and Evaluation Committees*

ROC

Grant Thornton & Associados, SROC
representada pelo Dr. Carlos António Lisboa
Nunes (ROC nr 427)
Effective Statutory Auditor (ROC)

Pedro Miguel Raposo Lisboa Nunes (ROC n.º 1202)
Substitute Statutory Auditor (ROC)

VOLUME I

FINANCIAL REPORT

➤ MESSAGE FROM THE BOARD OF DIRECTORS

In this report concerning business in 2015, the Board of Directors emphasizes the conclusion of TAP and EGF privatizations. These processes were much more important than only the revenue achieved since two private investors entered in two important business sectors that, protecting the involved public sectors aspects, should allow to reinforce the investment and development of the relates business strategies.

TAP's privatization ended up the re-privatization process of the big companies that were nationalised

In what PARPÚBLICA is concerned and also during this year a reorganisation process took place in order to simplify the corporate structure and to adopt a shared services philosophy aiming to enhance the effectiveness and efficiency of working processes. The referred reorganisation happened at the same time as the entry of PARPÚBLICA and other Group's companies in the public services perimeter with a significant impact in procedures since it implies to adopt at the same time the rules and procedures of the budgetary and accrual accountings.

Therefore, we believe that now the company is better prepared to answer to new challenges assuring that it will continue to be a useful instrument supporting the development of the public policies within its intervention scope.

The mandate of the current governing bodies also ended in 2015.

Finally, the Board of Directors remembers that the 2014 report pointed out its deep sorrow for the passing of Dr. António Gervásio Lérias at February 2015. We couldn't even imagine that in 2015 another loss would take place with the sudden disappearance of Dr. Vasco Noronha. Both will be deeply missed and therefore they will always be in our memory.

➤ YEAR 2015

▪ Macroeconomic environment ¹

In 2015 the world economic activity remained subdued showing a growth of 3,1%. Concerning the emerging and developing economies, it should be noticed a decrease in development for the fifth consecutive (+4,0% versus +4,6% in 2014), while the developing economies mildly recovered (+1,9%).

During 2015, it was particularly important the cooling down of one of the most important engines of world economic growth: the Chinese economy registered an increase of 6,9% below the 7,3% verified in 2014. The growth of the Chinese economy is positively evolving but with a faster slowdown than expected in imports and exports, to some extent reflecting less investment and industrial activity.

In the United States the economy growth was 2,4%. Despite the continuing recover of the domestic market which led to the increase of the reference interest rate by the Federal Reserve, the strengthening of the dollar has created more difficulties to exports.

The economic activity of Euro zone continued to recover in 2015 although at a much slower pace than initially expected and turning disappointing considering the current factors that support the activity, namely low oil prices, Euro depreciation, ECB monetary stimuli and a neutral tax policy. These factors enhanced private consumption and exports but the recovery pace of the economic activity of the region with a single currency remained slow and below the historical pattern, before the international financial crisis, with an annual growth of 1,6%.

¹ *World Economic Outlook (WEO) Update – FM1, January 2016*
World Economic Outlook (WEO) Too Slow for Too Long – April 2016

In what Portugal is concerned, 2015 was marked by a remarkable behaviour of exports as in previous years. During 2015, growth was situated at about 1,5% ², slightly under the more optimistic forecasts encouraged during the first semester by the expectation of GDP speeding it up what really did not happened. The domestic demand gave a much positive help to the annual GDP variation in 2015 with 2,5% against 2,2% in 2014 reflecting the speed up of private consumption and the growth of public consumption³. Concerning the investment, 2015 was marked by a certain volatility, decreasing from a volume increase of 5,5% in 2014 to 3,6%. However, the under construction Gross Fixed Capital Formation (GFCF) stood positively up coming from a variation rate of 3,2% in 2014 to an increase of 4,1% in 2015, stopping more than a decade of contraction in the sector.

Concerning the labour market, an improvement in the unemployment rate positively surprised in 2015: a year ago an unemployment rate of 14% was expected. However the unemployment rate was 12,4% ⁴ at the end of the year.

Inflation returned to a positive level in 2015 and was situated at 0,49% ⁴ at the end of the year. However, the inflation rate is still historically low partially due to the significant drop of the price of raw materials in general and of the oil in international markets, in particular.

The year 2015 was also marked by the instability in the Portuguese financial sector, mainly in the banking sector with the developments that have occurred in BES/Novo Banco and more recently in BANIF. The stock market was also constrained by the European and domestic macroeconomic environment mainly due to the loss of some companies formerly known as “heavy weight” of *Euronext Lisbon*, without the entry of new companies to the share segment.

Hence, despite the obvious recovery felt in the various levels, the Portuguese economy still faces hard challenges relating some factors whose recovery is crucial to overcome

² INE – Boletim Mensal de Estatística – February 2016 and World Economic Outlook (WEO) Too Slow for Too Long – April 2016

³ INE – Boletim Mensal de Estatística – February 2016

⁴ INE

the impacts of a financial and sovereign crisis that pressured all indicators from the beginning of the international crisis.

➤ OUTLOOK FOR 2016

After the second semester of 2015 with a slowdown tendency of the world economy due to problems and imbalances in several emerging economies, it is highly likely that 2016 will be conditioned by the same factors. The current imbalances in the developing world, the signs of a certain breakdown in the economic policy instruments and mainly the weak performance of some emerging economies are the main conditioning factors of the financial development and economic growth.

Three key aspects will continue to influence the world Economic outlook: (i) the gradual slowdown and rebalancing of the economy activity in China, (ii) the lower prices for energy and other *commodities*, and (iii) a gradual monetary tightening in the United States within the recovery of its economy.

At the Euro Zone the economic recovery will remain sluggish in 2016 being the domestic demand the main driving factor for improvement balancing some resistance of net exports due to the slowdown of the emerging economies.

However the recovery pace is going to be different among the several country members according to each characteristics. The breakdown of the Chinese economy and other emerging countries, affected by the drop of the prices of *commodities* and depreciation of the currencies, could lead to a weak external demand in 2016.

The monetary policy will continue strongly accommodative whilst the tax policy tendency for next year is expected to be slightly expansive.

In what the Portuguese economy is concerned, the expansion pace of the economic activity is expected to keep stable during 2016 with a projected growth rate of the GDP

of 1,4%⁵. This performance will continue to be supported by the positive contribution of the domestic demand and by the return of the favourable contributions of the net external demand. On the other hand, the persistence of a rather weak currency against different monetary policies of both sides of the Atlantic and the competitiveness benefits achieved in recent years as well as the effort of diversification should continue supporting goods and services abroad sales despite the expecting slowdown in exports due to the fact that the economies of some of our partners, such as Angola and Brazil, are or will feel some difficulties. Imports shall keep the significant growing pace although more modest than in 2015. In 2016, price evolution is expected to gradually grow to some extent due to the dilution of the impact of the drop of oil prices, but also to some imported inflation.

Concerning public finances, both the budgetary deficit and the public debt ratio relating GDP will continue a sustained downwards tendency. According to the FMI projections, the budget balance is expected to be -3,2% of the GDP (-4,4% in 2015) and public debt drops to 128,2% of the GDP (128,8%⁶ in 2015).

Concerning PARPÚBLICA, the process of corporate reorganisation of the real estate area is expected to end in 2016 aiming to reinforce the strategic development of the Group real estate business.

With the conclusion of the 1st stage of that process in 2015 through the merger by incorporation of the subsidiary “Sagestamo” in PARPÚBLICA, the 2nd stage is expected to be concluded in 2016 through the merger by incorporation in “Estamo”, a company 100% owned by PARPÚBLICA, of two fully state-owned companies with similar business object since they are connected to the real estate management and development: “Consest” and “Lazer e Floresta”.

With the conclusion of the process, currently depending on the Tax Authority, the purpose of the reorganisation, i.e., the flexibility of the corporate structure and the optimising of the existing resources and their allocation, will be fulfilled leading to a higher economic rationality and to a more efficient management of the Group’s social

⁵ *World Economic Outlook (WEO) Too Slow for Too Long – April 2016*

⁶ *Banco de Portugal (Portuguese Central Bank)*

activity.

Concerning the 2016 management goals and still within a context of restraints and changes conditioning the permanent volatile and unstable financial markets, the main goal is to ensure the stability of the company's financial structure and therefore to guarantee its assets value and its capacity for creating value.

In operating terms, the year 2015 was marked by the conclusion of the privatization of EGF (from AdP Group) and TAP, the latter with significant further developments. No re-privatizations companies of significant value are expected at this stage.

The Agreement signed between Sociedade Portuguesa de Empreendimentos, S.A. (SPE), a subsidiary of PARPÚBLICA, and Angolana Endiama, SA is expected to be concluded and thus ending to a decades long dispute about this asset.

Therefore in 2016 and besides the Group real estate sector, PARPÚBLICA's main business approaches will be the follow up of contracts and monitoring the related constraints and commitments as well as of the development of subsequent events relating TAP SGPS privatization. The complete compliance with the Agreement signed between Endiama and SPE has also to be guaranteed regarding the selling of the investment held by SPE in Sociedade Mineira do Lucapa which will put an end to decades of disputes between both sides.

The management of the business will continue to follow the sharp performance of the State's shareholder function in invested companies concerning accuracy principles, economic streamlining, security and transparency related to the company as a state owned corporation according to the established principles, mainly in the Legal System of the State Enterprise Sector and in the Public Manager Statute.

➤ FINANCIAL POSITION OF THE SGPS

The Volume III of the current report includes the separate financial statements used for the current study and complying with the *International Financial Reporting Standards - IFRS*, the *International Accounting Standards and Interpretations*, which are collectively

referred as IFRS, issued by the *International Accounting Standards Board* (IASB), and adopted in the European Union (EU).

▪ Assets and Profitability

At the end of 2015, the total asset was 7.961 million euro (7.818 million euro at the end of 2014) mainly represented by non-current assets related to company's key businesses in the management and privatization/ re-privatization of public shares .

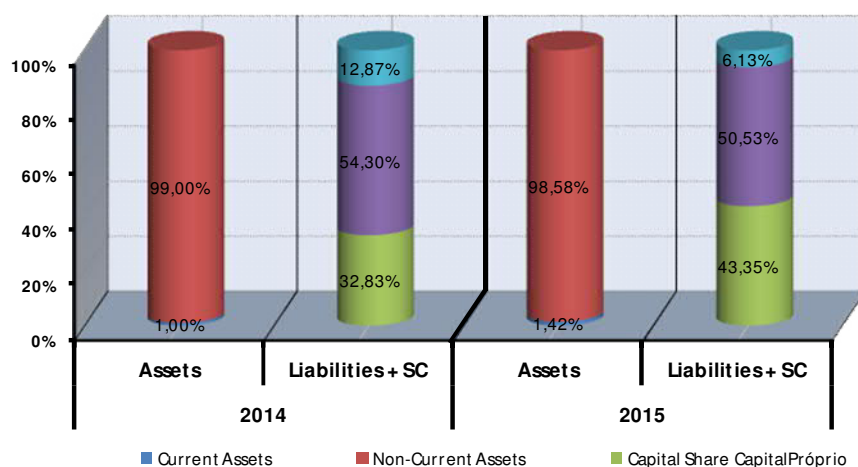
Financial Position Structure (in million euro)		
Balance Sheet Structure	2014	2015
Share Capital	2.566,6	3.451,0
Financing Liabilities	4.245,2	4.022,7
Other Liabilities	1.005,9	487,8
Total SC + Liabilities	7.817,7	7.961,5
Non-current assets	7.739,6	7.848,0
Current assets	78,1	113,4
Total Assets	7.817,7	7.961,5

Non-current assets of 7.848 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.

In 2015 the amount of 4,589 million euro, i.e. 57,6% of Total Assets, refers to payments in advance for investments and is related to proceeds from not yet compensated privatizations and re-privatizations delivered to the State.

The current assets amount to 113 million euro mainly from loans granted (Estamo loans) of 42,5 million euro and from cash and bank deposits in the amount of 65,1 million euro.

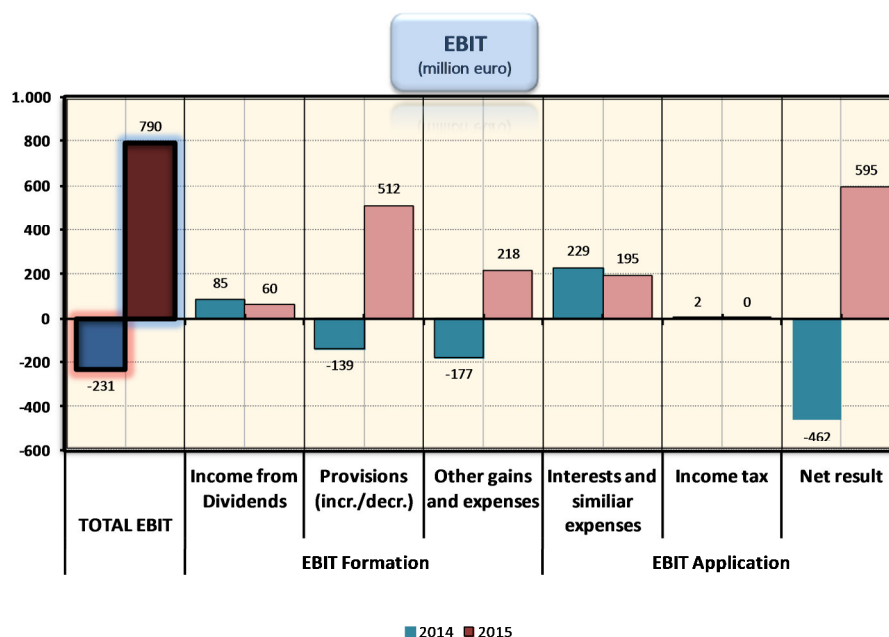
The following chart shows the assets financing with a slight increase of the share capital weight from 2014 to 2015, currently being 43,35% against 32,83% of previous year.



The change in the capital structure is mainly due to two factors:

- i. PARPÚBLICA is an EPR and the transfers made by DGTF for company's financing, the nature of the paid-in capital, played a significant role in the strengthening of the share capital – it should be noted that the State has a debt of 4,6 billion euro to PARPÚBLICA;
- ii. On the other hand, the 2015 profit and loss was deeply affected by the disposal of the investment in TAP SGPS.

In what profit and loss is concerned, 2015 was marked by one of the best performance ever of PARPÚBLICA, with the EBIT standing at 790 positive million euro and the net result at 595 million euro.



■ STRUCTURE AND COST OF CAPITAL

PARPÚBLICA'S assets amounts to 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 1.322 million euro.

During the year, the Shareholder paid in the amount of 295 million euro, but there is still 677,8 million euro of the subscribed total amount to be paid in.

PARPÚBLICA's equity amounts to 3.451 million euro (2.567 million euro at the end of 2014), net amount of 595 million euro (negative 462 million euro in 2014).

The disposal of the majority of the share capital of TAP SGPS to Atlantic Gateway contributed to the registered positive net result, one of the best company's result ever, together with the related reversal of the accumulated provision (511 million euro) made to make up for the negative share capital that had been showing by the company. In contrast to 2014, it should be worth mentioned the gains (135 million euro) related to the price evolution of the shares representing the share capital of GALP, underlying the embedded option of the exchangeable loans which showed an increase in relation to the low records at the end of 2014. During 2015 it is also worth mentioned the gains concerning the *swaps* related to the syndicated loan 599,238 million euro, representing a

variation at fair value of 22 million euro in the period.

Dividends were similar to recent years in the total amount of about 60 million euro, reflecting a progressive decrease due to the disposal of investments. The interests of loans granted to subsidiaries were also similar due to the decrease of the interest rate and of the financing amounts.

At the end of 2015, the funding liabilities of PARPÚBLICA were 4.023 million euro against 4.245 million euro in 2014, representing a decrease of 5,2% and were more than compensated by the State debt to the company in the amount of more than 4.588 million euro. The interests and costs related to the debt decreased 15% against 2014 to the amount of under 200 million euro, reflecting the contraction of the debt, of the average interest rate and of the financing type through the share capital paid-in by the sole shareholder which led to a better performance than during 2014.

➤ **FUNDING AND RISK MANAGEMENT**

▪ **Structure and Maturity of Funding**

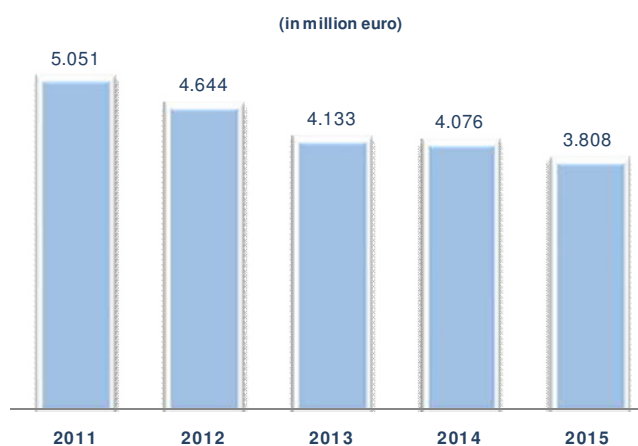
At the end of 2015, the financing liabilities of the PARPÚBLICA, considering its nominal values, were 3.873 million euro corresponding to a decrease of 222 million euro, i.e. 5% in relative terms, relating to the end of 2014 (4.094 million euro).

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

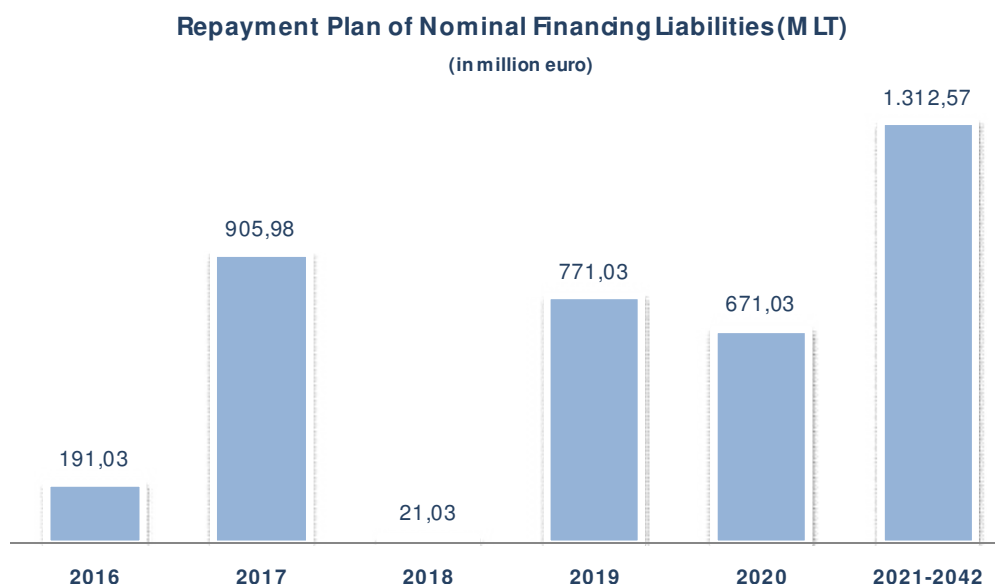
Nominal Financing Liabilities (in million euro)					
	2011	2012	2013	2014	2015
Short Term	1.050	1.595	875	0	0
Bonds	2.199	2.349	1.919	2.620	2.420
EDP Exchangeable Bonds	1.015	8	0	0	0
GALP Exchangeable Bonds	886	886	886	886	885
Bank Financing			599	589	568
Total	5.150	4.838	4.279	4.094	3.873

Considering the assets in the end of each year, the financing net liabilities registered in nominal terms, in end of 2015, an amount of 3.807 million euro, still below to previous year value of 4.076 million euro. It is worth mentioned the downward trend of these liabilities during last years, with 25% in the last 5 years.

Nominal Financing Liabilities less Cash



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



In the end of 2015, the nominal weighted average maturity of financing liabilities at medium and long term was about 5,5 years. Bond loans presented a weighted average maturity of 4,9 years and the convertible bonds an average maturity was about 1, 8 years. On the other hand, bank funding reached a weighted average maturity of 13,7 years.

Weighted Average Interest Rate Evolution of Financing Liabilities Cost

In the estimation of the weighted average rate of 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.

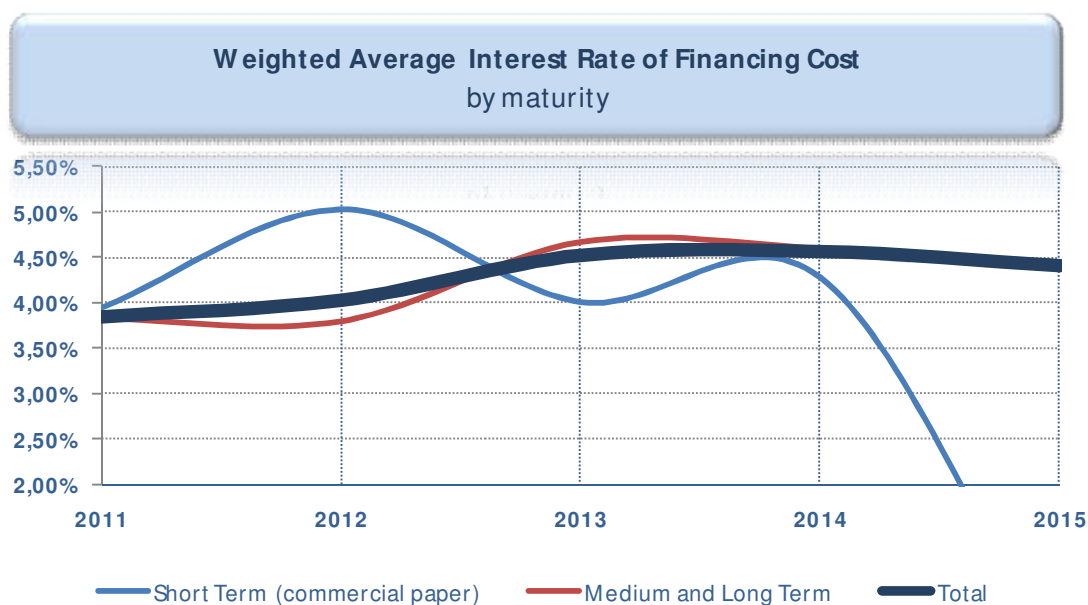
In this context, the weighted average rate of financing liabilities cost of PARPÚBLICA was about 4,41% in 2015, reflecting an improvement relating 2014 of 4,56%.

At the medium and long term maturity, the financing liabilities average cost was 4,41%, in 2015, related to 4,59% in 2014, showing an improvement of 18 *basis points*.

**Weighted Average Interest Rate of Financing Cost
by maturity**

	2014	2015
Short Term (commercial paper)	4,28%	0,00%
Medium and Long Term	4,59%	4,41%
Total	4,56%	4,41%

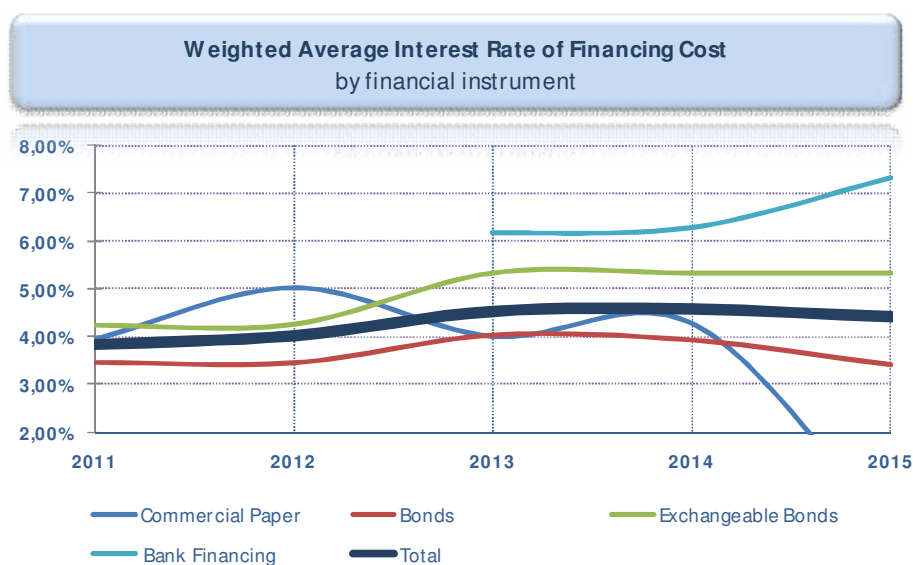
The average weighed rate organized by maturities presents the following evolution, since 2011:



Considering the type of financial instrument, the weighted average rate for *plain vanilla* bond loans during 2015 was 3,41% and 5,32% for exchangeable bonds. In what the bank funding is concerned, the average cost rate was 7,34%.

Weighted Average Interest Rate of Financing Cost by instrument		
	2014	2015
Commercial Paper	4,28%	0,00%
Bonds	3,93%	3,41%
Exchangeable Bonds	5,32%	5,32%
Bank Financing	6,28%	7,34%
Total	4,56%	4,41%

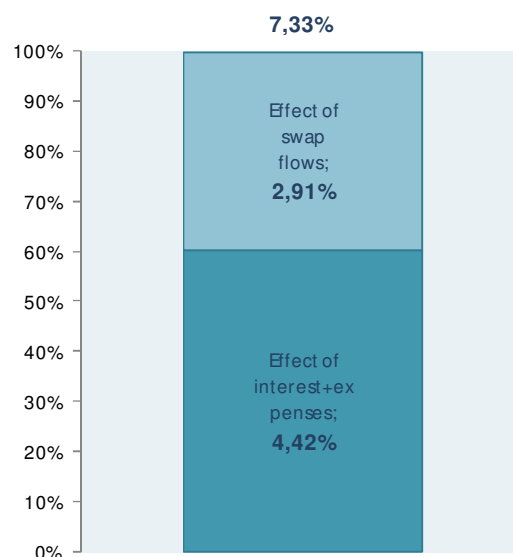
The evolution of the weighted average rate of the finance liabilities cost, according to financial instruments, as from 2011, was as follows:



The bank funding average rate of about 7,33% is strongly affected by the three *swaps* connected to that funding and whose total *notional* amounted to 441 million euro at the end of 2015.

This graph details the referred average rate showing the two effects:

- (i) interest rate and interests related to the bank funding and
- (ii) (ii) flows generated from the 3 related *swaps*:



Evolution of associated Cash Flows in a finance perspective

In 2015, the interest paid and accrued, including paid fees, amortization of expenses incurred in transactions funding and cash flows of associated *swaps* amounted to 176 million euro.

This amount is lower than last year, with 201 million euro, representing a decrease of 12,6%.

In 2015, the value of the average weighted financing liabilities was 3.987 million euro, 9,5% lower than last year with an amount of 4.404 million euro.

The evolution of the average weighted financing liabilities and interest paid and accrued was as follows⁷:

Evolution of the Weighted Average Financing and Expenses Liabilities
[in million euro and as a percentage (ref.2011)]

	2014	2015
Average Financing Liabilities (value)	4.404,2	3.986,6
Average Financing Liabilities (evolution ref.2011)	84,07%	76,10%
Interest and Expenses (value)	200,98	175,74
Interest and Expenses (evolution ref.2011)	124,12%	108,53%

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

In 2015, the positive flows in the total amount of 76,6 million euro mainly came from dividends in the amount of about 60,1 million euro (78% of the total amount) and from accrual of interests from granted loans to subsidiaries in the amount of 16,5 million euro (21% of the total amount).

⁷ Based on 2011

The evolution of the financial flows associated to the portfolio and to funding in 2014 and 2015 was as follows:

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

	2014	2015	Δ
Dividends	84,98	60,07	-29%
Interest of Borrowings	22,43	16,50	-26%
Interest of Investments	1,84	0,02	-99%
Total	109,24	76,59	-30%
Interest and Expenses (1)	200,98	175,74	-13%
Balance	-91,74	-99,15	8%

(1) *Interests paid and accrued and other annual expenses*

The decrease verified in every item is due to the investment disposals during last years (referring to dividends), to the contraction of interest rates of financing (referring loans granted to subsidiaries) and to the centralization of cash in IGCP complying with the Principle of Unity of the State Treasury (referring to investments interests) with almost no interest rate.

▪ Financial Risk Management

In the scope of 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 favor 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. Cash investments are mainly made at the IGCP in compliance with the Principle of State Treasury Unity with no risk involved.

In what the *swaps* counterparts are concerned, there is an imbalance of the financial flows in favour of the financial institutions (all national) and therefore any potential default by the referred institutions would be more than offset by the amounts to be paid by PARPÚBLICA.

(i) Liquidity Risk

The liquidity risk, related to the lack of financial resources of the company to comply with its commitments, is covered by the State Budget, after PARPÚBLICA's integration in the State consolidated budgetary perimeter. The financing needs, that are not covered by PARPÚBLICA own resources, are now satisfied by DGTF loans.

PARPÚBLICA is also exposed to this risk in what the loans granted to its subsidiaries are concerned and therefore depending on their pace to generate cash *flow* to promptly return those loans.

(ii) Market risk (price and interest rate)

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 funding, a medium and long term reduction of the interest rates means that current funding are more expensive in comparison with the rates demanded by the market, because although it can favor the investors, it harms the issuer as he would find cheaper funding alternatives. However, in what financing liabilities are concerned, this value fluctuation is not reflected in the results. However, financing is initially measured at fair value resulting from the related transaction and subsequently by the amortized cost by the effective interest method. PARPÚBLICA mostly has been issuing debt at fixed rate.

So, 61% of PARPÚBLICA medium and long term debt is due at fixed rate and about 39% 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:



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

PARPÚBLICA has three active interest rate *swaps* 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 2015, the total *notional* of these three structures amounted to 440,6 million euro equivalent to about 11,4% of the medium and long term funding liabilities.

In the 2014 and 2015, 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 euro)

	2014	2015
Cash Flow for the Year	-12,1	-16,6
Variation at Fair Value for the Year	-92,3	22,0

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 2015 and of 2014:

Cash Flows Projections
(in million euro)

31 December 2015				
Undiscounted Cash Flows Projections	Up to 1 Year	From 1 to 5 Years	Over 5 Years	Total
M.L.T. Debt Interest to be paid	-149,5	-404,3	-418,0	-971,7
Swaps Flows	-20,5	-66,7	-106,3	-193,5

31 December 2014				
Undiscounted Cash Flows Projections	Up to 1 Year	From 1 to 5 Years	Over 5 Years	Total
M.L.T. Debt Interest to be paid	-157,0	-484,6	-486,8	-1.128,5
Swaps Flows	-16,3	-69,7	-129,9	-215,9

(iii) 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 2015 is taken by the Executive Committee and presented afterwards 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 Sector⁸).

This decision was always based on policies and investment /divestment decisions carried out accordingly with the aims and guidelines of the supervisory entity, on the forecast of dividends to be earned and to be paid and the optimization of the cost of capital. After 2014, with the integration of the company in the public accounts perimeter (EPR), the Executive Committee has no longer the power to deliberate the market debt financing or refinancing since all needs are satisfied by the State Budget.

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

The evolution of the *Gearing Ratio* ⁹, usually used to measure the weight of equity comparing to total equity employed, between 2014 and 2015, was as follows.

Gearing Ratio (in million euro)				
		2014	2015	
Interest Bearing Debt (book value)	(1)	4.042,8	3.842,3	
Cash and Equivalents	(2)	18,4	65,1	
Net Financing Liabilities	(3)=(1)-(2)	4.024,4	3.777,2	
Equity	(4)	2.566,6	3.451,0	
Total Equity	(5)=(3)+(4)	6.590,9	7.228,2	
Gearing Ratio	(6)=(4) / (5)	39%	48%	

Between the two years, an improvement of the *Gearing Ratio* can be verified from 39% to 48%, reflecting not only the increase in share capital due to profit and loss and paid-in capital by the shareholder but also the decrease in financing liabilities.

⁸ Decree Law nr 133/2013, of October 3

⁹This indicator shows the measure of the financial leverage, i. e., the level at which the company's business are financed by equity or by debt.

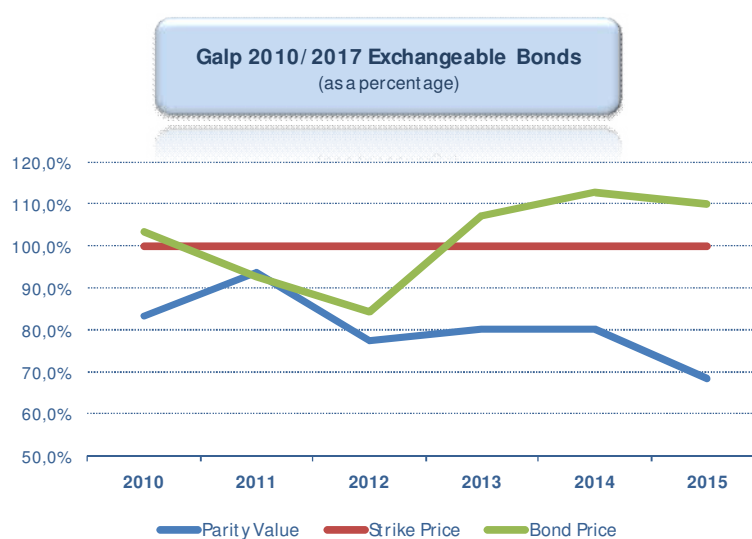
Risk from Debt related with Exchangeable Bonds

At September of 2011 and as part of the 5th stage of Galp's privatization, PARPÚBLICA issued exchangeable bonds, having as underlying asset the shares relating to 7% of the re-privatised company's equity.

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 (28 September of 2015). 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.

At the selling option date (28 September of 2015), some bondholders decided to sell about 14 bonds amounted to about 700 thousand euro. As a result, the amount of the related bond loan with maturity at 28 September 2017 became 884.950 thousand euro.

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 the fair value 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 of the shares in the portfolio.

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 2015.

Variation of Options Value and Underlying Assets (in million euro)		
	2014	2015
Variation of Options Value	11,7	-2,5
Variation of Underlying Assets	-199,7	143,5
Net Result	-188,0	141,0

The variation of the underlying assets results from the positive variation of the price of Galp' shares during 2015, from 8,431 euro at the end of 2014, a time of low records, to 10,72 euro at the end of 2015 (a positive variation of 27,2%). The sale option varies in the opposite direction of underlying assets (Galp' shares) since the former benefits from the investors. That tendency is quite visible in the frame above.

➤ FINANCIAL POSITION AND CONSOLIDATED RESULTS OF THE GROUP

During 2015 the business of the group's companies continued stable and 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.

The positive financial consolidated position of the Group in 2015 was mainly due to

the growth of the *holding* with a profit of 269,18% against 2014, in the positive amount of 746,6 million euro.

▪ Financial Position and Consolidated Results

The consolidated assets of PARPÚBLICA universe's companies increased 26,71% in comparison with 2014, with 4.648,5 million euro at the end of 2015.

It should be noted that PARPÚBLICA Group no longer reports any operating activity in "Air Transport and Related" due to the privatization of TAP, SGPS, SA.

In comparative terms, the positive evolution in assets of the consolidated accounts was mainly due to the profit and loss of the *holding*, with a share capital from 2.583 million euro to 3.534 million euro.

The evolution of the share capital of the *holding*, was mainly due, as already stated above, to the disposal of the investment in TAP SGPS, as well as the paid-in capital by the Shareholder, with a significant role in the strengthening of the share capital.

The following frame shows the consolidated financial position:

CONSOLIDATED FINANCIAL POSITION		million euro		
	2015	2014	Δ	
NON CURRENT ASSETS	12.535	12.491	0,4%	
NON CURRENT ASSETS HELD FOR SALE	.28	2.500	-98,9%	
CURRENT ASSETS	1.866	1.978	-5,7%	
TOTAL ASSETS	14.429	16.969	-15,0%	
EQUITY	4.649	3.669	26,7%	
NON CURRENT LIABILITIES	8.466	8.811	-3,9%	
CURRENT LIABILITIES	1.314	1.630	-19,4%	
NON CURRENT LIABILITIES HELD FOR SALE	.0	2.860	-100,0%	
TOTAL EQUITY AND LIABILITIES	14.429	16.969	-15,0%	

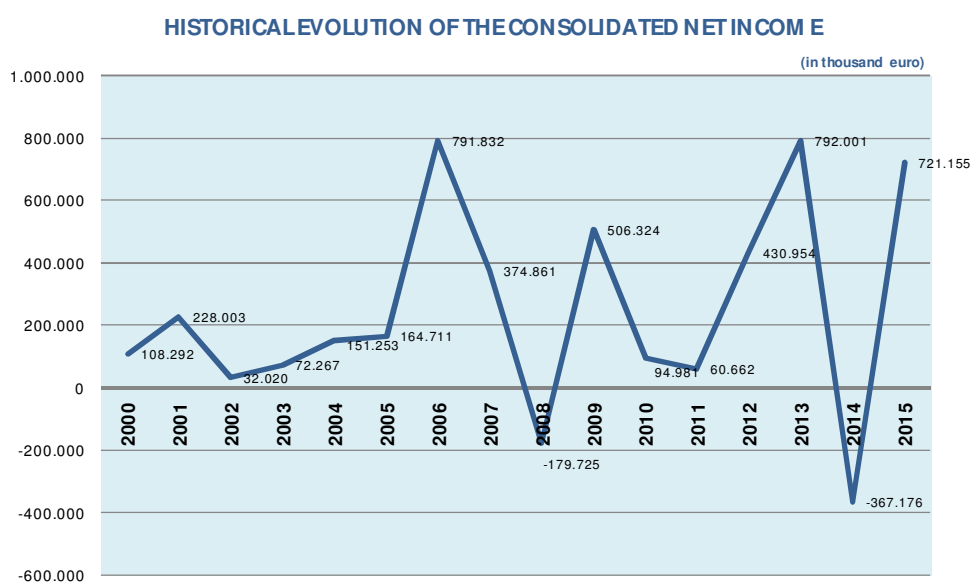
The consolidated assets settled at 14.429 million euro against 16.969 million euro at 2014, mainly due to the exit of the "Air Transport and Related" segment from the Group's consolidated accounts which represented an asset of 1.560 million euro at the end of 2014. It should be also mentioned the contraction of about 1.085 million euro

in total assets in “Water and Waste”.

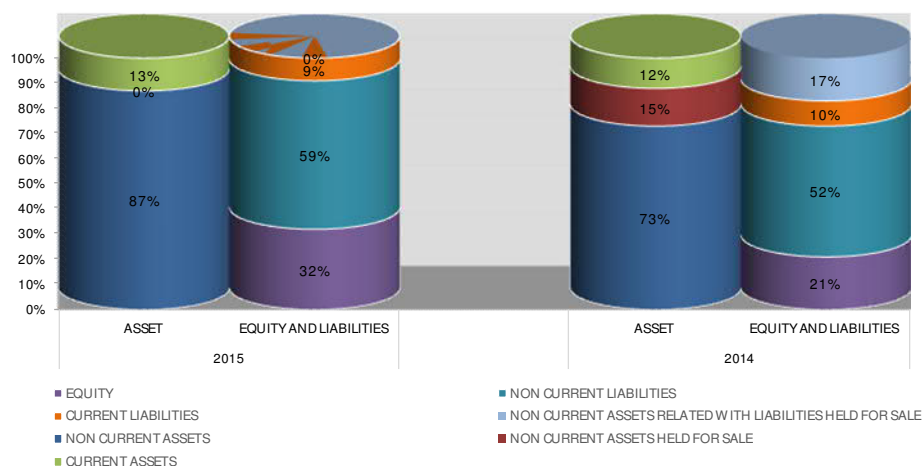
Total liabilities registered a decrease of 26,5% (3.520 million euro) and the Group’s total liabilities registered 9.780 million euro at the end of the year. In consolidated terms, a reduction of 533 million euro was registered mainly in the Group’s indebtedness and in borrowings from AdP Group.

The consolidated results had a significant increase in the amount of 1.103 million euro coming from a negative net consolidated result of 367,2 million euro to a positive result of 721,2 million euro at the end of 2015, representing an increase of 296,4%. mainly due to the results of the *holding* and of the “Water and Waste” (124,3 million euro against 82,9 million euro in 2014).

The following chart shows how 2015 was one of the best years ever for the Group in terms of profit and loss.



In terms of PARPÚBLICA Group's financial structure, the following chart shows that it remained balanced during 2015 with fixed assets financed by equity and by M/L term resources.



➤ BUSINESS SEGMENT ANALYSIS

One of the main characteristic of PARPÚBLICA Group is the evolution of its composition over time mainly due to the Privatization Programs adopted by successive Governments.

At 31 December 2015, the main alteration was the disappearing of Air Transport and Related segment of PARPÚBLICA Group with the privatization of 61% of the Stakeholding company TAP, SGPS, SA. PARPÚBLICA sold a controlling stake to private investors.

After the EGF privatization the segment where AdP is included became exclusively focused in water production, distribution and treatment. However those activities are rather significant in what PARPÚBLICA Group consolidated net result is concerned

since the results generated till the time of the related disposals are incorporated in the consolidated result.

In terms of assets, the Group is more concentrated now. Assets and liabilities of PARPÚBLICA, real estate and the activities of AdP Group represent almost the total of consolidated amounts being the remaining segments almost insignificant. In terms of indebtedness, PARPÚBLICA and AdP Group are responsible for 94% of the consolidated financial debt.

The following segment report and analysis reflect the Group's new structure.

▪ **PARPÚBLICA**

PARPÚBLICA is responsible for the majority of the Group's assets (56%) and uses most of Group's share capital (86%). Also the key component of 2015 net result was generated in PARPÚBLICA reflecting, as already mentioned, the impact of the disposal of the majority of the shares representing TAP, SGPS, SA, share capital and mainly the reversal of provisions made in the past to cover the liability from the negative accumulated share capital of the referred company then 100% owned by PARPÚBLICA.

With the result of 2015, PARPÚBLICA's assets structure is now much stronger with a growing percentage of assets funding by equity to 44%. The paid in of the share capital previously subscribed by the sole shareholder, the State, played a significant role in this data.

PARPÚBLICA has also a significant weight in consolidated liabilities being responsible for 60% of the total financial debt of the Group.

In another section of this report, a detailed study is presented about the evolution of the financial position of PARPÚBLICA and its performance over 2015 and so there is no need to make here further insights about the subject.

■ REAL ESTATE MANAGEMENT

In 2015, and following PARPÚBLICA restructuring with the extinction of Sagestamo holding, the Group real estate became operationally divided by several companies: Estamo, Baía do Tejo, Fundiestamo, Lazer e Floresta and Consest. The real estate turnover records a significant increase with a variation above 82% and amounted to more than 139 million euro, mainly due to Estamo, SA.

The real estate assets suffered a contraction of 7%, due to the increase in real estate sales, while liabilities suffered a significant decrease of 16%, along with the decrease in the companies' indebtedness with a total amount of 355,9 million euro. Share capital recorded a new drop as result of the decrease of the net result (with a negative variation of 18,1 million euro), in comparison with 2014 (-6,1 million euro), on one hand due to the impact of the reductions of assets at fair value (as in Lazer e Floresta), on the other hand due to the significant increase of income taxes (Estamo). However this business segment continues to improve in the financial structure mainly due to the amortisation of previous loans mainly by Estamo, SA which is buying real estate and therefore releasing *cash flow* to pay the debt to the Shareholder Parpública.

Together with sales, non-acquisitions of real estate to the State and some depreciation of the portfolio, a contraction of 8,1% in the assets value was registered in the total amount of 1.498 million euro.

Unit: million euro

	For Sale (b)		Rented / For Rental		Urban Recovery		Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Estamo	171,1	219,9	561,2	541,1	247,7	306,4	1,2	1,2	981,2	1.068,6
Fundiestamo (a)	--	--	170,9	156,6	29,5	30,6	--	--	200,4	187,2
Consest	--	--	--	--	62,0	61,8	--	--	62,0	61,8
Baía do Tejo (b)	10,7	10,9	115,8	115,8	124,5	123,3	3,3	3,3	254,3	253,3
Lazer e Floresta	10,9	12,8	--	--	14,2	36,9	6,8	9,7	31,9	59,4
TOTAL	192,7	243,6	847,9	813,5	477,9	559,0	11,3	14,2	1.529,8	1.630,3

(a) Net value of assets under managements; (b) Includes land available for sale or rental, land from Margueira and Inventories

Reflecting the general optimistic environment of 2015 real estate market, the portfolio registered a re-structuring of its main segments, especially in Estamo, focusing now more in real estate for rent and for sale and less in real estate for urban reconversion

and territorial revaluation which are more complex and take longer to be sold.

Concerning the Group real estate business behaviour, the following frame shows a general perspective of the development of the two main business areas with a big increase in sales – due not only to demand increase, but also as a reflect of the execution of deeds, mainly in Estamo due to the amounts involved. The drop in renting is due, on one hand, to the disposal of rented property and on the other to the pressure on logistics and industrial lands.

Unit: million euro

	For Sale (*)					Rental (**)				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
Estamo	96,60	11,90	40,80	34,70	78,40	47,40	53,20	54,00	51,80	44,20
Fundiestamo (**)	--	--	--	--	--	1,45	1,39	1,37	1,38	1,36
Consest	--	--	--	--	--	--	--	--	--	--
Baía do Tejo	--	--	--	--	0,13	7,31	7,47	8,21	8,70	9,09
Lazer e Floresta	0,80	4,50	1,22	8,35	2,59	--	--	--	--	--
TOTAL	97,40	16,40	42,02	43,05	81,12	56,16	62,06	63,58	60,50	54,65

(*) Deeds Contracted; (**) Rentals and Compensation for Real State occupation; (***) Management fee

The following paragraphs describe the main features of the business of the subsidiaries of the Real Estate Management segment of PARPÚBLICA Group.

○ ESTAMO

In 2015 as result of the extinction of the sub-holding Sagestamo by merger into PARPÚBLICA its three subsidiaries - Estamo, Fundiestamo and Consest – became directly 100% owned by PARPÚBLICA.

Estamo, SA is the company of Parpublica Group with more real estate assets in the portfolio for selling, renting or urban reconversion, assessed in 2015 in the amount of 981 million euro. In the period these assets registered a contraction of 8,2% against 2014 (about 85 million euro), reflecting the book value of the properties sold and the amounts invested in recovery works of the assets (with a net impact of - 68 million euro) and also impairments in inventories and reductions at fair value in investments properties (about 16 million euro).

As in past years, the portfolio composition has been re-oriented to renting a growing

segment representing now about 57% of total real estate. The remaining business segments are becoming less and less important, both the real estate promotion with about 25% of the total, in which there are some valorization actions, such as construction feasibility studies, and real estate available for sale representing now the remaining 18% of the portfolio. During 2015, no properties acquisitions were made.

The financial year of 2015 was marked by the significant growth of the turnover amounting to 126,9 million euro - 65 million euro in 2014 -, and by the significant decrease of total financial liabilities (-17,8%), which at the end of 2015 amounted to 350,7 million euro. Operating results had increased to 33 million euro (almost more 50%), and the net result (784 positive thousand euro, against 2.702 negative thousand euro of 2014) had continued to be influenced by the impact of the accumulated effect of impairments/reductions at fair value of assets and of the still high financial expenses with interests of shareholders' loans.

The amount of sales with deed signed in 2015 reached 96,6 million euro, the highest level since the beginning of the decade (11,9 million euro in 2014 and 68,2 million euro in 2010) although the contracted sales, i.e., with sale contracts and waiting for deeds to be signed during 2016, had decreased amounting to 54 million euro (less 11 million euro than in 2014). Renting revenues and compensations for area occupation amounted to 47,5 million euro, less 10,5% than in 2014, a decrease reflecting a loss in sale revenue of rented properties. At the end of the year, trade accounts receivable was 64,9 million euro (60 million euro related to renting and outstanding compensations) with a decrease of 20,1 million euro against 2014 due to the payment of rent arrears by some public entities.

The outlook for 2016 continue to be optimistic according to the reaction shown by markets with good demand levels which will hopefully became sales as result of the ongoing promotional effort but also of a more regularity of outstanding renting payments and compensations for area occupation by public entities and of receivables of outstanding amounts of the same entities.

○ BAÍA DO TEJO

The business core of Baía do Tejo Group, SA is the management and exploitation of the business parks of Barreiro, Seixal and Estarreja and also some significant management and promoting activity in the so called lands of Arco Ribeirinho Sul.

In 2015, the total assets of Baía do Tejo, SA was 268 million euro, mainly consisting of business parks – namely Barreiro and Estarreja which were evaluated at 82,5 e 26,4 million euro, respectively. The amount of 58,2 millions euro is related to an advance made in 2010 on behalf of the purchase to the State of the former Margueira shipyards in Almada. In this financial year, the company's liabilities increased about 4%, to 32,9 million euro, consisting mainly of deferred tax and provisions related to works on historic environmental liabilities but there was no financial liabilities.

The turnover of Baía do Tejo and contrary to recent past slightly increased to 9,2 million euro, i.e., +2,2% regarding 2014, that together with the stabilization of costs and a slight increase of assets at fair value allowed a positive operating result (265 thousand euro), but however could not prevent the negative net result of 348 thousand euro mainly due to tax income. It should be worth mentioned that, despite the market boost, the main sources of income – renting and taxes on services rendered – continue under great pressure and not leaving much room against a quite strict costs structure.

In close collaboration with the related municipalities, the company continued with the strategic projects of Arco Ribeirinho Sul, as well as with the territorial and environmental requalification projects of the lands of its assets mainly of the Parque Empresarial do Seixal.

Concerning the Urban, Industrial and Port Strategy of the Zona Portuária do Barreiro e do Seixal, Baía do Tejo applied for EU funds for the building of a new deep-sea container terminal and related Logistics Industrial and Technical Annex Area (ALITA).

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 2015, Lazer e Floresta, SA, generated a negative operating result of 22,4 million euro, mainly due to inventories adjustments and decreases at fair value leading to a negative net of about 17,7 million euro that however was better than the operating result due to favourable adjustments in deferral taxes. Despite the great impact of this liability in equity, the company still has a solid financial position and the assets hedging ratio is very close to 1 therefore with no debts.

At the end of 2015, the total value of the company's biological properties and assets amounted to 57,6 million euro, recording a total net loss of 23,2 million euro, mainly due to the drop of the economical value of the tourist-real estate potential of the company's assets portfolio due to the lack of market supply. It should be noted that in the forestry inventory carried out, the main biological assets included in "forest" and assessed in about 19,4 million euro in 2014 increased 20%, to 23,7 million euro and the mains assets continue to be cork-oak and eucalyptus.

In 2014, the company has the propose to continue with the main principal guidelines adopted in the recent 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.

○ FUNDIESTAMO

In 2015, Fundiestamo, SA, a managing company of the real estate investing funds formerly part of Sagestamo Group, was managing the funds of Estamo, Fundiestamo

I and Imopoupança, with a portfolio of 29 properties and a total net value of 200,4 million euro - +7,1% than previous year – and with a net result of about 4,1 million euro at the end of the year. According to the APFIPP, these assets represented only 1,9% of the total assets of the real estate investing funds in Portugal in 2015.

With assets of 2.157,2 thousand euro, mainly consisting of available cash and bank deposits and decreasing liabilities in the amount of 390,7 thousand euro, Fundiestamo generated operating revenues in the amount of 1.728,6 thousand euro in the year, mainly due to received management fees with a growth of 5% against 2014.

The goals for 2016 shall reinforce the efforts to achieve a suitable valuation of the capital invested.

○ CONSEST

Consest, SA it's an investment vehicle only to the occasional promoting of the urban development of a land of about 59 hectares in Amadora which was bought to the State in 2002 by 52,5 million euro and assessed in the end of the year in 62 million euro.

In 2015 and as in previous years, there was no significant development in the referred project.

The process was developed based on a partnership created in 2003 with the Temple/Cottees companies. In 2015, due to a disagreement on the term of the Consortium agreement, the related arbitration clause was triggered and currently the arbitration proceedings are under way.

▪ FARMING, LIVESTOCK BREEDING AND LOGGING

Within PARPÚBLICA Group, this business continues to be exclusively managed by

Companhia das Lezírias, SA, a public capital shares company owned 100% by PARPÚBLICA.

The assets and liabilities related to this business 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 the size of the company.

The company has shown a solid and stable financial position with assets still funded almost exclusively by equity (more than 80%) and annual accounts show no bank debt situations. The assets growing to 120,8 million euro due to the fair value increase of properties and production of biological assets and the total liabilities slight increasing to 21 million euro due to the increase in deferral taxes liabilities with stable value of debts to third parties, show the general behaviour registered by big aggregates.

The operating income of the Company grew significantly and presenting again in 2015 its best result ever extending a period of successive increases in the company's share capital profitability. During the year, total revenues grew 2,2% against 2014, with an amount of 10,3 million euro, based on the increase of farm renting, operating Government grants and contraction in staff expenses together with the appreciation of cork and pinus pinaster wood which had cancelled the negative however decreasing results, of Coudelaria de Alter and agro-tourism businesses. The agricultural year was very good for corn – new productivity record – vine and olive crops and for beef cattle breeding versus the drop in forestry and equine selling.

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* having, of course, always in consideration the unpredictable weather conditions.

▪ MINT, PUBLICATIONS AND SAFETY PRODUCTS

The first observation to be made is that the relative weight of this business segment of PARPÚBLICA Group is far below the importance and history of the only company making part of it: the Imprensa Nacional, Casa da Moeda, SA (INCM).

INCM continues to present a solid financial and assets position, a rather remarkable liquidity level and the rare circumstance of no financial debts. However the future of the company is still affected by previously identified challenges to develop and strength current activities.

In 2015, the turnover of INCM amounted to a total of de 91,1 million euro, meaning a growth of 8,5% in comparison with previous year. The referred amount also includes an item related to the project for destruction of coins (Escudo) which is now being completed, representing 8 million euro in sales, i.e. more than the 5,5 million euro in 2014. At the current activities level, graphic products have still a big importance representing 65% of total business. However sales related to mint, namely to current currency, recorded an increase of more than 50% in the amount of about 19 million euro, which in 2015 represented 18,5% of turnover in comparison with 12,5% from the previous year.

In 2015, the company's performance was positive as a whole with a net result of 19,9 million euro, slightly higher than previous year with 17,5 million euro, allowing a balance sheet structural reinforcement since equity, amounted to 92,8 million euro, that represents now 71% of assets against 66% in 2014.

Other positive factors in the amount of 3,3 million euro contributed to the 2015 net result. The referred factors were related to the amendments of the legal frame of INCM under Decree Law nr 235/2015 of October 14 which established that some costs that up till now were responsibility of INCM passed on to the Serviço Nacional de Saúde being the related provisions reversed.

Under the referred law, the new INCM Statutes were approved fully complying with the related legislation namely the Trade Companies Code and Decree Law nr 133/2013, of October 3.

▪ **AIR TRANSPORT AND RELATED**

As well known and as result of its re-privatization process in 2015, the disposal of the majority shares of TAP, SGPS, SA was carried out at November 12. According to the accounting standards in force, the income up to the date of the transaction shall be owned by the shareholder at that time and so the net result of TAP Group from January 1 till that date (143,1 million euro loss) was considered in the consolidated income of PARPÚBLICA Group. It should be noted that in annual terms TAP Group presented a negative consolidated income of 151,7 million euro.

Despite the recent years negative results of TAP Group, the loss in 2015 was particularly significant reflecting exceptional situations and with a strong negative impact. It is worth noted the impact of a long 10 days strike in May 2015, causing significant problems in service delivery and with the related impact both in receipts and in the increase of costs. Still more significant was the impact (91,3 million euro) of the recognition of the impairment of cash resources held in Venezuela and denominated in Venezuelan Bolívar. This decision was made taken into consideration the evolution of this currency price and the administrative measures adapted to its exchange or repatriation. TAP Group had also to face a rather negative evolution of the economic environment of the main markets in which it operates such as Angola and Brazil, which would explain the decrease in sales. Besides the unfavourable development of the air transport business, also the maintenance in Brazil had a negative performance with more accumulated loss.

The compliance with the strategic guidelines and foreseen investments, as well as with the foreseen operations in the capitalisation plan within the re-privatization, should allow the Group to continue in a consistent track towards a financial viability

to ensure the public service relating its business and to contribute in a positive way to creating value in Portugal.

▪ WATER AND WASTE

Water and Waste is by far the most significant operating activity within PARPÚBLICA Group, even considering that PARPÚBLICA's investment in AdP – Águas de Portugal, SA is only 81%, and the remaining is held by Parcaixa, SGPS, SA.

AdP Group suffered significant structural changes in 2015. Besides the EGF's disposal, a sub-holding of the urban solid waste management area, the corporate structure of the subsidiaries suffered a deep reorganisation through a territorial aggregation of the companies. As a result the number of the subsidiaries significantly decreased.

AdP Group business generated in the year a net profit of 185,3 million euro, including 78,4 million euro related to the capital gain on the sale of EGF. The referred privatization generated a profit of 154,4 million euro that according to the related legal proceedings was entirely invested in the payment of debts of AdP Group's companies helping the contraction of 12% of the financial debt of the Group which amounted to 2.414 million euro at the end of 2015 representing 38% of the consolidated indebtedness of PARPÚBLICA Group. It should be mentioned that in recent years the Group's indebtedness kept a downward trend and mainly comprises fixed rate loans with a maturity higher than 5 years and EIB is the main funding entity.

In what business is concerned, there was in 2015 an increase in turnover of almost 30% despite the slight decrease of about 3,3% in sales and services rendered.

In what assets are concerned, the consolidated balance sheet of Adp Group shows that

the group uses own funds in the amount of 1,4 billion euro, i.e. 7,6 % more than in 2014. However Group's liabilities includes the amount of 1,6 billion euro of funding Government grants which in practice are considered non-current liabilities and so own funds and similar amounted to more than 3 billion euro, i.e., almost half of consolidated assets.

▪ WHOLESALE MARKETS

SIMAB, SA - Sociedade Instaladora dos Mercados Abastecedores, SA is 100% owned by PARPÚBLICA Group since January 2013. Concerning the big aggregates, the total assets and liabilities of SIMAB Group represent less than 2% 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.

In 2015, the Group's turnover decreased 3% in comparison with previous year, to 15,4 million euro. Unlikely 2014, this change was almost entirely due to the contraction in access fees. However, core revenues slightly grew due to the overall occupancy rate in all Markets which reached the highest occupancy rate ever. Excluding the non-recurring factors, the consolidated operating income grew to 7,2 million euro and income before taxes to 6,2 million euro (+15,5%). The results reflected a slight increase in commercial activity together with (again) a severe drop of the financial expenses of the Group (-44%), related to a decrease of the main items of the expenses.

Bank loans, despite continuously decreasing (drop almost 38 million euro from 2009 up till the end of the year) are considered as a key-point of the SIMAB Group

management. It is now consolidated at a medium/long term in the amount about 67,5 million euro. It should be mentioned that the most important amount of bank loans of the Group concerns to EIB loans for the construction of the wholesale markets of Lisbon, Faro and Braga, in the total amount of 436,5 million euro at the end of 2015. In terms of assets, the biggest part is represented by the infrastructures of support to market commercial activity in the amount of almost 140 million euro. It should be noted that the consolidated net income (8,1 million euro) was highly influenced by the increase in impairment reversals with a net amount of about 11 million euro.

In 2015, only MARB was still presenting negative results worsening the negative equity which is higher than the loss of half the share capital. Despite the positive income, MARF also continues to record a similar position.

The SIMAB Group's planned strategy is mainly based on the continuing consolidation of affiliates and on the financial recovery plan but also on exploring other business opportunities generated by the business and the related infra-structures.

▪ **SUNDRIES**

"Sundries" includes assets and liabilities of companies of the Group whose business has no relevance as to be considered as one independent segment, such as Sage secur, SPE and Circuito do Estoril (CE).

○ **SAGESECUR**

Sage secur- Sociedade de Estudo, Desenvolvimento e Participação em Projetos, SA is an instrumental company for the development of specific businesses mainly of public interest. Its activity determined by its shareholders, PARPÚBLICA and Parcaixa. The main asset of the company is the rolling stock used in the Northern/Southern railway which was subject to operating lease to Fertagus and the activity entirely covered by shareholders' loans. Along recent years, those loans have been continuously paid by

the allocation of free resources generated by business.

In 2015, the company generated a net profit of 856,8 thousand euro. This result was much higher than in 2014 (640,7 thousand euro) and it was due to the decrease of interest paid thanks to the decrease of both the interest rate and the debt value.

At the beginning of 2016, the company was reclassified integrating now the universe of public managements.

○ CE – CIRCUITO DO ESTORIL

Circuito do Estoril, SA, 100% owned by PARPÚBLICA, is the owner of the Estoril racetrack and responsible for its business and profitability. In 2015 the company had a record occupancy of its infrastructures which led to a net profit of 1 million euro, due to a more dynamic commercial strategy that began in 2014 and based in profiting better market conditions as well as in an internal reorganisation process that led to a significant contraction of operating costs. This position was achieved 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 which led to a significant decrease of the company's share capital. In 2015, Parpublica signed a purchase contract of Circuito do Estoril, SA's shares with Câmara Municipal de Cascais which was not approved in 2016 by the Court of Auditors.

○ SPE

In what SPE – Sociedade Portuguesa de Empreendimentos, S.A. is concerned, 2015 was marked by the Agreement signed with Endiama relating the disposal of the SPE investment in the share capital of SML – Sociedade Mineira do Lucapa, establishing the terms of the resolution of the legal conflict between Endiama and the Angolan State against SPE, PARPÚBLICA and the Portuguese State. Under this Agreement, after long negotiations between all parties, legal proceedings were cancelled until the fulfilment of the agreed transactions implying the payment to SPE of the amount of 130 million US Dollar, according to a timetable which has been adhered to and if it will continue to be so, the conclusion of the process will take place at the end of the current year.

Since SPE investment in SML is its main assets, this Agreement had a significant impact in the financial and assets position of SPE, leading to a positive share capital of 1,2 million euro. This situation is due to the impairment reversal related to the value of the investment in SML since it was inoperable and to the dispute with ENDIAMA. The referred situations where the reason why there were no expectations as to the return of the investment until the signature of the Agreement in 2015.

According to the new situation, there is now justified hope that SPE is going to comply with all its duties, namely with creditors. PARPÚBLICA is SPE's main creditor and in recent years entirely supported the company's activity through loans namely for legal costs payment. Besides PARPÚBLICA owning 81,1% of the share capital, also thousands of small private shareholders of SPE could now anyway have some profit from their investments.

▪ FURTHER EVENTS

Following the re-privatization of TAP, SGPS, SA it is worth mentioned that in February 6 of 2016, a Memorandum of Understanding was signed between the Portuguese State and Atlantic Gateway foreseeing the reacquisition by PARPÚBLICA of the representative share capital of TAP, SGPS, SA and therefore the former became owner of 50% of the company's share capital. The conclusion of this operation is pending on the related contractual arrangements and on some conditions and approvals, namely from the Portuguese National Civil Aviation Authority.

At the date of the current report, the Board of Directors was not yet aware of the definitive and concrete terms of the referred Memorandum of Understanding.

➤ SUMMARY AND CREDITS

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, for the vote of confidence and support given to the accomplishment of the strategic goals.

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 and fulfilment of the Company's mission mainly during a specially demanding year of internal structural reorganisation and processes drawing following the Real Estate re-structuring of PARPÚBLICA Group.

To Dr. Vasco Noronha, press and communications secretary of the Company, who during the year sadly and suddenly disappeared, we expressed our deepest regret and special and posthumous gratitude for all the collaboration, commitment, professionalism and dedication to the company during several years of joy and contagious good humour which he always presented us.

Finally, we also address a word of gratitude to all our partners, namely financial institutions and investors for the contribution and trust shown over time.

➤ **RESULTS APPLICATION PROPOSAL**

The separate financial statements concerning the year ended at 31 December 2015, present a positive net income of **595.284.925,34 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.

Lisboa, 29 of April of 2016

THE BOARD OF DIRECTORS

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 Letter 712 of February 12 of 2016 that establishes the need of the 2015 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.

Thus the responsible ministries (in PARPÚBLICA case, the Ministry of Finance) issue the related guidelines applicable to each company and establish the objectives to be achieved by the public companies. Accordingly, PARPÚBLICA: i) signs management contracts with the Company Directors and ii) annually elaborates its Activity and Budget.

In 2015 and in what PARPÚBLICA was concerned, the significant restructuring of the Group Real Estate was approved under Order nr 567/15, of April 22, of the Secretary of State for the Treasury. Accordingly and at the end of the first half of the year the 1st stage of the referred restructuring took place by merging the total assets of SAGESTAMO – Sociedade Gestora de Participações Sociais Imobiliárias, SGPS, S.A. in PARPÚBLICA, with accounting effects as from 1 January 2015.

This process led to the implementation of a new internal organizational restructuring process due to the fact that PARPÚBLICA began concentrating the general management and supporting areas (legal, financial, accounting, human resources, IT and communication) to the benefit of all restructured companies of the Group

(“shared services”).

The referred restructuring process will bring a significant added value relating the generated advantages and benefits from the synergies resulting from the concentration of efforts and the incorporation of several operating, administrative and financial structures, the simplification and improvement of the management by eliminating the dispersion of means through rationalizing technical, human and financial resources.

Furthermore in 2015, PARPÚBLICA integrated the Public Administrations accounting perimeter for the first time causing an additional effort of the company and the administrative and financial procedures to adjust to the new reality.

Concerning specific purposes during 2015, PARPÚBLICA carried on the privatization plan established by the Government through the privatization of 61% of TAP-S.G.P.S., S.A.”¹⁰ share capital by a reference direct sale and through the conclusion re-privatization of Empresa Geral de Fomento, S.A. (EGF)¹¹, a company majority held by “Águas de Portugal-S. G. P. S., S.A..

Also in 2015, a contract was signed between Sociedade Portuguesa de Empreendimentos, S.A. (SPE) and “Empresa Nacional de Diamantes de Angola – ENDIAMA, U.E.E.”, aiming to sell to ENDIAMA the investment of SPE in Sociedade Mineira do Lucapa Lda. The conclusion of this agreement is expected during 2016 putting an end to a dispute with more than three decades.

Concerning general economic-financial purposes, it should be mentioned the ongoing decrease of company’s operating costs, as hereafter more detailed in “Reduction of Operating Costs”, being worth mentioned the significant decrease of the Average Payment Term to trade creditors from 92 days in 2014 to only 8 days in the end of 2015.

Concerning profit and loss, the year 2015 was one of the best years in the history of PARPÚBLICA, with a positive net result of about 595,3 million euro. In terms of indebtedness, a rather positive evolution was registered with a decrease of about

¹⁰ Approved by Decree Law 181-A/2014 of 24 of December

¹¹ Approved by Decree Law 45/2014 of 20 of March

5,42% against 2014.

➤ **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 as well as its assessment and compliance during 2015:

Financial Risk Management	Fulfilled			Description of Adopted Measures
	Yes	No	Not applicable	
Adopted procedures concerning risk evaluation and related hedging				
Diversification of funding instruments			X	Several instruments relating loans from previous years are still in force in the company. As from 2015 and after the company's classification as RPC, there is no access to external funding sources. In 2015, funding needs were covered by DGTf's cash transfers as share capital not fully paid.
Diversification of available interest rates			X	See previous comment. The DGTf's cash transfers to Parpública were made as payment of share capital. However, there are still different interest rates (61% in fixed rate and 39% in variable rate) in what the funding structure in force is concerned.
Diversification of creditors			X	Several loans from previous years are still in force in the company with diversification of creditors in the capital markets (bonds, exchangeable bonds and syndicated loan). Ibidem in what the company's reclassification is concerned.
Contract of risk hedging instruments considering market conditions			X	Three interests structures of interests rate swap from previous years are still in force in the company connected to a loan that was transferred to PARPÚBLICA. These structures are now been followed by IGCP under the law.
Implementation of an active policy to strengthen permanent capital structures				
Consolidation of remunerated liabilities: to change short-term debt into ML term debt, with favourable conditions			X	In 2015 there was no remunerated funding
Contract of the operation that minimizes the financial cost (<i>all-in-cost</i>) of the operation			X	In 2015 there was no remunerated funding
Minimizing provision of collaterals			X	Parpública provided no guarantees.
Minimizing restrictive clauses (<i>convenants</i>)			X	In 2015 there was no remunerated funding
Measures pursued regarding the optimization of the financial structure of the company				
Implementation of a policy minimizing the allocation of debt to the investments financial hedge.	X			Whenever possible. In 2015, cash receivables as share capital was mainly use as debt payment.
Option for investments with proven social/business profitability, benefiting from EU Funds and from share capital	X			In investments and in loans to companies of the Group.
Use of self-funding and of revenue from divestment			X	In previous years as disposal of re-privatization revenues to the State and liabilities amortization of the remaining and of some of own income. In 2015, there was no disposal of re-privatization revenues to the State.
Inclusion in the Annual Report and Financial Statements				
Description of the evolution of average annual funding rate in the last 5 years	X			Annual Report
Interests annually paid regarding remunerated debt and other annual expenses	X			Annual Report and Notes
Analysis of the efficiency of the funding policy and of 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

Concerning the debt limit is established by the responsible authority , PARPÚBLICA was able in 2015 to reduce its nominal debt in 5,43% comparing to previous year and therefore complied with the upper limit established both by Law nr 82-B/2014, of 31 December¹² and by the circular letter with instructions for the projected management

¹² Cf. nr 5 of article 61

instruments for 2015¹³.

Interest-bearing Liabilities	2015	2014	2013	Variation 15/14	
	Amount (€)			Amount (€)	%
Borrowings (Current and non-current)	3.872.649.561,52	4.094.375.471,21	4.278.888.426,05	-221.725.909,69	-5,42%
...of which granted by DGTF	0,00	0,00	0,00	0,00	-
Capital Allocation Increase	0,00	0,00	0,00	0,00	-
Capital Increase by Capital Allocation	0,00	0,00	0,00	0,00	-
Adjusted Debt	3.872.649.561,52	4.094.375.471,21	4.278.888.426,05	-221.725.909,69	-5,42%

In 2015, DGTF realized the capital (paid-in) of Parpública in the total amount of 295 million euro. After this operation, the share capital of Parpública in the amount of 2.000.000.000,00 euro is realized (paid-in) in 1.322.151.031,48 euro and the remaining 677.848.968,52 euro has not yet been realized.

The evolution of the company's financial expenses during the last three years was as follows¹⁴:

Years	2015	2014	2013
Financial costs (euro)	194.508.882,56	229.375.531,44	235.269.812,36
Average financing rate (%)	4,41%	4,56%	4,52%

This shows on one hand the decrease of financing expenses (in the debt at exchangeable rate) together with the market evolution and on the other hand the change in the structure of the financing incurred by the capital paid-in during 2015.

¹³ Letter 11.156 of December 2 of 2014

¹⁴ Financing expenses are recognized using the effective interest through measurement of the financial liabilities at amortised cost.

➤ AVERAGE PAYMENTS TERM

The evolution of the Average Payments Term (APT) 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:

APT	2015	2014	Variation 2015/2014
Term (days)	8	92	-91,30%

At the end of each quarter, the average payments term to trade creditors of every public entity is defined by the following ratio:

in which:

$$PMP = \frac{\sum_{t-11}^t DF}{\sum_{t-11}^t A} \times 365$$

DF = corresponds to the short term debt to trade creditors at the end of each quarter

A = corresponds to purchases of goods and services during the quarter, regardless payment

The evolution of the APT comes from a past eventual accumulated balance in trade creditors caused by high value invoicing to services providers during several current privatizations. As the above referred ratio has some conceptual restraints as it does not considered the time in which those balances are “alive” and considers the weight of the balances for 12 months (moving average) regardless the payment of the referred debts, we may consider that it does not reflect the company’s reality during 2014 and help us understand the adjustment achieved during 2015.

At the end of 2015, there were no arrears as shown in the following paragraph.

➤ PAYMENT DELAY DISCLOSURE (“ARREARS”)

Outstanding Debts	Amount (€)	Outstanding Debts under Art. 1.º DL 65-A/2011 (€)			
	0-90 days	90-120 days	120-240 days	240-360 days	> 360 days
Aq. Goods and Services	4.097,66	0,00	0,00	0,00	0,00
Aq. Equity	0,00	0,00	0,00	0,00	0,00
Total	4.097,66	0,00	0,00	0,00	0,00

* Position Map at 31/12/2015 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 following article after a 90 days period, or more, over the convened date for the invoice payment, or, in its absence, over the invoice date.

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

➤ RESULTS ACCORDING TO SHAREHOLDERS RECOMMENDATIONS

At the Annual Shareholders’ General Meeting held in 29 May 2015, the State as sole shareholder recommended that, till the end of July of 2015, it should receive a report about the effect of the price of Galp shares in the accounts reported at the end of the first quarter of 2015 considering the impact of that price in the company’s profit and loss.

In a letter of 28 July 2015¹⁵, PARPÚBLICA informed the shareholder about the impact of the price of Galp’s shares in the Company’s accounts reported at the end of the 1st quarter of 2015, namely a positive effect in profit and loss of 112.526.750,91 euro and a positive effect in the share capital of 8.575,35 euro. This tendency would be confirmed till the end of the year.

¹⁵ Letter PARPÚBLICA REF 23503 of July 28 of 2015 – “Valorização Ações GALP” (“Price Galp’s Shares”)

➤ REMUNERATIONS

- Governing Bodies
- General Assembly

Concerning the remunerations of the members of the board of the General Assembly, reductions took place under Law nr 75/2014 of September 12, and the remuneration reversal under article 4, being reverted 20% from 1 January 2015, presenting the related amounts:

Mandate (Beginning-End)	Position	Name	Fixed Remuneration Statute (€)	Annual Remuneration 2015 (€)			
				Gross Value (1)	Reductions (2)	Reversals (3)	Final Value (4) = (1)-(2)+(3)
2013-2015	BGAC	Elsa Maria Roncon Santos	650,00	650,00	78,00	26,00	598,00
2013-2015	BGAVC	Bernardo Xavier Alabaça	525,00	525,00	63,00	21,00	483,00
2013-2015	BGAS	Maria Luisa da Silva Rilha	400,00	400,00	48,00	16,00	368,00

Caption:

BGAC	Board of the General Assembly Chairment
BGAVC	Board of the General Assembly Vice-Chairment
BGAS	Board of the General Assembly Secretary

– Board of Directors

In 2015, the Board of Directors composition was as follows:

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

Caption: WUD - Written Unanimous Decision

GA - General Assembly

OOPR – Option for Origin Position Remuneration

AG - Assembleia Geral

O/D - Origem / Destino

PCA - Presidente do Conselho de Administração

PCAud - Presidente da Comissão de Auditoria

MCAvaliação - Membro da Comissão de Avaliação

MCAud - Membro da Comissão de Auditoria

Concerning remunerations, management contracts and other benefits, 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.

Therefore and under nr 6 of article 28 of the Public Manager Statute¹⁶, the remunerations earned by the social bodies' members during 2015 were approved by the sole shareholder in the General Assembly of 29 May 2015, in which the social bodies' members were elected under the applicable rules to public companies and legal established criteria¹⁷. In this context it should be mentioned that PARPÚBLICA was classified as an "A", when fixing the monthly remuneration of public managers.

¹⁶ Approved by Decree Law nr 71/2007, of March 27 with the amendments introduced by Decree Law nr 8/2012, of January 18

¹⁷ 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 (€)	
			Monthly 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 82-B/2014 of December 31, which approved the 2015 State Budget.

Likewise and concerning the remuneration of the members of the Board of Directors, the remuneration reductions were made under Law nr 75/2014 of September 12, and the remuneration reversal was made under the related article 4, being reverted 20% as from 1 January 2015. On the other hand, the reduction of 5% was maintained under article 12 of Law 12-A/2010 of June 30.

Name	Annual Remuneration (€)					
	Variable	Fixed **	Gross (1)	Reductions (2)	Reversals (3)	Final Value (4) = (1)-(2)+(3)
Pedro Macedo Santos Ferreira Pinto	-	107.587,70	107.587,70	15.600,22	2.044,17	94.031,65
Carlos Manuel Durães da Conceição	-	86.070,16	86.070,16	12.480,17	1.635,33	75.225,32
José Manuel Pereira Mendes de Barros	-	86.070,16	86.070,16	12.480,17	1.635,33	75.225,32
Fernanda Mouro Pereira	-	21.364,98	21.364,98	1.068,25	0,00	20.296,73
Maria João Dias Pessoa de Araújo	-	21.364,98	21.364,98	3.723,74	454,37	18.095,61
Pedro Miguel Nascimento Ventura	-	21.364,98	21.364,98	3.723,74	454,37	18.095,61
Total	-	343.822,96	343.822,96	49.076,29	6.223,56	300.970,23

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

The social benefits values granted to the Board of Directors members under article 34 of the Public Manager Statute were as follows for 2015:

Name	Social Benefits (€)							
	Meal Allowance		Social Protection System		Health Insurance	Life Insurance	Other	
	Value per day	Value paid	Entity	Value			Entity	Value
Pedro Macedo Santos Ferreira Pinto	-	-	SS	10.541,86	2.753,00	-	-	-
Carlos Manuel Durães da Conceição	-	-	CGA	5.874,96	1.101,20	-	-	-
José Manuel Pereira Mendes de Barros	-	-	CGA	9.840,15	1.317,38	-	Fundo de Pensões	5.313,67
Fernanda Mouro Pereira	-	-	SS	2.232,59	-	-	-	-
Maria João Dias Pessoa de Araújo	-	-	SS	-	-	-	-	-
Pedro Miguel Nascimento Ventura	-	-	SS	1.990,47	-	-	-	-

In 2015 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 Positions		
	Entity	Position	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
Carlos Manuel Durães da Conceição	Margueira - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Chairman of the Board of Directors (**)	Public
José Manuel Pereira Mendes de Barros	Sagesecur - Soc. De Estudos, Desenvolvimento e Participação em Projectos, SA	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
Maria João Dias Pessoa de Araújo	Direção-Geral do Tesouro e Finanças	General Manager	Public
Maria João Dias Pessoa de Araújo	Parque Expo 98, S.A	Chairman of the Board of	Public
Maria João Dias Pessoa de Araújo	Portugal Capital Ventures - Sociedade de	Supervisory Board Member	Public
Maria João Dias Pessoa de Araújo	PME Investimentos - Sociedade de	Audit Committee Member	Public
Pedro Miguel Nascimento Ventura	Direção-Geral do Tesouro e Finanças	General Manager	Public
Pedro Miguel Nascimento Ventura	REFER, E.P.E.	Audit Committee Member	Public
Pedro Miguel Nascimento Ventura	Fundação Abreu Callado, IPSS	Audit Committee	Public

(*) Until May 27 of 2015

(**) Since 16/12/2015

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 2015 was as follows:

Name	Cell Phones Expenses (€)		
	Monthly Plafond	Annual Value	Comments
Pedro Macedo Santos Ferreira Pinto	80,00	531,55	-
Carlos Manuel Durães da Conceição	80,00	518,09	-
José Manuel Pereira Mendes de Barros	80,00	589,44	-
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 2015 as follows:

Name	Vehicle Expenses								
	Vehicle	Contract	Reference Value (€)	Type (1)	Beginning	End	Monthly Installment (€)	Annual Value (€)	Nr. of Remaining Installments
Pedro Macedo Santos Ferreira Pinto	Y	Y	40.000,00	LTR	2013	2017	417,00	5.004,00	17
Carlos Manuel Durães da Conceição	Y	Y	38.303,78	LTR	2014	2018	352,59	4.231,08	37
José Manuel Pereira Mendes de Barros	Y	Y	44.219,00	LTR	2012	2016	436,00	5.232,00	11
Fernanda Mouro Pereira	N	-	-	-	-	-	-	-	-
Maria João Dias Pessoa de Araújo	N	-	-	-	-	-	-	-	-
Pedro Miguel Nascimento Ventura	N	-	-	-	-	-	-	-	-

Caption: (1) acquisition / LTR / Leasing or other

Other expenses with the above mentioned vehicles for company's executive directors under article 33 of the Public Manager Statute were in 2015 as follows:

Name	Monthly Plafond (*)	Annual Vehicle Expenses (€)				Comments
		Fuel	Tolls	Maintenance (**)	Insurance	
Pedro Macedo Santos Ferreira Pinto	500,17	2.224,48	1.063,40	1.163,73	781,56	-
Carlos Manuel Durães da Conceição	400,13	1.042,67	260,80	1.011,96	706,92	-
José Manuel Pereira Mendes de Barros	400,13	1.711,98	850,35	973,08	793,20	-
Fernanda Mouro Pereira	-	-	-	-	-	-
Maria João Dias Pessoa de Araújo	-	-	-	-	-	-
Pedro Miguel Nascimento Ventura	-	-	-	-	-	-

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

(**) Includes maintenance amounts foreseen in renting contracts

Annual travel expenses of company's executive directors were in 2015 as follows:

Name	Annual Travel Expenses (€)					
	Travel	Lodging	Travel Allowances	Other		Total Travel Expenses (Σ)
				Type	Value	
Pedro Macedo Santos Ferreira Pinto	87,90	0,00	0,00	-	-	87,90
Carlos Manuel Durães da Conceição	648,35	0,00	0,00	-	-	648,35
José Manuel Pereira Mendes de Barro	30,65	0,00	89,35	-	-	120,00
Fernanda Mouro Pereira	1.470,85	-	-	-	-	-
Maria João Dias Pessoa de Araújo	-	-	-	-	-	-
Pedro Miguel Nascimento Ventura	-	-	-	-	-	-

○ Statutory Auditor

The Statutory Auditor remuneration is made according to the guidelines relating remunerations in force in 2015.

Mandate	Position	SROC/ROC Name			Name			Nr. Of Mandates
(Beginning-End)		Name	OROC Nr	CMVM Nr	Doc	Date	Contract	
2013-2015	SROC	Grant Thornton & Associados, representada pelo Dr. Carlos António Lisboa Nunes	67	314	WUD	25-11-2013		3
2013-2015	Alternate ROC	Pedro Miguel Raposo Lisboa Nunes	1202		WUD	25-11-2013		1

Nome	Annual Remuneration 2015 (€)			
	Gross (1)	Reductions (2)	Reversals (3)	Final Value (4) = (1)-(2)+(3)
Grant Thornton & Associados, representada pelo Dr. Carlos António Lisboa Nunes	67.500,00	-	-	67.500,00
Pedro Miguel Raposo Lisboa Nunes	-	-	-	-

* under Order nr 2174/13-SET, of November 22, concerning the "Remuneration Statute of the ROC and External Auditor of Parpública"

○ External Auditor

The External Auditor remuneration is made according to the guidelines relating remunerations in force in 2015.

External Auditor(SROC/ROC)			Contract		Annual Remuneration (€)			
Name	OROC Nr	CMVM Nr	Date	Period	Value of services rendered ** (1)	Reductions (2)	Reversals (3)	Final Value (4) = (1)-(2)+(3)
Grant Thornton & Associados, representada pelo Dr. Carlos António Lisboa Nunes	67	314	27-11-2013	2013-2015	67.500,00 *	-	-	67.500,00 *
* under Order nr 2174/13-SET, of November 22, concerning the								
** includes services rendered by ROC and External Auditor								

○ Remaining Workers

The remaining company workers remunerations were reduced according to Law nr 75/2014 of September 12, and the remuneration reversal was made under the related article 4, being reverted 20% as from 1 January 2015.

The total reductions of the year amounted to 142.893,64 euro, while the total remuneration reversals amounted to 27.378,13 euro.

Moreover no remuneration increases were paid under article 38 of Law nr 82-B/2014 of December 31, which approved the 2015 State Budget.

➤ SUSPENSION OF COMPLEMENTARY PENSION BENEFITS PAYMENT

The suspension of complementary pension benefits payment by companies with the last three negative net results¹⁸ is not applicable to PARPÚBLICA.

¹⁸ Cf. nr 3 of art 78 of Law 82-B/2014, of December 31

➤ UNDOCUMENTED EXPENSES

According to nr 2 of art 16 of Decree Law nr 133/2013, of October 3, is herein confirmed that no undocumented expenses were made.

➤ REMUNERATION DISTRIBUTION BY GENDER

According to nr 2 of the Resolution of the Council of Ministers nr 18/2014 of March 7, the frame below shows the remuneration distribution by gender including the members of the Board of Directors:

YEAR 2015		
Gender	Nr	Remunerations Paid €
Women	23	723.592,00
Men	21	1.513.186,00
TOTAL	44	2.236.778,00

NOTE: The above frame includes 3 former workers of Portucel, merged in Parpública in 2005, and to whom a retirement benefit is paid

As result of the merger process ended in 2015 and already mentioned above, the implementation of an internal organisational re-structuring began and there is an ongoing review of the plans and processes relating the new organisational drawing.

Under nr 2 of the mentioned RCM, a report will be issued and disclosed after the approval of all the updating issues.

➤ COMPLIANCE WITH ARTICLE 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 Internal Regulation called Regulation for the acquisition of goods and services, leasing and works contracts by PARPÚBLICA disclosed in the company's website.

○ Internal procedures for goods and services contracting

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, leasing 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 shall be carried out afterwards. 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 abbreviated.

○ Compliance with the Public Recruitment Rules by the subsidiary companies of PARPÚBLICA

- Public Contract - Companies majority owned by PARPÚBLICA	Fulfilled			Quantification	Justification
	Yes	No	Not applicable		
Bala do Tejo, S.A.			X		Entity that is in competition.
Lazer&Floresta S.A.			X		The internal Regulation is applicable for acquisition and contract of goods and services, leasing and works contract.
INCM, S.A.	X				
Companhia das Lezírias, S.A.	X				Given the nature of its proven activity with industrial or commercial character, Companhia das Lezírias does not fit the type of entities covered by public procurement
CE - Circuito Estoril, S.A.			X		Company in competition
SPE - Sociedade Portuguesa de Empreendimentos, S.A.			X		According to the obtained legal advice, the public procurement rules doesn't apply to the Company.
Sagesecur, S.A.			X		The internal Regulation is applicable on this subject
ESTAMO, S.A.					The internal Regulation is applicable on this subject
Consest, S.A.					The internal Regulation is applicable on this subject
Fundiestamo, S.A.					The internal Regulation is applicable on this 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: Corporate Governance Reports and / or management reports of the Affiliated

○ Acts or contracts of over 5 million euro

Not applicable.

➤ ANNUAL REPORT ON PREVENTION OF CORRUPTION

PARPÚBLICA has a Prevention Plan of Risk of Fraud, Corruption and Related Infractions drawn up in 2010 under the deliberations of the Corruption Prevention Council (“CPC”) relating to the assessment of the strategy of corruption risk management and related infractions.

In order to comply with the goals established by the Plan, a Risk of Fraud Management Policy was designed to be applied to all company's employees, suppliers and other third entities acting in name of the company, and that

- i) includes the definition of fraud, corruption and related infractions and the company's position concerning this kind of infractions,
- ii) details the main measures and behaviors to be followed to prevent, detect and answer to fraud, corruption and related infractions,
- iii) assigns responsibilities within the company and
- iv) describes the content of the related periodic reporting to be elaborated by the Board of Directors.

The above mentioned policy is in force in the company since 31 March 2010, was reviewed for the last time in February of 2015 and is disclosed in the website of the company on the *link* below:

http://www.parpublica.pt/newsfiles/Politica_Gestao_Risco_Fraude_VFfinal2015.pdf

Meanwhile and under Order nr 567/15, of April 22, of the Secretary of State of the Treasury, the re-structuring of PARPÚBLICA Group Real Estate was approved and at the end of the first quarter of the year the first stage of the process was already concluded consisting in the merger by the incorporation of the entire assets of Sagestamo in PARPÚBLICA, with accounting effects as from 1 January 2015.

As already mentioned above, as result of this merger process the implementation of an internal organisational re-structuring began and PARPÚBLICA will concentrate the general management and supporting areas (legal, financial, accounting, human resources, IT and communication) to the benefit of all restructured companies of the Group ("shared services").

The complete functioning and migration to this new organisational environment happened since 1 January 2016, having always place for some adjustments regarding practical arising issues.

However, the review to all components of the anti-fraud policies and controlling mechanisms and current tools began in order to avoid and prevent risks of organisational fraud as they are updated, suitable and applied not only to every process and every worker of the companies involved in the new organisational drawing but also to services suppliers and third parties related.

After approval of the mentioned updating components, the new policies shall be disclose in the company's website and the audit procedure of the administrative and operating processes shall take place to allow the issuing and disclosure of the report relating prevention of corruption concerning 2015.

➤ 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 this year related to the current 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 2015 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.

There are less 2 vehicles in 2015 against 2014. On the other hand, related expenses decreased about 19,1%.

➤ REDUCTION OF OPERATING COSTS

○ Costs Reduction Plan

In 2015, a re-structuring process of PARPÚBLICA Group Real Estate has begun and was divided into two stages:

- 1st stage – merger by incorporation in Parpública of “Sagestamo”, an holding designed for Real Estate. This re-structuring process ended with the registration of the merger at 1 July 2015 and with retroactive accounting effects from January 1.
- 2nd stage – merger by incorporation in “Estamo”, a subsidiary company 100% held by PARPÚBLICA, of two entirely public companies with similar business aims as they all are connected with real estate management and promotion: “Consest” and “Lazer e Floresta”.

The above mentioned merger was intended to concentrate on a sole legal entity all the activities performed in Portugal by the merged companies by rationalising and incorporating in a whole coherent and with the same type of management discipline, the performance of the related economic activity, i.e. the management of the holding companies of this business area.

During 2015, the merger process was already concluded with the integration of Sagestamo, SGPS, and PARPÚBLICA concentrating the general management and supporting areas (legal, financial, accounting, human resources, IT and communication) to the benefit of all restructured companies of the Group (“shared services”) thus avoiding the multiplication of departments and of several costs.

For accounting purposes, the incorporation of Sagestamo began at January 1 of 2015 and therefore a simple judgement and analysis of the frame of the Costs

Reduction Plan (CRP) will be biased since it will be not possible to make a linear comparison with 2014.

Nevertheless, a new column was added in the frame below for the year 2014, which includes the sum of every business item of that year for PARPÚBLICA and for Sagestamo. With this procedure, it was intended to enable the comparison between 2015 and 2014:

*** 2015 includes Sagestamo. 2010 only considers Parpública situation

The above table shows that when comparing year 2015 with year 2014, in which Parpública's situation is added to Sagestamo, the provisions and guidelines concerning legal rationalisation and adjustment of costs were followed mainly in what FSE is concerned. A slight worsening is verified in Staff Costs mainly due to post-employment benefits and expenses supported by Fundo de Pensões (Pension Fund) of Portucel, whose values are unpredictable due to the annually actuarial study of the financing of that Fund. The partial reversal of the remuneration cuts established by the Government in 2015 also contributed for this situation.

The weight increase in operating costs in Turnover is caused by the decrease of the latter. PARPÚBLICA's turnover comes mainly from the collection of the subsidiaries dividends which have been decreasing during the last years due to alienations under the privatizations program.

- **Costs reduction with Communications, Travel and Lodging**

Still comparing 2015 with 2014 in which the algebraic sum of PARPÚBLICA's position with Sagestamo was considered, in 2015 costs with communication decreased about 24% and travel and lodging costs decrease 66% which complies with the aim of the merger, namely costs reduction and value creation and more efficiency due to the synergies achieved.

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

Following the merger process in 2015, as above mentioned, it is impossible to comply with the referred goal since PARPÚBLICA has incorporated all the workers of the incorporated company (Sagestamo), related to staff reductions in the companies where they originally worked.

➤ PRINCIPLE OF STATE CASH UNITY

PARPÚBLICA do not have to comply with the Principle of State Cash Unity concerning financing operations and custody of securities as stated in Order nr 441/15-SEPT, of March 31. Despite the above mentioned exception, PARPÚBLICA has its availabilities in IGCP, and the centralization rate was of 96,37% at the end of 2015.

➤ AUDITS HELD BY THE COURT OF AUDITORS

In 2015, the Court of Auditors continued the auditing to the privatization processes carried out since 2011. During the year, only one lawsuit was contested regarding one process and no report and/or recommendations were received for disclosure.

➤ INFORMATION IN THE SEE (STATE ENTERPRISE 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 31 December 2015, the following information was disclosed in the SEE site:

Information to be disclosed 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	Y		
- Members of the Governing Bodies	Y	31-12-2015	
- Fixed remuneration statute	Y	31-12-2015	
- Disclosure of remunerations received by the Governing Bodies	Y	31-12-2015	
- Functions and responsibilities of the members of the Board of Directors	Y	31-12-2015	
- Curricula of the members of the Governing Bodies	Y	31-12-2015	
Public Financial Effort	Y	26-02-2016	
Summary	Y	02-06-2015	
Historic and current Financial Information	Y	02-06-2015	
Principles of Good Governance	Y	02-06-2015	
- Mandatory internal and external regulations	Y	02-06-2015	
- Relevant Transactions with related entities	Y	02-06-2015	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 in the following areas :	Y	02-06-2015	
Economic	Y	02-06-2015	
Social	Y	02-06-2015	
Environmental	Y	02-06-2015	
- Evaluation of the compliance with the PoGG	Y	02-06-2015	
- Code of Ethics	Y	20-02-2015	

➤ SYSTEMATIZATION OF INFORMATION ABOUT COMPLIANCE WITH LEGAL GUIDELINES

Compliance with Legal Guidelines	Fulfilled			Quantification/Identification	Justification/Report Paragraph
	Yes	No	Not applicable		
Management Goals:					
<u>General</u>					
Reduction of operational costs	X			100%	See related item "Reduction of Operational Costs"
Maximum increase of debt	X			100%	See related item "Financial and Debt Risk Management"
<u>Specifics</u>					
Fulfillment of re-privatization plan	X			100%	Of what was established by the Supervision Entity
Follow-up of participated companies	X			100%	
Financial Risk Management	X			4,41% in 2015 relating to 4,56% in 2014	See related item "Financial and Debt Risk Management"
Limits of Indebtedness Growth	X			Absolute var. 2015/2014 = 221.725.909,69 € (-5,42%)	See related item "Financial and Debt Risk Management"
Trade Creditors APT Evolution		X		less 84 days than 2014 APT	See related item "Average Payment Term"
Disclosure of Payments Delay ("Arrears")	X			total "Arrears" at 31.12.2015 = 0 €	See related item "Disclosure of Payments Delays (Arrears)"
Shareholder Recommendations in the Approval of Previous Accounts:	X			a letter was sent to the shareholder accordingly	See related items "Results of Shareholder Recommendations"
Remunerations:					
No management bonuses under art. 41 of Law 83-C/2013	X				See related item "Remunerations"
Governing Bodies - remuneration reduction and reversal in force in 2015	X			total reduction = 49.076,29 € total reversal = 6.223,56 €	See related item "Remunerations"
Statutory Auditor - remuneration reduction and reversal under art. 75 of Law 82-B/2014	X				Remuneration settled by Order nr 2174/13-SET, of November 22, relating to "Remuneration Statute of the ROC and External Auditor of Parpública"
Remaining employees - remuneration reductions and reversals in force in 2015	X			total reduction = 142.893,64 € total reversal = 27.378,13 €	See related item "Remunerations"
Remaining employees - no remuneration increases under art. 38 of Law 82-B/2014	X				See related item "Remunerations"
PMS - Artigo 32.º					
No use of credit cards	X				See related item "Compliance with article 32 of PMS"
Refund of representation expenses	X				See related item "Compliance with article 32 of PMS"
Undocumented Expenses - nr. 2 of article 16 of DL 133/2013					
Prohibition of undocumented expenses	X				
Promotion of equal remuneration for women and men - nr 2 of CMR nr 18/2014					
Reporting and disclosure of remunerations paid to women and men		X			See related item "Distribution of Gender Remunerations"

Compliance with Legal Guidelines (continuation)	Fulfilled			Quantification/Identification	Justification/Report Paragraph
	Yes	No	Not applicable		
Public Contracts					
Public Contracts Regulations			X		See related item "Public Contracts"
Public Contracts Regulations related to participated companies				see related table in related item	
Contracts submitted to CA approval			X		
Corruption Prevention - nr 1 of article 46 of DL 133/2013					
Annual reporting and disclosure		X		link to "Policy of Fraud Risk Management" http://www.parpublica.pt/newsfiles/Politica_Gestao_Risco_Fraude_VFinal2015.pdf	See related item "Annual Report of Corruption Prevention"
Audits by the Court of Auditors	X				See related item
Recommendation 1			X		See related item "Audits by the Court of Auditors"
Recommendation 2			X		
Motor Vehicle Fleet					
Nr of Vehicles	X			15 (in 2015) relating to 17 (in 2014)	See related item "Reduction of Operating Costs"
Expenses with Vehicles	X			95.719,87 (in 2015) relating to 118.308,00 (in 2014)	
Operating Costs of Public Companies (art. 61 of Law 82-B/2014)	X				See related item "Reduction of Operating Costs"
Staff Reduction (art. 60 of Law 82-B/2014)					
Nr of Employees	X			less 2 employees in 2015, relating to 2014 (-5,00%)	See related item "Operating Costs Reduction" NOTE: in 2015 a merger of Sagestamo in Parpública took place and the employees of the former were incorporated in the later. For comparison purposes, the number of employees in 2014 corresponds to the sum of both companies
Turnover/ Nr of Employees		X		less 535.362,80 € per employee relating to 2014 (-22,22%)	
Nr of Governing Positions	X			less 2 employees in 2015, relating to 2014 (-22,22%)	
Principle of Treasury Unit (art. 125 of Law 82-B/2014 / article 28 of DL 133/2013)			X		PARPÚBLICA is exempt from complying with the Principle of Treasury Unit of the State, concerning existing financing operations as well as securities custody service.
Resources centralized in IGCP	X			96,37% of assets and investments at IGCP at 31.12.2015	
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 AT 31 DECEMBER 2015

<i>in thousand Euro</i>			
	Notes	31-Dec-15	31-Dec-14 (Restated)
ASSETS			
Non current assets			
Property, Plant and Equipment	5	1.146.210	1.156.806
Investment property	6	430.690	535.512
Goodwill	7	90.984	90.984
Intangible assets	8	4.044.923	4.003.415
Biological assets	9	17.459	17.548
Investments in associates	10	506.304	479.726
Other investments	11	649.392	505.303
Other financial assets	12	4.693.288	4.715.453
Deferred tax assets	13	208.148	229.873
Other receivables	17	126.378	165.929
Deferrals	18	622.312	590.619
		12.536.087	12.491.168
Current assets			
Inventories	19	924.352	921.484
Biological assets	9	2.846	2.755
Trade debtors	14	429.210	522.988
Advances to trade creditors	15	5.324	6.225
Public administrative sector	16	7.351	11.575
Other receivables	17	96.311	84.292
Deferrals	18	9.940	16.333
Other financial assets	12	10.214	7.790
Cash and cash equivalents	20	380.025	404.368
		1.865.573	1.977.809
Non current assets held for sale	21	27.856	2.499.799
		1.893.429	4.477.608
Total assets		14.429.516	16.968.776
EQUITY AND LIABILITIES			
Equity			
Share capital		1.322.151	1.027.151
Legal reserves		728.598	731.245
Other reserves		38.538	16.582
Share of changes in equity of associates		(11.344)	(8.087)
Retained earnings		1.325.912	1.726.242
Net profit for the period attributable to equity holders		721.646	(367.176)
Total equity attributable to equity holders	22	4.125.501	3.125.957
Non-controlling interests	23	523.523	542.588
Total equity		4.649.024	3.668.545
Non current liabilities			
Provisions	24	20.114	20.003
Borrowings	25	5.787.614	6.054.739
Retirement benefits obligations	26	26.325	33.847
Deferred tax liabilities	13	299.422	281.118
Other payables	29	119.291	121.366
Other financial liabilities	30	196.152	222.645
Deferrals	18	2.017.587	2.077.151
		8.466.504	8.810.870
Current liabilities			
Trade creditors	28	44.633	37.068
Advances from trade debtors	27	1.770	497
Public administrative sector	16	24.115	32.367
Shareholders		18	18
Borrowings	25	569.316	835.226
Other payables	29	648.472	697.548
Deferrals	18	25.662	26.991
		1.313.988	1.629.716
Liabilities related with non current assets held for sale	21	-	2.859.644
		1.313.988	4.489.360
Total liabilities		9.780.492	13.300.230
Total equity and liabilities		14.429.516	16.968.776

CONSOLIDATED INCOME STATEMENT BY NATURES FOR THE PERIOD ENDED AT 31 DECEMBER 2015

in thousand Euro

	Notes	2015	2014 (Restated)
Revenue	31	3.377.557	3.819.105
Grants related to income	32	2.705	3.201
Share of profit and loss of associates	33	24.674	10.941
Dividend from investments at cost or at fair value	34	22.664	46.742
Gains in shareholdings' sale	35	757.415	60.799
Changes in inventories of finished goods and work in progress	36	(2.161)	7.966
Own work capitalized	37	13.660	17.183
Inventories consumed and sold	38	(473.807)	(481.321)
Material and services consumed	39	(1.719.151)	(2.087.444)
Employee benefits expenses	40	(619.064)	(750.498)
Increases and reversals of inventories adjustments	41	(18.356)	(13.667)
Increases and reversals of receivables adjustments	42	(27.044)	(17.268)
Increases and reversals of provisions	43	(23)	(4.404)
Increases and reversals of impairment of non depreciable (amortizable) assets	44	15.268	41
Net changes in fair value	45	147.355	(305.542)
Other operating income	46	102.244	196.844
Other operating expense	47	(190.885)	(64.004)
Earnings before interest, taxes, depreciation and amortization		1.413.049	438.673
Expense/reversals of depreciation and amortization	48	(296.963)	(351.717)
Impairment of depreciable (amortizable) assets (expense/reversals)	44	10.657	(1.071)
Grants related to assets	49	62.156	74.576
Earnings before interest and taxes		1.188.900	160.462
Interest and other financial expenses	50	(332.867)	(421.583)
Profit before income tax		856.033	(261.121)
Net income tax expense	51	(74.823)	(61.523)
Net result for the year		781.210	(322.644)
Net result of non-controlling interest	52	59.565	44.532
Net result for the year of the owners of the parent		721.646	(367.177)
Result on discontinued operations included in the net result for the year	53	635.276	25.751
Result on discontinued operations included in the net result of the owners of the parent	53	629.216	18.842
Earnings per share basic and diluted (euro):			
From continued operations and discontinued operations		1,80	-0,92
From discontinued operations		1,57	0,05

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED AT 31 DECEMBER 2015

in thousand Euro

	2015	2014 (Restated)
Net profit for the period	781.210	(322.644)
Other comprehensive income		
Values not afterwards reclassified in the income		
Remeasurement of benefits plan liabilities	3.245	(11.691)
Share of other comprehensive income of associates and joint ventures	5.316	(29.057)
Adjustments for deferred tax recognition	287	2.937
Other gains and losses	2.809	(1.587)
	11.657	(39.398)
Values that may afterwards be reclassified in the income		
Exchange differences on translating foreign operations	(49.725)	577
Gains and losses on the remeasurement of the assets held for sale	(2.450)	32.515
Gains and losses on cash flow hedges	41.847	(59.131)
Adjustments for deferred tax recognition	(11.335)	15.832
Other gains and losses	(223)	-
	(21.886)	10.207
Total Comprehensive Income for the period after income tax	(10.229)	(49.605)
Total Comprehensive Income	770.986	(372.249)
Net result		
Comprehensive income		
Attributable to equity holders	728.535	(410.245)
Attributable to non-controlling interests	42.455	37.995

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED AT 31 DECEMBER 2015

in thousand Euro

Statement in 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 controlling interests
Financial position at 01-01-2014	4.100.715	1.027.151	725.556	9.609	(16.197)	1.048.083	792.000	3.586.203	514.512
								-	
Transactions with owners in 2014	(59.919)	-	6.250	556	-	735.194	(792.000)	(50.000)	(9.919)
Share capital increases	4.031	-	-	-	-	-	-	-	4.031
Application of results and distribution of results and reserves	(63.950)	-	6.250	556	-	735.194	(792.000)	(49.999)	(13.950)
Comprehensive income in 2014	(372.249)	-	(561)	6.417	8.110	(57.036)	(367.176)	(410.245)	37.996
Net profit for the period	(322.643)	-	-	-	-	-	(367.175)	(367.175)	44.532
Other comprehensive income	(49.606)	-	(561)	6.417	8.110	(57.036)	(0)	(43.070)	(6.536)
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
								-	
Transactions with owners in 2015	209.493	295.000	2.521	1.932	-	(308.760)	280.317	271.010	(61.517)
Equity	296.397	295.000	-	-	-	-	-	295.000	1.397
Application of results and distribution of results and reserves	(30.857)	-	2.521	1.932	-	(308.760)	280.317	(23.990)	(6.867)
Other transactions	(56.047)							-	(56.047)
Comprehensive income in 2015	770.986	(0)	(5.168)	20.025	(3.256)	(91.571)	808.506	728.535	42.451
Net profit for the period	781.214	-	-	-	-	-	721.651	721.651	59.563
Other comprehensive income	(10.228)	(0)	(5.168)	20.025	(3.256)	(91.571)	86.855	6.884	(17.112)
Financial position at 2015	4.649.024	1.322.151	728.598	38.538	(11.344)	1.325.912	721.646	4.125.501	523.523
Dividend paid in 2015 (to equity holders of parent company)	23.990								
Number of shares	400.000.000								
Dividends per share (euro)	0,06								

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED AT 31 DECEMBER 2015

in thousand Euro

	Notes	2015	2014
Operating activities			
Receipts from trade debtors		3.384.424	4.052.193
Payments to trade creditors		(2.059.381)	(2.628.880)
Payments to employees		(472.699)	(560.063)
<i>Cash flows generated by operations</i>		852.343	863.249
Receipts/Payments from income tax		(61.248)	(53.064)
Other operating activities (receipts/payments)		(276.246)	(353.543)
<i>Cash flows from operating activities</i>	4	514.849	456.642
Investing activities			
Receipts related to:			
Plant, property and equipment		3.574	5.121
Investment properties		16.309	3.364
Other intangible assets		0	815
Financial investments		47.268	540.473
Grants related to assets		57.379	92.135
Interest and other financial income		10.894	15.990
Loans granted		2.900	3.100
Dividends		24.664	46.855
Other assets		53	119
		163.042	707.971
Payments related to:			
Plant, property and equipment		(43.873)	(43.342)
Investment properties		(734)	(3.703)
Other intangible assets		(168.162)	(174.447)
Financial investments		(19.588)	(436.141)
Loans granted		-	(2.900)
Other assets		(1)	(1.000)
		(232.358)	(661.533)
<i>Cash flows from investing activities</i>	4	(69.316)	46.438
Financing activities			
Receipts related to:			
Share capital increases and other equity instruments	22	297.068	6.412
Borrowings		472.890	1.935.308
Interest and other financial income		141	175
Other financing operations		17	-
		770.116	1.941.895
Payments related to:			
Equity reductions and other share capital instruments		(1.393)	-
Borrowings		(977.342)	(2.150.288)
Lease contracts		(82.939)	(96.816)
Interest and other financial expense		(303.139)	(346.589)
Dividends		(15.683)	(66.152)
Other financing operations		(1.572)	(2.885)
		(1.382.068)	(2.662.730)
<i>Cash flows from financing activities</i>	4	(611.952)	(720.835)
Changes in cash and cash equivalents			
Resulting from discontinued operations (Note 53)	53	(166.419)	(217.754)
Foreign currency translation effect		(12.025)	345.540
		(99.158)	(24.675)
Cash and cash equivalent at the beginning of the period		515.693	758.122
Bank overdrafts		130.156	168.520
Cash and cash equivalent at the end of the period		250.117	515.693

Reconciliation of Cash and Cash equivalents

	Notes	2015	2014
Cash and cash equivalent at the end of the period		250.117	515.693
Bank overdrafts	25	130.155	185.587
Other		(248)	(55.627)
Cash and cash equivalent classified as non current assets held for sale	21	-	(241.282)
Cash and cash equivalent in the balance sheet	20	380.025	404.368

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:

- (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 for that purpose;
- (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 by the Finance Minister of the financial tutelage over State-owned companies and companies concessionary of general economic interest service.

Considering the activities developed by the companies whose financial statements were included in the consolidated financial statements of the PARPÚBLICA Group, nine 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 Activities; (vi) Water and Waste; (vii) Wholesale markets; and (viii) Sundries.

Segment Reporting

in thousand Euro

31-Dec-2014										
	SGPS	Business Segments							Inter-segmental Eliminations	Consolidated
	Parpública	Real Estate Management and Development	Agriculture, Lifestock Breeding and Forestry	Mint, Publications and Safety Products	Water and Waste	Wholesale markets	Miscellaneous Activities	Total		
ASSETS										
Assets										
Non-current Assets	7.931.238	560.926	107.091	54.144	5.780.478	139.993	97.613	6.740.246	(2.135.398)	12.536.087
Current Assets	113.639	1.055.070	13.713	75.165	626.521	2.477	52.795	1.825.741	(45.953)	1.893.429
(of which held for sale)	0	0	0	0	0	0	27.856	27.856	-	27.856
Total Assets	8.044.878	1.615.997	120.804	129.309	6.406.999	142.470	150.408	8.565.988	(2.181.351)	14.429.516
Liabilities										
Non- current Liabilities	3.830.032	336.763	19.153	24.988	4.444.767	102.750	79.223	5.007.646	(371.174)	8.466.504
(of which financing liabilities)	3.649.090	292.475	-	-	2.065.765	61.655	78.853	2.498.748	(360.225)	5.787.614
(of which government grants related to assets)	-	-	-	7	1.621.339	16.449	-	1.637.795	-	1.637.795
Current Liabilities	680.416	108.770	2.298	11.448	533.978	10.384	25.075	691.952	(58.380)	1.313.988
(of which held for sale)	-	-	-	-	-	-	-	-	-	-
(of which financing liabilities)	193.167	63.471	-	0	349.060	5.840	6.883	425.253	(49.104)	569.316
(of which government grants related to assets)	-	46	1.167	-	-	471	-	1.685	-	1.685
Total Liabilities	4.510.448	445.533	21.451	36.435	4.978.745	113.134	104.298	5.699.597	(429.554)	9.780.492
Group's Equity	3.534.430	1.169.006	99.353	92.874	914.951	27.892	38.791	2.342.867	(1.751.797)	4.125.501
Non-controlling interests	0	1.457	-	-	513.303	1.445	7.319	523.523	-	523.523
Total equity	3.534.430	1.170.464	99.353	92.874	1.428.254	29.336	46.110	2.866.390	(1.751.797)	4.649.024

PARPÚBLICA – PARTICIPAÇÕES PÚBLICAS (SGPS), S. A.

in thousand Euro

31-Dec-14 (Restated)											
	SGPS	Business Segments								Inter-segmental Eliminations	Consolidated
	Parpública	Real Estate Management and Development	Real Estate Management and Development	Mint, Publications and Safety Products	Air Transport	Water and Waste	Wholesale Markets	Miscellaneous Activities	Total		
ASSETS											
Assets											
Non-current Assets	7.753.698	683.891	96.462	60.167	-	5.770.564	137.413	114.561	6.863.059	(2.125.590)	12.491.168
Current Assets	80.028	1.060.444	13.029	70.543	1.560.397	1.721.179	3.029	14.876	4.443.497	(45.920)	4.477.608
(of which held for sale)	0	0	0	0	1.560.397	928.619	712	0	2.489.728	10.070	2.499.799
Total Assets	7.833.726	1.744.335	109.491	130.711	1.560.397	7.491.743	140.441	129.437	11.306.556	(2.171.509)	16.968.776
Liabilities											
Non-current Liabilities	4.025.034	411.436	16.579	29.759	-	4.565.740	109.688	81.177	5.214.380	(428.544)	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 relate)	-	-	-	10	-	1.630.393	15.753	-	1.646.157	-	1.646.157
Current Liabilities	1.225.891	121.054	2.487	13.385	2.072.257	1.598.338	10.981	15.524	3.834.025	(570.557)	4.489.360
(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	-	598.893	5.344	6.965	665.435	(51.343)	835.226
(of which government grants relate)	0	0	1.085	-	-	-	466	0	1.550	-	1.550
Total Liabilities	5.250.924	532.490	19.066	43.144	2.072.257	6.164.078	120.669	96.701	9.048.405	(999.101)	13.300.230
Group's Equity	2.582.802	1.210.475	90.425	87.567	-519.795	799.327	19.797	27.767	1.715.564	(1.172.409)	3.125.957
Non-controlling interests	0	1.370	-	-	7.935	528.338	(25)	4.969	542.588	-	542.588
Total equity	2.582.802	1.211.845	90.425	87.567	-511.860	1.327.665	19.772	32.736	2.258.151	(1.172.409)	3.668.545

Note: The amounts related to SGPS differ from the amounts in the separated financial statements due to the different measurement methods.

PARPÚBLICA – PARTICIPAÇÕES PÚBLICAS (SGPS), S. A.

in thousand euro

Year 2015											
	SGPS	Business Segments								Inter-segmental Eliminations	Consolidated
	Parpública	Real Estate Management and Development	Agriculture, Lifestock Breeding and Forestry	Mint, Publications and Safety Products	Air Transport	Water and Waste	Wholesale markets	Miscellaneous Activities	Total		
Sales and services rendered	768	139.092	5.285	91.178	2.230.810	885.018	15.358	11.101	3.377.842	(1.054)	3.377.557
Grants related to income	-	87	2.106	-	495	17	-	-	2.705	-	2.705
Share of profit and loss of associates	23.287	-	190	61	1.135	-	-	-	1.386	-	24.674
Dividend from investments at cost or at fair value	60.417	-	-	-	-	-	-	-	-	(37.753)	22.664
Gains in shareholdings selling	692.029	-	-	-	-	65.387	-	-	65.387	-	757.415
Changes in finished goods and work in progress and own work capitalised	-	(1.285)	(1.932)	2.663	(965)	13.018	1	-	11.499	-	11.498
Inventories consumed and sold	-	(68.777)	(3.066)	(25.365)	(212.080)	(164.518)	-	(1)	(473.807)	-	(473.807)
Materials and services consumed	(2.204)	(10.085)	(3.087)	(13.396)	(1.468.705)	(216.716)	(3.149)	(2.929)	(1.718.067)	1.120	(1.719.151)
Employee benefits expenses	(3.194)	(4.951)	(2.473)	(18.375)	(470.827)	(116.793)	(1.690)	(761)	(615.871)	-	(619.064)
Inventories' impairment	-	(18.112)	-	25	(85)	(185)	-	-	(18.356)	-	(18.356)
Provisions	-	(784)	-	(904)	955	730	(15)	(5)	(23)	-	(23)
Impairment of non depreciable (amortizable) assets	5	(382)	3.226	(41)	(4.843)	(21.759)	(243)	12.261	(11.781)	-	(11.776)
Net changes in fair value	154.091	(20.580)	10.357	-	(201)	3.901	(530)	317	(6.737)	-	147.355
Other income and gains	16.698	9.198	2.984	2.800	40.846	43.687	208	2.390	102.113	(16.567)	102.244
Other expenses and losses	(753)	(11.055)	(225)	(5.481)	(161.952)	(10.340)	(929)	(150)	(190.132)	-	(190.885)
Result before interest, tax, depreciation and amortization	941.143	12.366	13.366	33.165	(45.417)	481.447	9.012	22.222	526.160	(54.253)	1.413.049
Expense/ reversals of depreciation and amortization	(68)	(838)	(1.186)	(4.497)	(52.602)	(227.444)	(5.110)	(5.218)	(296.895)	-	(296.963)
Impairment of depreciable (amortizable) assets (expense/ reversals)	-	(116)	-	-	-	(370)	11.055	87	10.657	-	10.657
Grants related to assets	-	-	151	-	-	62.673	(668)	-	62.156	-	62.156
Result before interest, tax, depreciation and amortization	941.076	11.412	12.331	28.668	(98.019)	316.306	14.289	17.091	302.078	(54.253)	1.188.900
Interest expense	(177.742)	(14.939)	(0)	(17)	(35.016)	(70.734)	(827)	(3.566)	(125.098)	-	(302.840)
Other financing gains and losses	(16.767)	0	-	-	(20.518)	(9.082)	(159)	-	(29.759)	16.499	(30.027)
Result before taxes	746.568	(3.526)	12.331	28.651	(153.553)	236.490	13.304	13.524	147.220	(37.755)	856.033
Income tax for the period	(1)	(14.021)	(2.898)	(7.933)	15.120	(61.236)	(3.705)	(148)	(74.821)	-	(74.823)
Net profit or loss for the period	746.567	(17.547)	9.432	20.718	(138.433)	175.254	9.598	13.376	72.398	(37.755)	781.210
Net profit or loss for the period from non controlling interests	0	88	-	-	4.752	50.893	1.483	2.350	59.565	-	59.565
Net profit or loss for the period attributable to equity holders	746.567	(17.635)	9.432	20.718	(143.185)	124.360	8.115	11.027	12.834	(37.755)	721.646
Net profit or loss from discontinued operations included in net profit or loss for the period	692.029	-	-	-	(138.433)	68.365	-	13.316	(56.753)	-	635.276
Net profit or loss from discontinued operations included in net profit or loss for the period attributable to equity holders	692.029	-	-	-	(143.185)	67.057	-	13.316	(62.812)	-	629.216

PARPÚBLICA – PARTICIPAÇÕES PÚBLICAS (SGPS), S. A.

	Year 2014 (Restated)										
	SGPS	Business Segments								Inter-segmental Eliminations	Consolidado
	Parpública	Real Estate Management and Development	Agriculture, Lifestock Breeding and Forestry	Mint, Publications and Safety Products	Air Transport	Water and Waste	Wholesale markets	Miscellaneous Activities	Total		
Sales and services rendered	-	76.243	5.365	83.995	2.698.321	930.696	15.786	8.918	3.819.324	(219)	3.819.105
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	-	(11.308)	(2.847)	(21.087)	(276.583)	(169.495)	-	(1)	(481.321)	-	(481.321)
Materials and services consumed	(2.199)	(10.450)	(3.051)	(12.516)	(1.816.262)	(238.092)	(3.270)	(1.838)	(2.085.478)	233	(2.087.444)
Employee benefits expenses	(2.127)	(6.138)	(2.633)	(20.550)	(578.880)	(137.672)	(1.734)	(764)	(748.371)	-	(750.498)
Inventories' impairment	-	(13.305)	-	(257)	(105)	-	-	-	(13.667)	-	(13.667)
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	11.450	2.753	1.733	107.049	66.208	285	2.193	191.670	(61.445)	196.844
Other expenses and losses	(2.477)	(9.325)	(225)	(5.388)	(33.257)	(12.802)	(512)	(19)	(61.528)	-	(64.004)
Result before interest, tax, depreciation and amortization	(210.267)	16.832	2.359	29.186	93.085	449.791	10.481	8.322	610.057	38.883	438.674
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
Result before interest, tax, depreciation and amortization	(210.294)	15.842	1.356	24.399	5.664	274.686	5.904	4.023	331.873	38.883	160.462
Interest expense	(214.217)	(18.624)	(0)	(12)	(44.659)	(97.526)	(1.610)	(4.195)	(166.626)	-	(380.844)
Other financing gains and losses	(15.158)	(1.916)	(0)	-	(39.850)	(5.990)	(163)	-	(47.918)	22.338	(40.739)
Result before taxes	(439.670)	(4.698)	1.355	24.387	(78.845)	171.170	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)	(59.904)	-	(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	(322.644)
Net profit or loss for the period from non controlling interests	1	68	-	-	4.147	39.975	347	(5)	44.532	-	44.532
Net profit or loss for the period attributable to equity holders	(441.289)	(6.107)	2.397	17.537	(85.095)	82.880	1.468	(189)	12.891	61.221	(367.177)
Net profit or loss from discontinued operations included in net profit or loss for the period	100.038	-	-	-	(80.948)	5.511	-	1.150	(74.287)	-	25.751
Net profit or loss from discontinued operations included in net profit or loss for the period attributable to equity holders	100.038	-	-	-	(85.095)	2.749	-	1.150	(81.196)	-	18.842

Note: The amounts related to SGPS differ from the amounts in the separated financial statements due to the different measurement methods.

2 - Basis of presentation and major accounting policies

2a - Introduction

The current consolidated financial statements concern the period ended at 31 December 2015 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 2b, 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 Adoption of standards (new or review) issued by the “International Accounting Standards Board” (IASB) and interpretations issued by the “International Financial Reporting Interpretation Committee” (IFRIC), as adopted by the European Union, effective from the 1st of January of 2015.

The new standards, interpretations and amendments effective from the 1st of January of 2015, are the following:

- **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 do not concern the costs accounting relating the recognition of a liability concerning the payment of a tax. Entities should apply other rules in order to determine the recognition of a liability concerning the payment of a tax originating 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 to break the law. This interpretation enlightens that an entity recognizes a liability to a tax when the activity originating payment occurs, as identified by related legislation. Concerning a tax when reaching a lowest limit, 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 19 December)** > The improvements include the three international accounting rules, as follows:
 - **IFRS 3 Business Combinations – Scope Exceptions for joint agreements** > The amendments clarify that IFRS 3 is not applicable in the accounting of the joint agreements in the related financial statements.
 - **IFRS 13 Fair Value Measurements – 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 whether a specific transaction implies: (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.

No significant impact resulting from these amendments is expected in the financial statements.

2bii Standards (new or review) issued by the “International Accounting Standards Board” (IASB) and interpretations issued by the “International Financial Reporting Interpretation Committee” (IFRIC), as adopted by the European Union, effective from the 1st of January of 2016.

At 31 December 2015, the following standards and interpretations issued by IASB and approved by the European Union were available for early adoption as from or after 1 January 2016:

- **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 acquisition conditions** > the amendments reinforce the current definition of vesting conditions by separating conditions of performance from vesting 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 should be a financial instrument recorded as share capital 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 reconciliation assets of reportable segments and of the company.
 - **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 Parties Disclosure – Key-management personnel services** > The amendments widen the concept of entity that is related to a reporting entity: to entities, or any member of a group in which they are included, that supply key-management personnel services to the reporting entity or to its parent company and add disclosure requirements related to key-management personnel services rendered by a management 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, 17 December 2014)**
 - The amendments clarify the requirements for employees or third parties services benefits according to paragraph 70, i.e, according o the benefits plan or a straight-line method. Additionally, amendments added application guidance 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.
- **Agriculture – Bearer plants: Amendments to IAS 16 and IAS 41 (Regulation nr 2015/ 2113, of 23 November 2015)**
 - Amendments to IAS 16 and IAS 41 clarify that plants used solely to grow produce during several periods, known as bearer plants, should be accounted for in the same way as property, plant and equipment according to IAS 16 Property, Plant and Equipment, because their operation is similar to that of manufacturing.
- **Amendments to IFRS 11 Joint Arrangements (Regulation nr 2015/ 2173, 24 November 2015)**
 - The amendments clarify the new guidelines for the accounting of acquisition of an interest in joint operation that constitutes a business, such as the acquirer of an interest in a joint arrangement in which the activity constitutes a business as defined in IFRS 3, is required to apply all principles on business combinations accounting in IFRS 3 and other IFRS, with the exception of those principles that conflict with the guidance in IFRS 11. Furthermore it shall disclosure all required information relating business combinations. The amendment applies both to the initial interest and additional interests on a joint operation in which the activity constitutes a business.
- **Clarification of acceptable methods of depreciation and amortisation: Amendments to à IAS 16 and IAS 38 (Regulation nr 2015/ 2231, 2 December 2015)**
 - The amendment to IAS 16 clarifies that a revenue-based depreciation method of property, plant and equipment is inappropriate. On the other hand, the amendment to IAS 38 clarifies that only in very limited circumstances the presumption that a revenue-based amortisation method of intangible assets is inappropriate can be overcome.
- **Annual Improvements: cycle of 2012-2014 (Regulation nr 2015/ 2343, 15 December 2015)**

The improvements include amendments to five international accounting standards, as follows:

 - **IFRS 5 Non-current assets held for sale and discontinued operations** – The amendments clarify that if an entity reclassifies an asset or disposal group from being held for sale to being held for distribution to owners and vice-versa, then the reclassification is considered a directly continuation of the original plan of disposal.
 - **IFRS 7 Financial Instruments: Disclosures** – It clarifies that the amendments established by the document *Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)*,

shall be annually applied as from or after 1st of January of 2013. The entities shall provide the disclosures required by the present amendments retrospectively.

It also clarifies that when an entity transfers a financial asset it may retain the right to service that financial asset for a fee that is included in, for example, a servicing contract. The entity assesses the servicing contract in order to evaluate whether the entity has continuing involvement as a result the servicing contract for the purposes of the disclosure requirements.

- **IFRS 1 First time Adoption of International Financial Reporting Standards** – Amendments to this Standard are directly related to the previous referred amendments to IFRS 7.
- **IAS 19 Employees Benefits** – Amendments clarifies that for currencies (regardless the country) for which there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency shall be used.
- **IAS 34 Interim Financial Reporting** – Amendments clarifies that disclosures referred in paragraph 16-A of IAS 34 should be disclosure in the interim financial statements or elsewhere in the interim financial report. The following disclosures shall be given either in the interim financial statements or incorporated by cross-reference from the interim statements to some other statement that is available to users of the financial statements on the same terms as the interim financial statements and at the same time. If the users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete.
- **Disclosure initiative: Amendments to IAS 1 (Regulation nr 2015/ 2406, 18 December 2015)**
 - Amendments to IAS 1 Presentation of Financial Statements aim to improve the disclosure efficiency and to encourage entities to apply their professional judgment when choosing the information to be disclosure in their financial statements according to IAS 1.
- **Equity Method in Separate Financial Statements: Amendments to IAS 27 (Regulation nr 2015/ 2441, of 19 December 2015)**
 - Amendments to IAS 27 Separate Financial Statements allow entities to use the equity method, as described in IAS 28 – Investments in Associates and Joint Ventures, to account their investments in subsidiaries, joint ventures and associates in their separate financial statements.

No significant impact in the financial statements is expected resulting from these amendments, whenever applicable.

2biii Standards (new or reviewed) issued by the “International Accounting Standards Board” (IASB) and interpretations issued by the “International Financial Reporting Interpretation Committee” (IFRIC) and not yet endorsed by the European Union

Additionally and until the date of approval of the current financial statements, the following standards and interpretations, not yet endorsed by the European Union, have been issued:

- **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and 28** > This amendment clarifies the accounting of transactions when a parent company loses control over a subsidiary by selling all or part of its investment in that subsidiary to an associate or joint-venture accounted at equity method. The effective date of these amendments was not yet settled

and the European Union endorsement process will only start after the settlement of the effective date by the IASB.

- **Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28** > This amendment clarifies many aspects of IFRS 10, IFRS 12 and IAS 28 related to the consolidation exception concerning investment entities. The amendments are effective for annual periods beginning on or after 1 January 2016 and have to be endorsed by European Union.
- **Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12** > This amendment clarify how to account for deferred tax assets related to debt instruments measured at fair value. To be applied for annual periods beginning on or after 1 January 2017 and have to be endorsed by the European Union.
- **Disclosure Initiative – Amendments to IAS 7** > This amendment will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities. To be applied to annual periods beginning on or after 1 January 2017 and have to be endorsed by the European Union.
- **IFRS 9: Financial Instruments** > IFRS 9 replaces requirements of IAS 39, concerning: (i) the classification and measurement of financial assets and liabilities; (ii) the recognition of receivables impairment (through the expected loss model); and (iii) the requirements for recognition and classification of hedge accounting. To be applied for annual periods beginning on or after 1 January 2018 and have to be endorsed by the European Union.
- **IFRS 14: Regulatory Deferral Accounts** > This standard permits an entity which is a first-time adopter of IFRS to continue to account for regulatory assets and liabilities in accordance with the policy settled by the previous standard. However to allow the compatibility with entities already adopting the IFRS and which do not recognized regulatory assets/liabilities, the related amounts should be separately disclosure in the financial statements. To be applied for annual periods beginning on or after 1 January 2016 and the endorsement of this interim standard by European Union is waiting for the final standard to be issued by IASB.
- **IFRS 15: Revenue from Contracts with Customers** > This new standard applies to goods delivery and services contracts forcing the entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services, according to the “five-steps model”. To be applied for annual periods beginning on or after 1 January 2018 and have to be endorsed by the European Union.
- **IFRS 16: Leases** > This new standard establishes a single leases accounting model for lessees, with no distinction between operating and finance leases from the locator’s perspective. To be applied for annual periods beginning on or after 1 January 2019 and have to be endorsed by the European Union.

The adoption of the above mentioned standards, mainly the requirements of “*IFRS 9 – Financial Instruments*”, “*IFRS 15 – Revenue from Contracts with Customers*” and “*IFRS 16 – Leases*” may have some impact on the preparation, presentation and disclosure of the consolidated financial statements. However, there is still no detailed and based information about the adoption of those standards.

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 entitled 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 2015	31 Dec 2014
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. (a)	Lisboa	Public investment management and services rendering	PARPÚBLICA, SGPS, S.A.	Incorporated (by merger) in PARPÚBLICA	100,00%

Name	Location	Main activity	Entity	Share capital owner	
				% of share capital by its direct owner	
				31 Dec 2015	31 Dec 2014
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. (b)	Lisboa	Public investment management	PARPÚBLICA, SGPS, S.A.	39,00% (Associate)	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.	54,98%	54,98%
			EGF	-	0,01%
			AdP – Águas de Portugal, SGPS, S.A.	0,01%	0,01%
Águas de Santo André, S.A.	V.N. Santo André	Multi-municipal water supply and sanitation 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) (c)	Lisboa	Public investment management	AdP - Águas de Portugal, SGPS, S.A.	-	100,00%
AdP Energias, S.A. (Reciclamos – 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%
AdP Timor Leste, Lda. (d)	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 Brasil, S.A.	Rio de Janeiro	Water distribution	AdP - Águas de Portugal, SGPS, S.A.	100,00%	100,00%
Águas do Douro e Paiva, S.A. (e)	Porto	Multi-municipal water supply and sanitation system	AdP - Águas de Portugal, SGPS, S.A.	-	51,00%
Águas do Noroeste, S.A. (e)	Barcelos	Multi-municipal water supply and sanitation system	AdP - Águas de Portugal, SGPS, S.A.	-	56,66%
Águas de Trás-os-Montes, S.A. (e)	Vila Real	Multi-municipal water supply and sanitation system	AdP - Águas de Portugal, SGPS, S.A.	-	70,08%
Símdouro S.A. (e)	Vila Nova de Gaia	Multi-municipal water supply and sanitation system	AdP - Águas de Portugal, SGPS, S.A.	-	51,00%
Águas do Norte (e)	Vila Real	Multi-municipal water supply and sanitation system	AdP - Águas de Portugal, SGPS, S.A.	59,59%	-

Name	Location	Main activity	Entity	Share capital owner	
				% of share capital by its direct owner	
				31 Dec 2015	31 Dec 2014
Águas do Mondego, S.A. (f)	Taveiro	Multi-municipal water supply and sanitation system	AdP - Águas de Portugal, SGPS, S.A.	-	51,00%
Smlis, S.A. (f)	Leiria	Multi-municipal sanitation system	AdP - Águas de Portugal, SGPS, S.A.	-	70,16%
S̄mria, S.A. (f)	Aveiro	Multi-municipal sanitation system	AdP - Águas de Portugal, SGPS, S.A.	-	67,72%
Águas do Centro Litoral (f)	Coimbra	Multi-municipal sanitation system	AdP - Águas de Portugal, SGPS, S.A.	60,33%	-
S̄marsul, S.A. (g)	Setúbal	Multi-municipal sanitation system	AdP - Águas de Portugal, SGPS, S.A.	-	51,00%
Sanest, S.A (g)	Cascais	Multi-municipal sanitation system	AdP - Águas de Portugal, SGPS, S.A.	-	51,00%
S̄mtejo S.A. (g)	Lisboa	Multi-municipal sanitation system	AdP - Águas de Portugal, SGPS, S.A.	-	50,50%
Águas do Centro, S.A. (g)	Castelo Branco	Multi-municipal water supply and sanitation system	AdP - Águas de Portugal, SGPS, S.A.	-	70,00%
Águas do Norte Alentejano, S.A. (g)	Portalegre	Multi-municipal water supply and sanitation system	AdP - Águas de Portugal, SGPS, S.A.	-	51,00%
Águas do Centro Alentejo, S.A. (g)	Évora	Multi-municipal water supply and sanitation system	AdP - Águas de Portugal, SGPS, S.A.	-	51,00%
Águas do Oeste, S.A. (g)	Óbidos	Multi-municipal water supply and sanitation system	AdP - Águas de Portugal, SGPS, S.A.	-	51,00%
Águas do Zêzere e Côa, S.A. (g)	Guarda	Multi-municipal water supply and sanitation system	AdP - Águas de Portugal, SGPS, S.A.	-	87,46%
Águas de Lisboa e Vale do Tejo, S.A. (g)	Guarda	Multi-municipal water supply and sanitation system	AdP - Águas de Portugal, SGPS, S.A.	59,38%	-
Águas do Algarve, S.A.	Faro	Multi-municipal water supply and sanitation system	AdP - Águas de Portugal, SGPS, S.A.	54,44%	54,44%
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%
Algar, S.A. (c)	Faro	Multi-municipal solid waste treatment	Empresa Geral do Fomento, SA	-	56,00%
Amarsul, S.A. (c)	Palmela	Multi-municipal solid waste treatment	Empresa Geral do Fomento, SA	-	51,00%
Ersuc, S.A(c)	Coimbra	Multi-municipal solid waste treatment	Empresa Geral do Fomento, SA	-	51,46%

Name	Location	Main activity	Entity	Share capital owner	
				% of share capital by its direct owner	
				31 Dec 2015	31 Dec 2014
Resiestrela, S.A. (c)	Serra da Estrela	Multi-municipal solid waste treatment	Empresa Geral do Fomento, SA	-	62,95%
Resinorte, S.A. (c)	Celorico de Basto	Multi-municipal solid waste treatment	Empresa Geral do Fomento, SA	-	51,00%
Resulima, S.A. (c)	Viana do Castelo	Multi-municipal solid waste treatment	Empresa Geral do Fomento, SA	-	51,00%
Suldouro, S.A. (c)	Sermonde	Multi-municipal solid waste treatment	Empresa Geral do Fomento, SA	-	60,00%
Valnor, S.A. (c)	Avis	Multi-municipal solid waste treatment	Empresa Geral do Fomento, SA	-	53,33%
Valorlis, S.A. (c)	Leiria	Multi-municipal solid waste treatment	Empresa Geral do Fomento, SA	-	51,00%
Valorminho, S.A. (c)	Valença	Multi-municipal solid waste treatment	Empresa Geral do Fomento, SA	-	51,00%
Valorsul, S.A. (c)	São João da Talha	Multi-municipal solid waste treatment	Empresa Geral do Fomento, SA	-	55,63%
Lazer e Floresta - Empresa de Desenvolvimento Agro-Florestal Imobiliário Turístico e Cinagético, 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.	81,14%	81,14%
BAÍA DO TEJO, S.A. (ex-QUIMIPARQUE – Parques Empresariais, S.A.	Barreiro	Industrial parks management and development	PARPÚBLICA, SGPS, S.A.	100,00%	100,00%
AMBISIDER - Recuperações Ambientais, S.A. (h)	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. (h)	Paio Pires	Special industrial waste treatment and deposit	BAÍA DO TEJO, S.A. (em 2008 URBINDÚSTRIA, S.A.)	51,00%	51,00%
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. (a)	Lisboa	Real estate	PARPÚBLICA, SGPS, S.A. SAGESTAMO, SGPS, S.A.	100,00% -	- 100,00%
ESTAMO – Participações Imobiliárias, S.A. (a)	Lisboa	Real estate	PARPÚBLICA, SGPS, S.A. SAGESTAMO, SGPS, S.A.	100,00% -	- 100,00%
FUNDIESTAMO - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A. (a)	Lisboa	Real estate funds management	PARPÚBLICA, SGPS, S.A. SAGESTAMO, SGPS, S.A.	100,00% -	- 100,00%
TAP - Transportes Aéreos Portugueses, S.A. (b)	Lisboa	Air transport	TAP, SGPS, S.A.	-	100,00%

Name	Location	Main activity	Entity	Share capital owner	
				% of share capital by its direct owner	
				31 Dec 2015	31 Dec 2014
TAPGER - Sociedade de Gestão e Serviços, S.A. (b)	Lisboa	Management services	TAP, SGPS, S.A.	-	100,00%
CATERINGPOR - Catering de Portugal, S.A. (b)	Lisboa	Catering	TAPGER, S.A.	-	51,00%
L.F.P. - Lojas Francas de Portugal, S.A. (b)	Lisboa	Tax “free shops” exploitation	TAPGER, S.A.	-	51,00%
MEGASIS- Soc. de Serviços e Engenharia Informática, S.A. (b)	Lisboa	Computer engineering services	TAPGER, S.A.	-	100,00%
U.C.S. - Cuidados Integrados de Saúde, S.A. (b)	Lisboa	Health care services	TAPGER, S.A.	-	100,00%
Aeropar Participações, S.A. (b)	Brasil	Air transport	TAP, SGPS, S.A. PORTUGÁLIA	-	99,00% 1,00%
PORTUGÁLIA – Companhia Portuguesa de Transportes Aéreos, S.A. (“PORTUGÁLIA”) (b)	Lisboa	Air transport	TAP, SGPS, S.A.	-	100,00%
TAP – Manutenção e Engenharia Brasil, S.A. (ex-VEM) (b)	Brasil	Air transportation maintenance and engineering	Aeropar Participações TAP, SGPS, S.A.	-	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 MARE	SIMAB, S.A.	68,85%	68,85%

- (a) Merger through transfer to Parpública – Participações Públicas, SGPS, SA of the whole patrimony of Sagestamo – Sociedade Gestora de Participações Sociais Imobiliárias, SGPS, SA, with accounting effects from 1 of January of 2015. The referred patrimony included the investments in Estamo, Conset and Fundiestamo (now directly owned by PARPÚBLICA);
- (b) In 2015 the control of TAP Group was lost and TAP SGPS, S.A. became an Associate.
- (c) Group disposal at July of 2015.
- (d) In 2014 AdP Timor-Leste activity was reactivated (inactive since 2006).
- (e) Companies merged in Águas do Norte due to the ongoing re-structuring process of AdP Group in 2015.
- (f) Companies merged in Empresa Águas do Centro Litoral due to the ongoing re-structuring process of AdP Group in 2015.
- (g) Companies merged in Empresa Águas de Lisboa e Vale do Tejo due to the ongoing re-structuring process of AdP Group in 2015.

- (h) Under the re-structuring process of Parpública Group business areas, based on the Secretary of State for Treasury and Finance Order nr 813/2008, of October 13 of 2008, some actions were taken to promote the alienation of the investments in Ambisider and Ecodetra. However these alienations did not take place and therefore the referred investments were not classified as non-current assets held for sale (alienation groups) and it is not expected that they should be alienated within the next 12 months.

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 or has some special voting power.

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 2015	31 Dec 2014
CVP - Sociedade de Gestão Hospitalar, S.A.	Lisboa	Health care management	PARPÚBLICA, SGPS, S.A.	45,00%	45,00%
Parcaixa, SGPS, SA	Lisboa	Public investment management	PARPÚBLICA, SGPS, S.A.	49,00%	49,00%
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	COM PANHIA DAS LEZÍRIAS, S.A.	27,12%	27,12%
CLR – Companhia das Lezírias e Associados Renováveis, Lda	Benavente	Timber and forest product industry	COM PANHIA DAS LEZÍRIAS, S.A.	20,00%	20,00%
Multicert - Serviços de Certificação Eletrónica	Lisboa	Electronics certification	INQM	20,00%	20,00%
Trevoeste (a)	Alcobaça	Water sanitation	AdP, SGPS	43,24%	43,24%
Miese (a)	Vila Real		AdP Energias, S.A.	40,00%	40,00%
SML – Sociedade Mineira do Lucapa, Lda (b)	Angola	Diamond mining.	SPE, S.A.	49,00%	49,00%
SPdH – Serviços Portugueses de Handling, S.A. ("SPdH") (d)	Lisboa	Handling	TAP SGPS, SA PORTUGÁLIA	-	43,90%
Propnery – Propriedade e Equipamentos, S.A.	Castelo Branco	Real estate management	PARPÚBLICA, SGPS, S.A.	41,82%	41,82%
TAP - Transportes Aéreos Portugueses, SGPS, S.A. (c)	Lisboa	Public investment management	PARPÚBLICA, SGPS, S.A.	39,00%	-

- (a) Entities with no activity in 2014, in liquidation.

- (b) As a result of an agreed assignment of the contractual position, signed in November 2015, SML was re-classified from Associate to Non-current asset held for sale.
- (c) Entity classified as subsidiary at 31DEC14, but its control was lost in 2015.
- (d) In 2015, control over TAP Group was lost and the entity was no longer classified as associate.

A summary of the financial information of the associated companies:

in thousand Euro

Associated Companies	Total assets 2015	Total assets 2014	Liabilities 2015	Liabilities 2014	Total revenue and gains 2015	Total revenue and gains 2014	NP 2015	NP 2014
QLR – Companhia das Lezírias e Associados Renováveis, Lda	N.d.	3	3	3	-	-	0	0
CVP - Sociedade de Gestão Hospitalar, S.A.	39.352	39.331	27.667	28.037	40.319	36.950	392	434
ISOTAL - Imobiliário do Sotavento Algarvio, S.A.	184	191	3	3	0	0	-7	-12
Miese (i)	13	13	28	28	N.d.	N.d.	-13	-15
Multicert - Serviços de Certificação Eletrónica	2.856	2.730	1.275	1.427	4.325	4.456	305	131
ORIVÁRZEA, S.A.	N.d.	15.349	6.435	7.916	20.889	21.192	700	730
Parcaixa, SGPS, S.A.	1.024	974.025	14.124	14.148	9.527	19.546	57.624	16.260
SPdH – Serviços Portugueses de Handling, S.A. ("SPdH")	25.444	25.368	20.257	25.087	108.048	106.757	4.906	2.356
Propnery - Propriedades e Equipamentos, S.A.	3.135	3.415	772	795	195	207	-257	-294
TAP, SGPS,SA	1.374.029	1.560.397	1.904.344	2.072.257	2.667.086	2.803.890	-151.777	-80.949
Trevoeste, S.A. (i)	N.d.	3.201	N.d.	787	N.d.	N.d.	N.d.	-40

(i) - Company with no activity since 2014 and undergoing liquidation

N.d. - Information not available

In 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 to 10
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 the total value: (i) of the transferred retribution usually at fair value at the time of acquisition; (ii) of the amount of any non-controlling interest in the acquired; and (iii) in a business combination in phases, at fair value at the time of the acquisition of the share capital previously held by the acquirer in the acquired, over the net value of the amounts at the time of the assets given and the liabilities incurred or assumed.

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 32 and 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 derecognition 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 recognized.

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 recognized 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 IAS41, as referred to in Note 21.

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.

In 2014, the financial investment held in TAP Group and of AdP Group in EGF - Empresa Geral do Fomento were 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 but are disclosed in the attached 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.

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 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 a 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 recognized 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.

The costs of defined benefits 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 including (i) actuarial gains and losses, (ii) return of plan assets, except the amounts included in the net interest over liabilities (assets) net of defined benefits and (iii) 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 to medical plans.

- Financial assumptions, dealing with items such as:
 - (i) discount rate;
 - (ii) levels of future wages and 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, respectively.

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 21.

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

Introduction

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 made by the regulatory entity ERSAR (Law 10/2014 of March 6, approving the new statutes of ERSAR in the scope of the new responsibilities of the regulatory entities established by Law nr 67/2013 of August 28). The main effect of the regulation in the company's activity is the voting of the supervisory entity related to the rate to apply to services rendered and as well in the corresponding annual budget. The change in the statutes of ERSAR, under Law nr 10/2014 of March 10/2014, will enable the regulatory entity to approve the rate to apply to services rendered with no interference from the Grantor.

Under the concession contract, the regulatory entity has also the power to approve the deviation amount of recovery of the expenses recorded in the annual accounts of Águas do Norte, Águas do Centro Litoral and Águas de Lisboa e Vale do Tejo. Therefore the regulatory entity is enabling to assess the costs to be recovered by the tariff.

The managing companies of the MMS (multi-municipal systems) are subject to the regulatory entity concerning service quality, measured by a group of annually evaluated indicators, and water quality for human consumption, under ERSAR while national authority for water for human consumption.

Tariff deviation of assets and liabilities

Are considered expense recovery deviations: (i) the difference between the company's net results related with operation and management of the system and the amount contractually due to the company as return of the invested capital, at the date of the extinction of the concessionary companies of the extinct systems;

and (ii) the annually difference, until the end of the second two-weeks period of the concession, between the company net results relating the operation and management of the system and the amount to which the company is entitled to as result of the compliance with the standards establishing the tariffs.

The deviation amounts of recovery of the expenses may be of a loss or surplus nature, as established by the concession contract. The new managing companies Águas do Norte, Águas do Centro Litoral and Águas de Lisboa e Vale do Tejo record in their accounts the deviation amounts of recovery expenses which were annually registered till the end of the five-years period and recording, at the same time as the signature of the contract, the deviation amounts of recovery expenses at the extinction date of the concession holders of the aggregated systems under the current decree-law, including the shareholder remuneration as capitalized debt with the rate relevant to ten-years Portuguese Treasury Bonds, plus three percentage points till the date of entry into force of the concession contract, based on the separate accounts of the extinguished companies.

The deviation amounts of recovery of the expenses of a loss or surplus nature at the extinction date of the concession holders of the aggregated systems and the amounts generated during the contract till the end of the five-years period, capitalized under the concession contract, should be recovered through tariff policy or reflected in tariffs, as the case may be, till the end of the five-years concession period.

So, the difference between the operating income and the guaranteed remuneration of the share capital invested, is annually estimated being the gross value recorded in an income account – tariff deviations – and the related tax recorded in a deferred tax account, as an offsetting entry in the balance, pursuant the recognition of regulatory assets and liabilities.

The value of the tariff deviation corresponds to the correction (credit or debit) to the income of the regulated activities in order to adequate their revenue to contract requirements relating the comprehensive expenses recovery, including income taxes (IRC) and annual guaranteed remuneration.

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

Framework – concessionary companies

IFRIC 12 defines the rules for the accounting of concession contracts, relating to the services rendered and the control over the concession assets. Within the scope of this standard, the Group renders two types of services: construction, modernization and renewal of the system related infrastructures; and exploitation and management (operating and maintenance) of the system comprising the infrastructures required to the services rendered to users.

Therefore, the Group recognizes and measures the revenue of the services rendered according to IAS 11 – Construction contracts and IAS 18 - Revenue. Whenever the Group provides more than one service (i.e. construction or modernization of services and operating activity) under only one concession contract, the amount (prices and tariffs) to receive should be distributed according to their fair values, when individually (separately) identifiable. The price and the tariff are accounted according to their nature. The Group recognizes the revenue and the costs related to the construction and modernization of the infrastructures according to IAS 11. The Group recognizes the revenue and the costs related to the operation according to IAS 18.

Furthermore and according to IFRIC 12, the infrastructure is not recognized as property, plant and equipment of the operating entity (or concessionary) because it has no controlling right under the concession contract. The operating entity has access and operates the infrastructure in order to provide a public service on behalf of the grantor, according to the contract. In accordance to this standard, under the concession contract, the operating entity (or concessionary) acts as a service provider. The operating entity (or concessionary) builds or modernizes the infrastructures (services construction or modernization) which provide public services and operates and maintains the infrastructures (operating activity) during a certain period of time.

If the operating entity (or concessionary) build or modernize the infrastructures, the amount (tariff) received or to be received by the operating entity should be recognized at fair value corresponding to an amount which will be expressed as a right relating to a: (a) financial assets or (b) intangible asset.

The operating entity (or concessionary) should recognized a financial asset since he has the contract right to receive money or other financial asset from the grantor for the services rendered, which correspond to specific or ascertainable amounts. According to this model, the grantor has little or no discretionary powers to avoid payment since usually the agreement is legally of binding. The operating entity (or concessionary) has the unconditional right to receive money if the grantor contractually guarantees that payment to the grantor, which corresponds to: (a) a specific amount, or (b) the difference, if any, between the amounts received from the public service users and other specific amount, even if the payment depends on the guarantee of the concessionary that the infrastructure complies with the quality and efficiency requirements.

The operating entity (or concessionary) should recognize an intangible asset since he receives the right (licence) to charge the users for a public service. The right to charge the users for a public service is no unconditional right of collection, since the amounts are subject to the use of the service by the users.

Concessionary companies from AdP Group are 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).

Until June 30 of 2015:

Water and sanitation	Concession/ Partnership	Term	Period	Additions under considerations by grantor	Shareholder's remuneration	
					Rate	Basis
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
Smarsul	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
Smria	Concession	50 years	2000-2049	-	OT 10 years + 3%	S. Capital+Legal Reserve
Smtejo	Concession	43 years	2001-2044	-	OT 10 years + 3%	S. Capital+Legal Reserve

After June 30 of 2015 and resulting from the companies' aggregation:

Water and sanitation	Concession/ Partnership	Term	Period	Additions under considerations by grantor	Shareholder's remuneration	
					Rate	Basis
Águas do Algarve	Concession	30 years	2001-2031	37 years	OT 10 years + 3%	S. Capital+Legal Reserve
Águas do Norte	Concession	30 years	2015-2045	-	OT 10 years + 3%	S. Capital+Legal Reserve
Águas do Centro Litoral	Concession	30 years	2015-2045	-	OT 10 years + 3%	S. Capital+Legal Reserve
Águas de Lisboa e Vale do Tejo	Concession	30 years	2015-2045	-	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 Públicas do Alentejo	Partnership	50 years	2009-2059	-	OT 10 years + 3%	S. Capital+Legal Reserve

Classification of the infrastructure

Considering the type of concession contracts of the managing companies of SMM (inter-municipal systems), namely relating their legal framework (right to charge the users of a public service inherent in the fact that users use that service), the intangible asset model was considered adequate to the company's reality. So, the managing companies of SMM (inter-municipal systems) as concessionaries classify the related infrastructures as intangible assets – Right of use of the infrastructures.

The intangible assets (right of exploitation) are recorded at acquisition or production cost, including costs and gains (net) which are directly or indirectly related to investments capitalised in intangible assets in progress. The costs that can be capitalised are related to the carrying out of the investment. Operating costs are recorded in intangible assets in progress according to a percentage estimated on the basis of staff allocation to their own projects. Financial expenses related to borrowings for ongoing investment financing are entirely capitalised until the beginning of the system exploitation.

Expenses with big repairs and improvements to the infrastructures (including replacing goods) through the concession economic regulation, which are specially remunerated since they also contribute for the tariff formation (i.e. they have an implicit recovery in the depreciation accepted by the regulator), are recorded as assets and amortised as other assets. The current conservation and maintenance expenses are recognized in profit and loss in the years in which they occur.

Amortizations

The intangible asset, right to the use of infrastructures, 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.

Amortizations in the concessionary companies of water supply and sanitation and partnerships are calculated by the sum of units method, that is, by amortization of contractual investments, included in the economic and financial feasibility study, based on effluent flow rates billed in this exercise and the effluents

to be billed till the end of the concession provided for in economic and financial feasibility study attached to the concession agreement.

Accruals for expenses with contract investments

According to concession and management partnership contracts and with the regulations, and whenever applicable, the annual share of estimated expenses is recorded to cover the responsibilities with contract investments (regulated) or expansion investments (regulated) of the concession or partnership. These accruals are estimated based on the economic benefits pattern related to the contract investment defined in the supporting economic model of the concession contract. In what the AdP Group companies are concerned, the economic benefits are estimated by the economic regulation. It should be mentioned that the accruals for expenses with contract investments aim to ensure the principle of accrual-based accounting and the rebalancing, during the concession contracts period with the State, of gains (tariffs) and costs (incurred and still to incur) which form a basis for calculation. In effect, these accruals represent a responsibility for reimbursement of future tariffs allowing the stabilization of those tariffs as well as the rebalancing, during the concession contracts period with the State, of gains (tariffs) and costs (incurred and still to incur), previously mentioned. These accruals are recognised in costs in amortizations and in liabilities (non-current), should liabilities be transfer to accumulated amortizations when the underlying investment occurs.

Residual Value

The additional investments of expansion or modernisation approved or imposed by the grantor, whose useful 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 non-current financial assets (value to receive, measured at amortized cost according to the effective interest rate method).

Revenue – construction services

According to IFRIC 12 – Concession contracts, the infrastructure construction by the operating entity is a service provided to the grantor and different from the operating and maintenance service and therefore should be remunerated by the latter. Construction services revenue should be recognised in accordance with IAS 11-Construction contracts. However, and in compliance with IFRIC 12, there is no margin in the construction, since this activity is outsourced to specialized entities transferring the risks and returns to a third party (who builds) and, therefore, revenue and charges with the construction have equal amounts. Notwithstanding the above, construction revenues and related costs are recorded in the income statement for the period, according to IFRIC 12.

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 unfavorable 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.

Employees' benefits

The Group's obligations with post-employment benefits and other long-term benefits to employees are calculated on actuarial assessments. These actuarial assessments include financial and actuarial

assumptions relating mortality, invalidity, wages and pension increases, revenue and discount rates, among others. The adopted assumptions correspond to the best estimate of the Group and its actuaries of the future behaviour of the related variables.

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 or reclassified having into consideration the following main situations:

	31-Dec-14 (Restated)	Restatements	31-Dec-14
<i>in thousand Euro</i>			
ASSETS			
Non current assets			
Property, Plant and Equipment	1.156.806	-	1.156.806
Investment property	535.512	-	535.512
Goodwill	90.984	-	90.984
Intangible assets	4.003.415	-	4.003.415
Biological assets	17.548	-	17.548
Investments in associates	479.726	-	479.726
Other investments	505.303	-	505.303
Other financial assets	4.715.453	(882)	4.716.335
Deferred tax assets	229.873	-	229.872
Other receivables	165.929	(141)	166.070
Deferrals	590.619	-	590.619
	12.491.168	(1.023)	12.492.191
Current assets			
Inventories	921.484	-	921.484
Biological assets	2.755	-	2.755
Trade debtors	522.988	-	522.988
Advances to trade creditors	6.225	-	6.225
Public administrative sector	11.575	-	11.575
Other receivables	84.292	(117)	84.408
Deferrals	16.333	-	16.333
Other financial assets	7.790	882	6.908
Cash and cash equivalents	404.368	-	404.368
	1.977.809	765	1.977.043
Non current assets held for sale	2.499.799	-	2.499.799
	4.477.608	765	4.476.842
Total assets	16.968.776	(258)	16.969.033
EQUITY AND LIABILITIES			
Equity			
Share capital	1.027.151	-	1.027.151
Legal reserves	731.245	-	731.245
Other reserves	16.582	-	16.582
Share of changes in equity of associates	(8.087)	-	(8.087)
Retained earnings	1.726.242	-	1.726.242
Net profit for the period attributable to equity holders	(367.176)	-	(367.176)
Total equity attributable to equity holders	3.125.957	-	3.125.957
Non-controlling interests	542.588	-	542.588
Total equity	3.668.545	-	3.668.545
Non current liabilities			
Provisions	20.003	-	20.003
Borrowings	6.054.739	-	6.054.739
Retirement benefits obligations	33.847	-	33.847
Deferred tax liabilities	281.118	-	281.118
Other payables	121.366	-	121.366
Other financial liabilities	222.645	-	222.645
Deferrals	2.077.151	-	2.077.151
	8.810.870	-	8.810.870
Current liabilities			
Trade creditors	37.068	-	37.068
Advances from trade debtors	497	-	497
Public administrative sector	32.367	-	32.367
Shareholders	18	-	18
Borrowings	835.226	-	835.226
Other payables	697.548	(259)	697.807
Deferrals	26.991	-	26.991
	1.629.716	(259)	1.629.974
Liabilities related with non current assets held for sale	2.859.644	-	2.859.644
	4.489.360	(259)	4.489.618
Total liabilities	13.300.230	(259)	13.300.489
Total equity and liabilities	16.968.776	(259)	16.969.033

in thousand Euro

	2014 (Restated)	Restatements	2014
Revenue	3.819.105	137.901	3.681.205
Grants related to income	3.201	-	3.201
Share of profit and loss of associates	10.941	-	10.941
Dividend from investments at cost or at fair value	46.742	-	46.742
Gains in shareholdings' sale	60.799	-	60.799
Changes in inventories of finished goods and work in progress	7.966	-	7.966
Own work capitalized	17.183	-	17.183
Inventories consumed and sold	(481.321)	(132.086)	(349.235)
Material and services consumed	(2.087.444)	(1)	(2.087.443)
Employee benefits expenses	(750.498)	1	(750.499)
Increases and reversals of inventories adjustments	(13.667)	(5.815)	(7.852)
Increases and reversals of receivables adjustments	(17.268)	-	(17.268)
Increases and reversals of provisions	(4.404)	-	(4.404)
Increases and reversals of impairment of non depreciable (amortizable) assets	41	-	41
Net changes in fair value	(305.542)	-	(305.542)
Other operating income	196.844	11.492	185.352
Other operating expense	(64.004)	(1.916)	(62.087)
Earnings before interest, taxes, depreciation and amortization	438.673	9.575	429.098
Expense/reversals of depreciation and amortization	(351.717)	-	(351.717)
Impairment of depreciable (amortizable) assets (expense/reversals)	(1.071)	-	(1.071)
Grants related to assets	74.576	-	74.576
Earnings before interest and taxes	160.462	9.575	150.887
Interest and other financial expenses	(421.583)	1.916	(423.499)
Profit before income tax	(261.121)	(1)	(261.120)
Net income tax expense	(61.523)	-	(61.523)
Net result for the year	(322.644)	(1)	(322.642)
Net result of non-controlling interest	44.532	-	44.532
Net result for the year of the owners of the parent	(367.177)	(1)	(367.175)
Result on discontinued operations included in the net result for the year	25.751	1.150	24.601
Result on discontinued operations included in the net result of the owners of the parent	18.842	1.150	17.692
Earnings per share basic and diluted (euro):			
From continued operations and discontinued operations	-0,92	0,00	-0,92
From discontinued operations	0,05	0,00	0,04

The restatements at 31 December 2015 result from:

- In the AdP Group through the beginning of the revenue disclosure related to construction services (and related costs), the financial statements were restated to incorporate that recognition (it should be noted that the recognition of the revenue related to construction services and related costs has no impact both on the operating income and net income).
- The allocation of amortized cost to other receivables, incorrectly recorded in liabilities at 31 December 2014 when it should have been deduced in assets. In the Income Statement some restatements were also carried out between items of this line in the financial statements.
- IN SPE, through the operation relating the promise to sell the subsidiary SML, that was restated in the current period as a Discontinued operating unit under IFRS 5 implying the restatement of the 2014 comparative items related to that operation.
- The restatement to current assets of Treasury Bonds overdue at 2015.
- The restatement in profit and loss in 2014 consists of a restatement of financial profits not related with borrowings from Interests and other financial income/expenses to Other operating income.

4 - Cash flows

Operating cash flows relate essentially to the Air transport segment and related activities with 70% (31DEC14: 77%) of total receipts from trade debtors. In the payments to Trade creditors and staff, this operating segment has a weight of 85% (31DEC13: 88%) and 79% (31DEC14: 82%), 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

	31-Dec-2015									
Property, plant and equipment	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Tools and utensils	Administrative Equipment	Other tangible fixed assets	Fixed assets in progress	Advances on tangible fixed assets	Total
Gross value										
Opening balance	288.389	502.949	1.131.135	7.656	77	49.921	133.905	11.406	61.258	2.186.696
Additions	103	202	1.705	329	-	1.457	188	12.415	-	16.399
Perdas Imparidade reconhecidas	(7)	-	-	-	-	-	-	-	-	(7)
Disposals	(389)	-	(365)	(75)	-	(11)	-	-	-	(839)
Other transfers/Write-offs	3.646	1.148	(331)	(433)	57	65	600	(9.198)	1.422	(3.024)
Exchange rate differences	-	-	-	(1)	-	(12)	(8)	-	-	(21)
Closing balance	291.743	504.299	1.132.144	7.476	134	51.420	134.685	14.623	62.680	2.199.203
Accumulated depreciation										
Opening balance	1.226	257.819	615.900	7.139	74	44.799	62.813	-	-	989.769
Additions	179	13.886	21.280	224	1	2.114	5.554	-	-	43.237
Disposals	-	-	(325)	(65)	-	-	0	-	-	(390)
Other transfers/Write-offs	-	(382)	(4.731)	(418)	-	(340)	(13)	-	-	(5.884)
Exchange rate differences	-	-	-	(4)	-	(10)	(8)	-	-	(22)
Closing balance	1.405	271.323	632.124	6.876	75	46.562	68.348	-	-	1.026.712
Accumulated impairment losses										
Opening balance	21.152	19.113	16	-	-	7	(554)	386	-	40.120
Impairment loss recognition	848	365	372	-	-	1	16	-	-	1.602
Impairment loss reversal	(5.786)	(9.544)	(12)	-	-	(1)	(96)	-	-	(15.440)
Closing balance	16.214	9.934	375	-	-	6	(634)	386	-	26.281
Net amount	274.124	223.043	499.644	600	59	4.852	66.971	14.237	62.680	1.146.210

	31-Dec-2014									
Property, plant and equipment	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Tools and utensils	Administrative Equipment	Other tangible fixed assets	Fixed assets in progress	Advances on tangible fixed assets	Total
Gross assets										
Opening balance	330.822	844.036	3.233.852	14.327	31.837	115.136	159.006	16.813	68.265	4.814.093
Additions by business combinations	-	-	-	57	-	-	-	-	-	57
Additions	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	485.777	2.151.820	13.437	20.194	106.657	78.742	-	-	2.857.680
Additions by business combinations	-	-	-	6	-	-	-	-	-	6
Additions	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)
Recognized impairment losses	-	-	1.984	-	-	-	-	-	-	1.984
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	257.819	615.900	7.139	74	44.799	62.813	-	-	989.770
Accumulated impairment losses										
Opening balance	21.273	18.689	-	-	-	-	1.090	386	-	41.438
Recognized impairment losses	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 amount	266.011	226.017	515.219	517	3	5.115	71.647	11.020	61.258	1.156.806

Land and Buildings (net values) at 31 December 2015 mainly included:

- 233 million euro (31DEC14: 238 million euro) related to infrastructures for production, transport and distribution of water of AdP Group;
- 124 million euro (31DEC14: 118 million euro) related to other types of buildings related to the wholesale markets of SIMAB Group (fresh products halls, warehouses, trading stores and other);
- 58 million euro (31DEC14: 58 million euro) related to Baía do Tejo; and
- 30 million euro (31DEC14: 33 million euro) related to INCM.

The Basic equipment at 31 December 2015 (net values) mainly includes 495 million euro (31DEC14: 510 million de euro) related to production, transport and distribution of water belonging to AdP Group.

The increase in Land and natural resources is mainly related to the impairment losses reversal of Companhia das Lezírias (3,8 million euro) and SIMAB Group (2 million euro). The decrease in Basic Equipment comes from the depreciations in the period mainly from AdP Group (20 million euro).

Transfers and write-offs in accumulated depreciations in Basic Equipment mainly include the write-offs and transfers to Other tangible fixed assets, related to INCM.

In comparison with 2014, there was a decrease in Additions and Other transfers/write-offs since TAP Group was excluded from the consolidation perimeter (in 2014, 29,6 million euro and 29,9 million euro, respectively).

The amount of Transport Equipment (net values) come majority from AdP Group with 295 thousand euro (31DEC14: 239 thousand euro), Baía do Tejo with 131 thousand euro (31DEC14: 122 thousand euro) and Companhia das Lezírias, with 129 thousand euro (31DEC14: 104 thousand euro).

The amount of Administrative Equipment (net values) come majority from AdP Group, with 3 million euro (31DEC14: 3 million euro) and from INCM with 1,2 million euro (31DEC14: 1,4 million euro).

Other tangible fixed assets mainly includes (net value): (i) 54,6 million euro (31DEC14: 59,5 million euro) of rolling stock in operations in “Eixo Ferroviário Norte-Sul” from SAGESECUR; (ii) 8,8 million euro (31DEC14: 8,8 million euro) relating to INCM; and (iii) 2,5 million euro (31DEC14: 2,3 million euro) from AdP Group.

The AdP Group was responsible for 12,6 million euro of the total acquisitions made during 2015 in the total amount of 16,4 million euro.

Transfers and write-offs in Ongoing fixed assets mainly included: 5,4 million euro from AdP Group relating to the transfer of advances on investments; and (ii) 1,6 million euro from Lazer e Floresta.

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

- advances made by Baía do Tejo Group in the amount of 58,2 million euro (31DEC14: 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 (31DEC14: 4,5 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 and CE.

The recognised impairment losses are mostly related to lands and buildings of SIMAB Group (484 thousand euro) and to Companhia das Lezírias (109 thousand euro).

The impairment reversed losses are mostly related to (11,5 million euro) the reversal of fixed assets impairments in all the SIMAB Group markets, reflected in lands and buildings.

The amounts identified as Transfers 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 now included in a held for sale group according to IFRS5 as described in Note 21 where the balances at 31 December 2014 can be found.

6 - Investment properties

Investment property	31-Dec-15	31-Dec-14
	At fair value	At fair value
Opening balance	535.512	545.833
Adjustments to fair value - Net gains and losses	(17.713)	(20.684)
Increases - Acquisitions	1.424	17.553
Disposals	(18.179)	(4.204)
Transfers from and to inventories and to property occupied by the owner	(70.292)	-
Transfers to property, plant and equipment	(28)	(27)
Transfers to "Held for sale"	-	(2.139)
Other variation	(34)	(821)
Closing balance	430.690	535.512
Total		

Measurement at a recurring fair value hierarchy:

Investment property (by at fair value hierarchy)	31-Dec-15	31-Dec-14
Level 1 (market prices)	-	-
Level 2 (other observable sources than market prices)	-	-
Level 3 (sources not based on the observable market)	430.690	535.512
	430.690	535.512

Investment properties refer to the following entities:

Investment property by entity	31-Dec-15	31-Dec-14
Estamo	107.039	197.814
Consest	62.044	61.750
Baía do Tejo Group	127.233	126.193
Companhia das Lezírias	71.330	62.956
Fundo IIF Estamo	30.689	31.695
Lazer e Floresta	14.183	36.898
AdP Group	13.651	13.745
SIMAB	4.520	4.460
Total	430.690	535.512

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

The net losses value in Adjustments at fair value, in the amount of 17,7 million euro, comes mainly from:

- 24,1 million euro of losses from Lazer e Floresta, mainly related to properties in portfolio; and
- 8,4 million euro of gains from Companhia das Lezírias, related to properties in portfolio.

At December 2015, the SIMAB Group reclassified the land accounted as asset held for sale for 707,4 thousand euro to Investment properties due to the cancellation of the purchase and sale contract and consequently with no sale expectation within the next 12 months. At 31 December 2015, the land was reassessed in the total amount of 585,5 thousand euro. The market price of the property was estimated in accordance with the Fair Value method.

The SIMAB Group held also in Investment properties, two rustic lands which were recorded as non-current assets held for sale, as well as a land plot for alienation considered inappropriate for exploitation and that in the past was already under contract. The above mentioned lands were measured at fair value. At 31 January 2015, they were assessed and the total amount of 2 950 thousand euro was attributed to the rustic land.

The annual increases in Investment properties at fair value include:

- the amount of 971 thousand euro related to real estate held for renting or for capital appreciation (or both) from Baía do Tejo Group; and
- the amount of 450 thousand euro related to renting assets from Estamo.

The alienations of the year are mainly related to the sale of two properties of Estamo in the total amount of 18 million euro.

Transfers to and from inventories and owner-occupied property are mainly related to properties of Estamo in the total amount of 71,9 million euro.

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 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
Estamo	Between 6,88% and 7,50%	Between 7,00% and 11,00%
Consest	n.a.	9,00%
Grupo Baía do Tejo	Between 7% and 10%	Between 7% and 10%
Companhia das Lezírias	5,62%	15%
Fundo IIF Estamo	n.a.	10,00%
Lazer e Floresta	Between 3,50% and 6,50%	n.a.
SIMAB	n.a.	Between 9% and 10,25%

7 - Goodwill

<i>Goodwill</i>	31-Dec-15		31-Dec-14		
	Opening balance	Closing balance	Opening balance	Transfers to "Held for sale"	Closing balance
Manutenção e Engenharia Brasil	-	-	129.940	(129.940)	-
Air transport	-	-	63.099	(63.099)	-
AdP	84.934	84.934	95.005	(10.070)	84.934
Valorsul	-	-	3.307	(3.307)	-
Algar	-	-	130	(130)	-
Aquasis	210	210	210	-	210
Baía do Tejo	91	91	91	-	91
Simab	5.749	5.749	5.749	-	5.749
	90.984	90.984	297.530	(206.546)	90.984

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.

In 2014, 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. In 2015, this goodwill was derecognized as result of the disposal of EGF Group (see note 11).

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 193 million euro of TAP Group and the amount of 13,5 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.

8 - Other intangible assets

Other intangible assets (net values)	31-Dec-15			31-Dec-14		
	Indefinite useful life	Finite useful life	Total	Indefinite useful life	Finite useful life	Total
Opening balance	3	4.003.412	4.003.415	3	4.688.572	4.688.575
Transfers to "held for sale"	-	-	-	-	(683.181)	(683.181)
Recognized impairment losses (signal-)	-	-	(24)	-	663	663
Additions	-	189.348	189.348	-	140.912	140.903
Other transfers/Write-offs	-	(24.549)	(24.549)	-	(12.204)	(12.204)
Amortizations	-	(123.268)	(123.268)	-	(131.347)	(131.338)
Exchange rate differences (signal +or-)	-	-	-	-	(2)	(2)
Closing balance	3	4.044.943	4.044.923	3	4.003.412	4.003.415

Other intangible assets come mainly from AdP Group in the amount of 4 billion euro (31DEC14: 4 billion 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 (189,3 million euro), as well as other transfers/disposals (24,5 million euro) and amortizations (123,3 million euro) come mainly from AdP Group.

The year ended at 31 December 2015 and unlike previous years, investments made by AdP Group companies significantly increased. As a result of the changes in the investment volume settled in the initial concession contracts, some expansion or modernisation investments occurred which may present some remaining value. In the new aggregated companies, this value was classified as assets due to the extension of the concession periods. This effect had an impact of approximately 30 million euro on investment. The activity “baixas” in Águas do Norte had also an impact in the increase of the investment level.

The amounts identified as Transfer from/held for sale in 2014 correspond to 738 thousand 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 IFRS5 as described in Note 21.

9 - Biological assets

31-Dec-15						
Biological assets- Non current	Opening balance	Increases due to acquisitions	Changes in fair value less estimated point-of-sale costs	Disposals	Depreciation	Closing balance
At fair value						
Forest						
Pine	9.262	7	(135)	(229)		8.905
Eucalyptus	6.449	-	628	(863)		6.214
Other	-	-	549	-		549
Breeding stock	607	-	(11)	-		597
	16.319	7	1.031	(1.092)	-	16.265
At cost						
Olive tree	345	-		-	(16)	329
Vine	862	36		-	(51)	846
Other	22	-		-	(3)	19
	1.229	36	-	-	(71)	1.194
Total	17.548	43	1.031	(1.092)	(71)	17.459

31-Dec-14						
Biological assets- Non current	Opening balance	Increases due to acquisitions	Changes in fair value less estimated point-of-sale costs	Disposals	Depreciation	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

31-Dec-15						
Biological assets- Current	Opening balance	Increases due to acquisitions	Changes in fair value less estimated point-of-sale costs	Disposals	Depreciation	Closing balance
<u>At fair value</u>						
Forest						
Eucalyptus	2.000	-	-	-		2.000
Breeding stock	756	-	89	-		846
Total	2.756	-	89	-	-	2.846

31-Dec-14						
Biological assets- Current	Opening balance	Increases due to acquisitions	Changes in fair value less estimated point-of-sale costs	Disposals	Depreciation	Closing balance
<u>At fair value</u>						
Forest						
Pine	0	-	-	-	-	0
Eucalyptus	2.000	-	-	-	-	2.000
Breeding stock	797	-	(41)	-	-	755
Total	2.797	-	(41)	-	-	2.755

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, 3 616 hectares (31DEC14: 3 493 hectares); (ii) Eucalyptus, 4 117 hectares (31DECC14: 4 432 hectares); and (iii) cork oak trees, 8 306 hectares (31DEC14 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 also 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 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, the discounted cash flows method was used with a discount rate between 4,00% and 7,59%.

10 - Investments in associates

Investments in associates	31-Dec-15			
	Opening balance	Additions	Equity method movements	Saldo final
Parcaixa, SGPS, SA	470.340	-	24.324	494.664
TAP SGPS	-	6.394	(4.441)	1.953
CVP - Sociedade de Gestão Hospitalar, S.A.	5.814	-	176	5.990
Oredip - Instituição Financeira de Crédito	-	-	-	-
ISOTAL - Imobiliário do Sotavento Algarvio, S.A.	58	-	(2)	56
Multicert - Serviços de Certificação Electrónica	261	-	56	316
ORIVÁRZEA, S.A.	1.956	-	111	2.067
INAPA - Invest. Part. E Gestão, SA	-	-	-	(0)
Mieses	265	-	-	265
CLR - Comp. Lezírias e Associados Renováveis, Lda	1	-	-	1
Trevoeste	-	-	-	-
Propnery - Propriedade e Equipamentos, SA	1.027	-	(39)	987
ACEs Quimiparque, Snesges Urbindustria, Portosider	4	-	-	4
	479.726	6.394	20.184	506.304

Investments in associates	31-Dec-14						
	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	176	33	-	-	-	-	209
CLR - Comp. Lezírias e Associados Renováveis, Lda	1	-	-	-	-	-	1
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

From the main changes verified in 2015, it should be noted:

- The use of the equity equivalence method;
- The classification as associate of the 39% investment in the TAP, SGPS, S.A. share capital.

In the scope of the re-privatisation of TAP Group, the “Direct Sale Agreement” of TAP SGPS was signed on 24 June 2015 and concluded on 12 November 2015, establishing the transfer to Atlantic Gateway of 915 000 subscribed and nominative shares representing 61% of the TAP SGPS share capital, by the amount of 10 million euro and the remaining 39% were held in the portfolio.

In 2014, it should be mentioned that the investment in INAPA was transferred to assets available for sale. At 6 August 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, 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 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.

11 - Other investments-other methods

Other investments	31-Dec-15	31-Dec-14
At fair value		
GALP	638.082	494.570
INAPA	5.154	7.363
NOS (ex ZON Multimédia)	818	591
Pharol SGPS, SA (ex PT SGPS SA)	217	692
Lisnave - Estaleiros Navais, S.A.	2.000	2.000
Other	20	20
	646.292	505.236
At cost		
EGF	3.033	-
Other	67	67
	3.100	67
	649.392	505.303

The following main alterations were verified during the 2015:

- the increase of 143 512 thousand euro in GALP's shares underlying the embedded option of the loan bond, of which 134 525 thousand euro are related to positive changes of the fair value and 8 977 thousand euro to acquisitions of new shares (see Note 45);
- the decrease of 475 thousand euro of the investment in Pharol SGPS, SA (ex - PT SGPS, SA), by the valuation at fair value at 31 December 2015.

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.

Until 2014, SPE recognised in Investments in associates the investment in Sociedade Mineira do Lucapa (SML), a company under Angolan law whose business is diamond extraction. As a result of impairment tests to investments and of the recognition of the inactive and bankruptcy situation of the associate relating SML, worsened by Decree Law nr 159 of 2011, of the Republic of Angola, revoking the Mining Licence granted to Sociedade Mineira do Lucapa and allowing ENDIAMA-E.P. to cancel the Mining Rights Concession Contract, an impairment in the amount of 12,3 million euro was recognised in 2011 covering the entire amount of the financial investment in SML.

As a result of the release contract of the SML ownership signed between SPE and Endiama, E.P., it was considered that conditions were met to entirely reverse the impairment over this financial investment and to restated it (together with the claims on this subsidiary) to Non-current assets held for sale (see Note 21).

Under Decree Law nr 45/2014, of March 20, the Government approved the process of re-privatisation of EGF through the disposal of 100% of the shares representing its share capital, owned by Adp Group. The same diploma, also established that the alienation process would be subject to an international public tender with defined stages such as the employees' right to buy 5% of EGF share capital and established the sale option and preference rights to be award to the shareholder municipalities of the managing entities of the multi-municipal systems of which EGF is a shareholder. Under the Resolution of the Council of Ministers nr 30/2014, of April 3, published in the Official Portuguese Journal of April 8, the Government approved the tender documents related to the alienation public tender and its opening. AT 31 July 2014, 4 of the seven bidders invited to present binding proposals to acquire EGF shares, presented their proposals. Under the Resolution of the Council of Ministers nr 55-B/2014, of September 19, the Agrupamento SUMA, made up of Suma - Serviços Urbanos e Meio Ambiente, S.A., Mota - Engil Ambiente e Serviços, SGPS, S.A, and Urbaser, S.A., was chosen as the winner of the public tender for the re-privatisation of EGF. At 6 November 2014, the sale contract of 95% of the EGF share capital was signed between AdP - Águas de Portugal, SGPS, S.A. and Suma Tratamento, S.A., representing the Agrupamento SUMA's members. The remaining 5% of the share capital is available to be bought by the employees of the EGF universe, after the end of the transaction. At the end of July of 2015, and after the approval of the Competition Authority, 95% of the shares of EGF's share capital was transferred to SUMA Tratamento, S.A., in the amount of 154 million euro, generating accounting gains in the amount of 75,4 million euro, recorded in gains of re-privatisations. The remaining 5% of the share capital is still owned by AdP Group.

12 - Other financial assets

Other financial assets	31-Dec-15		31-Dec-14	
	Current	Non current	Current	Non current
Financial assets at fair value through profit or loss				
Held for trading				
Imopoupança Fund and Fundiestamo I shares	7.924	-	6.904	-
Other	-	4.844	-	6.405
Held to maturity	2.286	3.195	882	5.432
Loans and receivables				
Payments in advance regarding privatizations	-	4.588.830	-	4.588.830
"Fundo de reconstituição"	-	96.408	-	102.668
Other	-	-	-	12.108
Available for sale				
Other	4	11	4	10
	10.214	4.693.288	7.790	4.715.453

Financial investments at fair value through profit or loss - current assets - corresponds to shares held by SAGESECUR in Fundiestamo Fund I with 7 902 shares (31DEC14: 6 886 shares) and in the Imopoupança Fund with 1 970 shares (31DEC14: 1 970 shares) in the total amount of 7 924 thousand euro (31DEC14: 6 904 thousand euro).

The amount of 4 844 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 5 481 thousand euro (2 286 thousand euro in current assets and 3 195 thousand euro in non-current assets) (31DEC14: 882 thousand euro in current assets and 5 432 thousand euro in non-current assets), is mainly related to Treasury bonds held by INCM in the amount of 5 004 thousand euro.

The amount of 4 589 million euro mainly relates to Advances concerning privatizations (31DEC14: 4 589 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 (AdP Group) and refer to medium and long-term financial investments. Since 2010, these funds are deposited at IGCP – Agência de Gestão da Tesouraria e da Dívida Pública. Concerning the AdP Group companies with an extended concession term, there has been no increase of the capital reconstitution fund because it was at the date higher than the established by contract. However, concerning the mentioned cases, it was not used, i.e it was not reduced, and the related amount remained duly securitised at IGCP. The new concession contracts no longer require a Reconstitution Fund.

The change in Other current loans and other receivables is justified by the reclassification to non-current assets held for sale of the amounts to be received by SPE from Sociedade Mineira do Lucapa (SML) (see Note 21. In 2014, Other borrowings and receivables include the amount of 11 844 thousand euro related to loans granted by SPE to Sociedade Mineira do Lucapa.

The signature of the contract transferring the ownership of SML between Sociedade Portuguesa de Empreendimentos – SPE, S.A. and Endiama, E.P. and further developments assumed the reclassification and resulting recognition of the financial investment in SML as non-current asset held for sale. Likewise, the claims on that subsidiary were entirely reclassified to the same line, presented at 31 December 2015.

13 - Deferred tax assets and liabilities

Deferred taxes	31-Dec-15				31-Dec-14				
	Opening balance	Changes on profit or loss	Changes directly on equity	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	29.574	(15.847)	-	13.728	44.594	(6.399)	(49)	(8.572)	29.574
Retirement benefit obligations	7.559	(890)	(557)	6.112	27.803	(8.054)	(468)	(11.722)	7.559
Impairment losses on inventories	2.658	-	-	2.658	11.147	(437)	-	(8.052)	2.658
Transition adjustments and fair value variations	10.880	303	-	11.183	6.034	4.859	(13)	-	10.880
Other provision and adjustments not tax deductible	4.060	(107)	-	3.953	5.990	(1.455)	(3)	(471)	4.060
Other	175.142	(4.626)	-	170.515	272.764	(1.664)	(72)	(95.886)	175.142
	229.873	(21.167)	(557)	208.148	368.332	(13.151)	(605)	(124.703)	229.873
Deferred tax liabilities									
Transition adjustments and fair value variations	42.274	(2.056)	(7)	40.211	71.982	(6.026)	(47.146)	23.464	42.274
Reinvestment of realized proceeds	33	(16)	-	18	56	(23)	-	-	33
Other	238.810	20.597	(214)	259.194	310.576	(27.337)	(4.608)	(39.821)	238.810
	281.118	18.526	(221)	299.422	382.614	(33.385)	(51.754)	(16.357)	281.118

The Deferred tax assets include 13,7 million euro (31DEC14: 29,6 million euro) related to the recognition of reportable financial losses, mainly from Estamo.

The variation with effects in profit and loss occurred in reportable fiscal losses in deferred tax assets, in the negative amount of 15,8 million euro, mainly includes: (i) the negative variation of 15,5 million euro from Estamo related to fiscal losses mainly of 2011 which could no longer be reported, (ii) the negative variation of 282 thousand euro from Lazer e Floresta; and (iii) the negative variation of 72 thousand euro from Consest.

Deferred tax assets include 6,1 million euro (31DEC14: 7,6 million euro) related to the recognition of obligations with retirement benefits not fiscally accepted, being the variations of the period and final value mainly from INCM.

Deferred tax assets include 2,7 million euro (31DEC14: 2,7 million euro) related to the recognition of inventories adjustments not fiscally accepted, mainly from Estamo.

Transfer adjustments and variations at fair value in the amount of 11,2 million euro (31DEC14: 10,9 million euro) are mainly related to the recognition of the variations at fair value of Estamo, but the positive variation with impact in profit and loss mainly includes the impacts of the assessments of the investment properties and biological assets held by Lazer e Floresta (positive variation of 682 thousand euros) and also the negative variations of Estamo (negative variation of 197 thousand euro) and of Consest (negative variation of 182 thousand euro).

The deferred tax Assets include 3,95 million euro (31DEC14: 4,1 million euro) related to Other provisions and adjustments not accepted for tax purposes mainly from AdP Group and the negative variation with impact in profit and loss in the amount of 107 thousand euro mainly from AdP Group.

The Liabilities transfer and variations adjustments at fair value in the amount of 40,2 million euro (31DEC14: 42 million euro) are mainly related to revaluations carrying out during the transfer for the IFRS, being 16,8 million euro from Baía do Tejo Group, 16,8 million euro from Companhia das Lezírias, 2,9 million euro from INCM, 2,6 million euro from Estamo and 1,1 million euro from Lazer e Floresta. The negative variation of 2,1 euro comes mainly from (i) the negative variation of 4,2 million euro of Lazer e Floresta including the impact of the evaluations of the investment properties and biological assets held by the company; and from (ii) the positive variation of 2,6 million euro of Companhia das Lezírias.

Other deferred tax assets and liabilities include 170,5 million euro (31DEC14: 175,1 million euro) and 259,5 million euro (31DEC14: 238,8 million euro), resulting from:

- AdP Group, with 161,2 million euro in non-current asset (31DEC14: 162,8 million euro) and 256,9 million euro (31DEC14: 236 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 9 million euro in non-current assets (31DEC14: 12,1 million euro) and 2,6 million euro in non-current liabilities (31DEC14: 2,7 million euro), related to eventual differences in fixed tangible assets due to the recognition and reversal of impairment losses.

At 2014, the amounts classified as Transfers to Held for sale are related to TAP Group (53,4 million euro assets and 21 million euro liabilities) and to EGF Group (81,6 million euro assets and 35 million euro liabilities) that were included in a held for sale disposal group according to IFRS 5, as detailed in Note 21.

14 -Trade Debtors

Trade debtors	31-Dec-15	31-Dec-14
Current account	406.610	481.820
Doubtful accounts	48.046	24.322
"Water on counter" to bill	21.004	39.191
Other	9	32
Accumulated impairment losses	(46.459)	(22.377)
	429.210	522.988

Trade debtors - Current accounts includes:

- Trade debtors from AdP Group in the amount of 330,6 million euro (31DEC14: 372,5 million euro), from which 303,5 million euro (31DEC14: 358,7 million euro) are related to municipalities debts;
- Trade debtors from Estamo in the amount of 64,9 million Euro (31DEC14: 85 million euro), essentially relating to leases to Portuguese State entities; and
- Trade debtors from INCM in the amount of 5,9 million euro (31DECZ14: 16,4 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 41,3 million euro (31DEC14: 20,2 million euro).

Water on counter to bill relates to an estimate of consumed water by trade debtors at 31 December of 2015, which will only be invoiced after that date.

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

At 31 December of 2014, the balances of Trade Debtors of TAP Group and EGF Group, in the total amount of 147 million euro and 57,9 million euro respectively, were included in an held for sale alienation group according to IFRS5, as detailed in Note 21.

The significant increase in impairment losses comes from AdP Group and is the result of a downwards review to tariffs carried out in previous years in the municipalities integrating the Water System of Zêzere e Côa. The referred tariff review was related to the government compensation to the municipalities using the above mentioned system due to the decision of the disaffection grantor of the Covilhã Municipality in the Multi-municipal Water and Sanitation System of Alto Zêzere e Côa, contrary to what was initially estimated.

15 - Advances to trade creditors

Advances to trade creditors	Current	
	31-Dec-15	31-Dec-14
Advances to trade creditors		
Current account	3.670	4.808
Property, plant and equipment	1.654	1.417
	5.324	6.225

The balance of Advances to trade creditors at 31 December of 2015 corresponds mostly to AdP Group with 5,2 million euro (31DEC14: 6,1 million euro).

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 IFRS5, as detailed in Note 21.

16 - Public administrative sector

Public administrative sector	31-Dec-15		31-Dec-14	
	Current	Non-current	Current	Non-current
Assets				
Public administrative sector				
Income tax to be received	1.582	-	4.801	-
Other	5.768	-	6.773	-
	7.351	-	11.575	-
Passivo				
Public administrative sector				
Income tax to be paid	3.692	-	9.837	-
Other	20.423	-	22.531	-
	24.115	-	32.367	-

The receivable Income tax comes majority from PARPÚBLICA in the total amount of 845 thousand euro (31DEC14: 4,1 million euro), mostly resulting from withholding taxes by third parties related to income from dividends.

Other – current assets - mostly includes: (i) 5,1 million euro (31DEC14: 5,3 million euro) from AdP Group, related to VAT receivable; and (ii) 372 thousand euro (31DEC14: 755 thousand euro) from Estamo.

The amount recorded in Other-current liabilities mainly includes:

- 16,9 million euro (31DEC14: 19,4 million euro) related to AdP Group, of which 12,7 million euro (31DEC14: 13,6 million euro) related to Water and Waste Management Taxes to be paid at the beginning of 2016;
- 1 million euro (31DEC14: 819 thousand euro) from Estamo; and
- 943 thousand euro (31DEC14: 498 thousand euro) from Baía do Tejo Group.

At 31 December of 2014, the balances of TAP Group (13,9 million euro in assets and 22 million euro in liabilities) and of EGF Group (369 thousand euro in assets and 8,5 million euro in liabilities), were included in a held for sale disposal group according to IFRS5, 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 2015.

17 - Other receivables

Other receivables	31-Dec-15		31-Dec-14	
	Current	Non-current	Current	Non-current
Accrued income	5.749	-	2.951	-
Government grants related to assets	12.098	1.967	-	1.097
Real estate sales	2.434	40.138	4.480	37.272
Staff	353	-	301	-
Trade receivables	102	50.784	28	65.043
Other	80.630	33.489	81.197	62.517
Accumulated impairment	(5.055)	-	(4.665)	-
	96.311	126.378	84.292	165.929

Accrued income – current assets mainly includes; (i) 3,2 million euro (31DEC14: 620 thousand euro) from INCM and (ii) 1,2 million euro (31DEC14: 650 thousand euro) from Companhia das Lezírias.

Investment subsidies to be received are entirely related to AdP Group.

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

Trade receivables – non-current assets in the amount of 50,8 million euro (31DEC14: 65 million euro), relates to trade debtors balances of AdP Group according to payment agreements (mainly municipalities). The variation results from the decrease in the payment of some agreements and the non-compliance with others (reclassification to current).

Others –current assets – essentially include:

- 71,5 million euro (31DEC14: 73,8 million euro) from AdP Group, including: (i) 44,9 million euro from accrued interests and (ii) 26,5 million euro from other receivables;
- 4,2 million euro (31DEC14: 3,3 million euro) from Companhia das Lezírias including 2,6 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
- 1,6 million euro (31DEC14: 881 thousand euro) from SMAB Group.

Others – non-current asset – essentially includes 33,3 million euro (31DEC14: 61,5 million euro) from AdP group, being 12,4 million euro (31DEC14: 39,3 million euro) related to the residual value to be received at the end of the concession. 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. In 2015, with the restructuring process of AdP Group and the extension of the concession term, the amount of 27,8 million euro relating to residual values was transfer to Intangible Assets (see Note 8).

The amount of 5,1 million euro at 31 December of 2015 referring to Adjustments by impairment of other receivables – current asset – is mostly from AdP Group, in the total amount of 3,7 million euro (31DEC14: 3,7 million euro).

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 IFRS5, as detailed in Note 21.

18 - Deferrals

Deferrals - Liabilities	31-Dec-15		31-Dec-14	
	Current	Non current	Current	Non current
Regulatory liability - Tariff deviations	-	943	-	61.014
Deferred income				
Government grants related with assets	1.685	1.637.795	1.550	1.646.157
Other	23.978	20.735	25.060	21.977
Contractual (service concession) investments	-	358.114	-	348.003
Other	-	-	381	-
	25.662	2.017.587	26.991	2.077.151

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

	Asset deviation	Deferred liabilities	Liabilities deviation	Deferred asset	Net effect deviation	Effect on results
UNA-PD						
Águas do Norte	223 558	(54 772)			168 786	32 812
Águas do Centro Litoral	61 882	(15 440)			46 442	1 746
Águas do Lisboa e Vale do Tejo	292 565	(75 336)			217 229	60 052
Águas do Algarve	6 634	(1 493)			5 141	(5 661)
AdRA - Águas da Região de Aveiro	2 403	(606)			1 797	(2 605)
AdRA - Águas da Região de Aveiro (Reserva às contas individuais)	35 269	(7 800)			27 469	4 755
AgdA – Águas Públicas Alentejo			(943)	239	(704)	(976)
Total UNA-PD	622 312	(155 445)	(943)	239	466 163	90 124

Other current deferred expenses are mainly from:

- 7,9 million euro (31DEC14: 9,4 million euro) from AdP Group;

- 850 thousand euro (31DEC14: 789 thousand euro) from INCM;
- 266 thousand euro (31DEZ14: 294 thousand euro) from SIMAB;
- 201 thousand euro (31DEZ14: 4,1 million euro) from Estamo; and
- 131 thousand euro (31DEZ14: 1,5 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-15	31-Dec-14
Government grants related with assets – EC Cohesion Fund	1 381 665	1 381 321
Government grants related with assets – Other	9 910	8 604
Asset integration	229 763	240 468
	1 621 339	1 630 393

EC Cohesion Fund- movements for the period	31-Dec-15	31-Dec-14
Grants (year N-1)	1 381 321	1 643 124
Recognition of right to receive	44 459	41 702
Income recognition	(43 782)	(43 523)
Recognition adjustments	(332)	842
Right recognition adjustments	-	(11 274)
Reclassification to assets/liabilities held for sale (balance at 1JAN14)	-	(269 550)
Receipts for the period (year N)	1 381 665	1 381 321

Deferred income – other current liabilities – includes:

- 19,7 million euro (31DEC14: 20,5 million euro) from AdP Group;
- 1,6 million euro (31DEC14: 2,1 million euro) from lease rents received by ESTAMO in advance;
- 1,4 million euro (31DEC14: 571 thousand euro) from Baía do Tejo Group, mainly related to (i) deferred income from the sale of plots which had not yet all the infrastructures; and (ii) deferred lending rates related to guarantees paid by trade debtors and usually corresponding to a monthly due instalment; and
- 732 thousand euro from incomes to be recognized, related to access fees paid by the users (supply markets clients) at the beginning of the contract of use of SIMAB Group areas (31DEC14: 1,3 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 contract notice the amount not recognized at notice's date is fully integrated.

Contractual investments – non-current liabilities – refer entirely to AdP Group. The companies recognized their share in the estimated expenses to meet the contract expenses with investments not yet carried out but foreseen in concession contracts or in concession contracts amendments (including expansion and modernization investments) approved or imposed by the grantor.

At 31 December 2014, Deferrals included current assets in the amount of 17,1 million euro and current liabilities in the amount of 67,7million euro from TAP Group and Current assets in the amount of 2, 6

million euro and current and non-current liabilities in the amount of 533,2 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-15	31-Dec-14
Merchandise	832.139	821.390
Finished and intermediate goods	12.278	10.742
Subproducts and other	2.193	2.131
Work in progress	16.152	15.974
Raw materials and Other	17.451	16.692
Purchase advances	197.394	208.264
Accumulated impairment losses	(153.254)	(153.711)
TOTAL	924.352	921.484

Merchandise essentially includes the amount of 818,4 million euro of real estate owned by ESTAMO (31DEC14: 807,7 million euro), and properties of Lazer e Floresta in the total amount of 13 million euro (31DEC14: 13 million euro).

Finished and intermediate goods are mostly related to INCM with 11,5 million euro (31DEC14: 10,4 million euro), of which 4,8 million euro relating to commemorative coin collection (31DEC14: 3,9 million euro), 3,4 million euro relating to several books (31DEC14: 3,5million euro), and 1,4 million euro relating to PVC cards (31DEC14: 1 million euro).

Work in progress comprises essentially, 15 million euro (31DEC14: 15 million euro) with allotment projects from Baía do Tejo Group, of which 8,4 million euro (31DEC14: 8,4 million euro) are from projects in stage of infrastructure and 6,5 million euro (31DEC14: 6,5million euro) of land with infrastructure.

Raw materials and consumables mainly include:

- coin and other assets of INCM, in the amount of 10,5 million euro (31DEC14: 10 million euro); and
- reagents and counters of AdP Group, in the total amount of 6,1 million euro (31DEC14: 5,7 million euro).

Purchase advances are entirely related with real estate from ESTAMO.

Accumulated adjustments in inventories include mainly 141,5 million euro (31DEC14: 145,1 million euro) from ESTAMO, 6,2 million euro from Lazer e Floresta (31DEC14: 3,3 million euro) and 4,9 million euro (31DEC14: 5 million Euros) of INCM.

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-15	31-Dec-14
Financial applications	-	890
Time deposits	183.961	281.897
Bank deposits readily convertible into cash	185.770	114.073
Cash	828	7.464
Cash equivalent	-	44
Other	9.467	-
	380.025	404.368

The cash equivalents presented by PARPÚBLICA Group essentially correspond to investments in term deposit accounts and other deposits immediately convertible into cash, being the most relevant, the balances of AdP Group with 169,3 million euro (31DEC14: 281,9 million euro), of PARPÚBLICA with 65,1 million euro (31DEC14: 18,4 million euro), of Estamo with 51,8 million euro (31DEC14: 31,4 million euro), of INCM with 41,8 million euro (31DEC14: 33,7 million euro) and of Lazer e Floresta with 22,6 million euro (31DEC14: 21,3 million euro).

The amount in Others is mainly related to SPE, bank deposits –Escrow Account, concerning advances made by ENDIAMA on account for the sale contract by SML, signed with the referred entity. This amount may only be transferred after the approval of the shareholders' general assembly of SPE under the terms of the mentioned contract. The contract foresees the payment of the global amount of 130 million U\$ in 11 instalments until September of 2016. The Escrow Account is a bank account originally in U\$ and its balance was adjusted to euro at 31 December of 2015, based on the Exchange rate of the Portuguese Central Bank (Banco de Portugal).

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 IFRS5, as detailed in Note 21.

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

Non current assets and liabilities held for sale	31-Dec-15	31-Dec-14
Assets		
Investments		
EGF - subholding da AdP		
EGF - Intangible assets		657.547
EGF - Goodwill	-	13.507
EGF - Financial 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 Land - SIMAB	-	5
MARB Land - SIMAB	-	707
SPE		
SML investment	12.288	-
SML debt	15.568	-
	27.856	-
Total non-current assets held for sale	27.856	2.499.799
Liabilities		
EGF - subholding da AdP		
EGF - Borrowings	-	178.522
EGF - Deferred tax liabilities	-	35.008
EGF - Amortization of investments	-	182.016
EGF - Grants to investment	-	273.180
EGF - Tariff deficit	-	77.263
EGF - Other liabilities	-	41.397
	-	787.387
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
Total liabilities of non-current assets held for sale	-	2.859.644
	27.856	(359.845)

At 31 December 2015 SPE's financial investment in Sociedade Mineira do Lucapa (SML) as well as the credits held over this affiliate are classified as Non-current assets held for sale.

The signature of the promissory agreement between SPE and Endiama, E.P. concerning SML's shares and the following events suffered the reclassification and consequent acknowledgment of the financial investment in SML as Non-current asset held for sale. To the same extent the credits held over this affiliate were also entirely reclassified under such account.

Until the accounting year of 2014 SPE acknowledged under Investments in associated companies the investment in SML's share capital, an Angolan company whose activity is diamond mining. As result of impairment tests conducted to the investments value and the acknowledgement of the inactivity and bankruptcy of the associated to SML, accentuated by Republic of Angola Executive Decree nr 159 of 2011, where the Mining Licence granted to SML was revoked and ENDIAMA-E.P. was authorized to terminate the Mining Rights Concession Agreement, in the accounting year of 2011 was acknowledged an impairment in the amount of 12,3 million euro relating to the total amount of the financial participation in SML.

Following the signature of the promissory agreement concerning the assignment of SML ownership between SPE and Endiama, E.P., it was considered that it was possible to revert entirely the impairment over this financial participation and to reclassify it (together with the credits held over this affiliate) to Non-current assets held for sale.

At 31 December 2014, the lands of MARF and MARB of SIMAB Group were to be alienated, TAP Group was to be privatized as well as the total investment of AdP Group in the Empresa Geral de Fomento.

In 2015 the sale of EGF Group was carried out as mentioned in 11. In 2014 these financial statements present the balances, operations and results of EGF Group as held for sale/discontinued operations.

In 2014 the *goodwill* of EGF corresponds to:

- 10 070 thousand euro relating to the allocation of part of AdP Goodwill calculated in consolidation to EGF Group, on a 10,6% basis, which corresponds to the net assets weight of EGF Group in AdP Group, at 31 December 2014;
- 3 307 thousand euro relating the EGF Goodwil in Valorsul; and
- 130 thousand euro relating the EGF Goodwil in Algar.

At 31 December 2014 TAP – SGPS, S.A. qualified as non-current asset held for sale because it was in a privatisation process to be concluded in a year, as effectively happened.

The reprivatization of TAP – SGPS, S.A. share capital was approved by DL nr 181-A/2014, of 24 December. It comprised the direct reference sale of shares of up to 61% of TAP SGPS, S. A. share capital and the sale in an offer only for workers of an additional group of shares representing up to 5% of TAP SGPS, S. A. share capital.

By Resolution of the Council of Ministers nr 38-A/2015, of 12 June, it was determined to choose Gateway Group for the acquisition of shares representing 61% of TAP SGPS, S. A. share capital. At 24 June 2015 it was signed the “Direct Sale Agreement” of TAP SGPS, which was executed in 12 November 2015 with the transfer made in favour of Atlantic Gateway of 915 000 registered and nominated shares representing 61% of TAP SGPS,SA. share capital .

The shares issued and not subscribed within the offer to workers will be subject to direct sale according to conditions to be defined in Resolution of the Council of Ministers, and may reach a global maximum

amount of 819 750 euro. This purchase/ sale will take place in a date to be defined after the closing of the workers offer.

The 39% investment in TAP, SGPS, S.A. share capital was categorized as associated.

At 31 December 2015, the lands of MARF and MARB were transferred to investment properties because the intention of sale remains. For the MARB land which was supported by a purchase and sale promissory agreement, in the beginning of 2016 and following a lawsuit filed by the promissory buyer an agreement was signed in the Braga Court that terminates the promissory agreement and demands MARB to pay back the deposit paid by such promissory buyer.

During 2015, within the Framework Agreement for cooperation and delegation of State powers in the Municipality of Cascais, it was determined the transfer to such Municipality the responsibility to manage the Autódromo do Estoril, an infrastructure held by Circuito Estoril, S.A., a company of PARPÚBLICA Group. Following this it was studied and drafted the sale of shares representing all CE share capital to the Municipality, a process concluded in 6 August 2015 with the signature of the purchase and sale of shares agreement. This agreement would only be effective after the prior approval of the Court of Auditors, which didn't happen so the sale operation had no effect

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 partially paid in 1 322 151 thousand euro and is held by the Portuguese State. In 2015 there was a partial payment of the share capital by the State (DGTF) in the amount of 295 million euro according to Decision nr 915/15-SET.

Legal reserves, non distributable reserves, represents the legal 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 IAS28; (ii) adjustments to fair value of financial assets available for sale foreseen in IAS39; 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 2015 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)	2015	2014
Non-controlling interests (Profit or loss)		
AdP Group (except EGF - held for sale)	49.585	37.214
EGF - held for sale	1.308	2.762
Cateringpor	1.241	643
LFP	3.998	3.504
SAGESECUR	167	125
ECODETRA	(13)	2
Margueira	100	65
SPE	2.183	(130)
MARL, SA	1.346	391
MARF, SA	146	(98)
MARE, SA	27	(10)
MARB, SA	(36)	64
VEM	(487)	-
	59.565	44.532

24 - Provisions

Provisions (Balance sheet)	31-Dec-2015						
	Opening balance	Increases	Decreases from utilization	Reverted amounts not used	Effect of passing of time and changes in discount rate	Other movements	Closing balance
Provisions (non-current)							
Lawsuit in progress	1.425	737	(231)	-	(116)	(40)	1.775
Environmental obligations	4.222	-	(481)	-	-	-	3.741
Cost of removal of materials	499	-	-	-	-	-	499
Retirement benefits and pension related	328	-	-	-	-	-	328
Provisions for investments in associates	498	-	-	-	-	-	498
Taxes	448	-	-	(400)	-	-	48
Work accidents/Industrial diseases	82	-	(21)	-	-	-	61
Other provisions	12.501	2.371	(1.748)	-	-	40	13.164
Provision for labour contingencies	-	-	-	-	-	-	-
	20.003	3.108	(2.481)	(400)	(116)	-	20.114
	-	-	-	-	-	-	-

Provisions (Balance sheet)	31-dez-14						
	Opening balance	Increases	Decreases from utilization	Reverted amounts not used	Effect of passing of time and changes in discount rate	Transfers to "held for sale"	Closing balance
Provisões - não corrente							
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 benefits 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

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 2015 address to several ongoing lawsuits initiated against AdP Group, in the amount of 1 139 thousand euro and Estamo in the amount of 458 thousand euro.

Environmental proceedings and removal of materials

Provisions for environmental liabilities and removal of materials come from Baía do Tejo Group and are intended to ensure the charges which may 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 project for environmental recovery being developed are currently being elaborated the application processes for EU funds within QREN, by means of two "Agrupamentos Complementares de Empresa" (ACE), formed between Baía do Tejo Group and Empresa Geral de Fomento, which in 2015 was replaced by AdP. As a result of the work carried out until the end of 2015, it was esteemed that the company responsibilities for the work undertaken by the ACEs amounted to 5 276 thousand euro.

However, the process of calculating these liabilities is not yet finished so it is not possible to evaluate yet with security the future charges that may come from this process.

The provision for the ACEs is referred to the amount of Company losses in the accounting year calculated according to the equity method. It should be noted that 2014 losses were paid to the respective entities during the 2015 accounting year, and for that purpose Company used the previously created provision.

The provision for environmental liabilities for dismantling and removal of material intends to ensure the charges which may be supported by the company 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.

Other provisions

Other provisions corresponds mainly to provisions of AdP Group of in the amount of 8,9 million euro (31DEC14: 9,6 million euro), mainly to cover: (i) the debts in ongoing legal payment procedures, (ii) the costs of sludge treatment from ETARs; and (iii) tax contingencies.

Provisions from Estamo in the amount 3,1 million euro (31DEC14: 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.

The increase in other provisions is mainly related to INCM in the amount of 0,9 M€, AdP Group in the amount of 0,7 M€ and Estamo in the amount of 0,5 M€. The decreases resulting from use are mainly related to Águas de Santo André company of AdP Group in the amount of 1,2 M€.

At 31 December 2014 TAP Group and EGF Group provisions in the total amount of 29 million euro and 2,1 million euro, respectively, were included in a held for sale group according to IFRS 5 as described in note 21.

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-2015		31-Dec-2014	
	Current liabilities	Non current liabilities	Current liabilities	Non current liabilities
Bonds	172.141	3.648.169	200.108	3.811.806
Bank borrowings	264.735	2.040.965	455.099	2.185.934
Finance lease liabilities	1.684	13.473	1.715	15.175
Commercial paper	600	27.400	-	29.000
Overdrafts	130.156	-	178.304	-
Other borrowings	-	53.711	-	11.408
Embedded derivatives	-	3.894	-	1.417
	569.316	5.787.612	835.226	6.054.739

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

Borrowings	31-Dec-15	31-Dec-14
By maturity		
Up to 1 year	567.175	835.122
From 1 year to 2 years	1.010.751	292.683
From 2 years to 3 years	112.135	1.002.720
From 3 years to 4 years	855.739	111.432
From 4 years to 5 years	780.420	886.016
Over 5 years	3.061.101	3.813.640
	6.387.322	6.941.613
By type of interest rate		
Variable rate		
Expires in one year	494.301	681.446
Expires between 1 and 2 years	45.907	232.153
Expires between 2 and 3 years	34.970	36.541
Over 3 years	1.988.480	2.160.342
	2.563.658	3.110.482
Fixed rate		
Expires in one year	72.875	153.676
Expires between 1 and 2 years	964.844	60.530
Expires between 2 and 3 years	77.165	966.179
Over 3 years	2.708.780	2.650.746
	3.823.664	3.831.131
	6.387.322	6.941.613

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 2015 and at 31 December 2014 were the following:

	31-Dec-15	31-Dec-14
PARPÚBLICA		
Loan of 500,0 million Euro issued in 2005	513 210	504 321
Loan of 150,0 million Euro issued in 2005	152 998	152 321
Loan of 250,0 million Euro issued in 2006	256 501	251 295
Loan of 885,6 million Euro issued in 2010	930 537	879 393
Loan of 200 million Euro issued in 2013	-	200 108
Loan of 170 million Euro issued in 2013	171 926	171 641
Loan of 750 million Euro issued in 2014	748 972	748 234
Loan of 600 million Euro issued in 2014	617 537	606 018
Sub-total PARPÚBLICA	3 391 681	3 513 331
AdP Group	500 000	500 000
Total	3 891 681	4 013 331

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 had a semi-annual variable interest rate indexed to Euribor 6 months. It also foresaw 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 wasn't allowed to offer real guarantees to other creditors. Additionally PARPÚBLICA had 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 Articles 501 to 503 of the Trading Companies Code stops to be 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 Articles 501 to 503 of the Trading Companies Code stops to be 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. At 28 September 2015 bondholders exercised their anticipated right of reimbursement for the nominal value of the bonds in a total of 14 bonds, equivalent to 700 thousand euro. The total amount of the bond issue became 884,95 million euro. 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.

Bank loans include the borrowing in the amount of 599,238 million euro which 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 15 December 2042, and will be amortized by 57 equal instalments from 15 December 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 this right and so currently the amount of 440,6 million euro has a variable tax rate and the amount of 127,1 million euro has a fixed tax rate of 7,82% 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 514,8 million euro resulting in the recognition of the initial profit of 84,5 million 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 133,6 million euro, being of also negative 180,4 million euro at 31 December 2015.

The AdP Group bond loan is subject to *ownership* terms which state that any amendments to shareholding structure of the company may 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;
- Undertake operations under the agreement/guarantee of AdP;
- Compliance with the Concession/Management Contracts;
- Amendments in the companies' turnover.

Additionally and in the scope of the mentioned borrowing 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 2 041 million euro (31DEC14: 2 186 million euro) includes:

- the amount of 1 510 million euro (31DEC14: 1 625 million euro) from AdP Group, mainly related with borrowings from European Bank of Investment;
- the amount of 497 million euro (31DEC14: 508 million euro) related to borrowings obtained by PARPÚBLICA from national and international financial entities; and
- the amount of 34 million euro (31DEC14: 39 million euro) from SIMAB Group, related to borrowings from national and international credit entities.

At 31 December 2014, 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 Note 21.

Finance lease liabilities are detailed as follows:

Finance lease liabilities	31-Dec-15	31-Dec-14
Finance leases		
Finance leases' debt		
Land and natural resources	1.649	-
Buildings and other constructions	13.465	16.753
Basic equipment	43	76
Transport equipment	-	61
	15.157	16.890
Future minimum payments		
Up to 1 year	1.816	1.796
From 1 to 5 years	7.141	6.980
Over 5 years	6.779	8.532
	15.736	17.308
Interests		
Up to 1 year	132	81
From 1 to 5 years	368	237
Over 5 years	79	100
	579	418
Current value of minimum payments		
Up to 1 year	1.684	1.715
From 1 to 5 years	6.773	6.743
Over 5 years	6.700	8.432
	15.157	16.890

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

26 - Post employment benefits obligations

Retirement benefit obligations	31-Dec-15	31-Dec-14
Past service obligations at beginning of period	69.121	115.373
Interest cost	2.162	2.500
Current service cost	544	440
Actuarial gains and losses	(4.355)	2.452
Return on plan assets	(180)	(214)
Benefits paid	(5.210)	(5.188)
Recognition of past service cost	(3.318)	-
Other	1.787	1.880
Transfers to "held for sale"	-	(48.122)
Past service obligations at ending of period	60.552	69.121
Net surplus on retirement benefit plan (EGF)		
Hedging surplus	(4.301)	(4.200)
Amount at period beginning	39.474	37.810
Effective return	960	1.164
Benefits paid	(2.199)	(2.205)
Other	292	2.705
	34.226	35.274
Retirement benefit obligations	26.325	33.847

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

	31-Dec-15	31-Dec-2014	31-Dec-2013	31-Dec-2012	31-Dec-2011
Current benefit expenses	72.229	81.012	252.797	285.220	87.631
Fund assets at fair value	45.905	47.165	176.282	180.662	46.188
Plans deficit	26.324	33.847	77.097	104.558	41.443

The fair value of funds' assets was as follows:

Fair value of plans's assets by category (in value)	31-Dec-15	31-Dec-14
Equity instruments	12.879	13.447
Debt instruments	28.790	29.102
Properties	3.836	660
Other assets	400	3.956
	45.905	47.165

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

Under the Social Benefits Regulation 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 also 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 are other after retirement benefits but difficult to predict their 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 the several PARPÚBLICA Group companies were quantified individually for each entity, by actuarial studies performed by independent entities, using the "Projected Credit Unit" method, with the following main assumptions:

	31-Dec-15	31-Dec-14
	Portugal	Portugal
Mortality table	TV 88/90	TV 88/90
Invalidity table	EVK80	EVK80
Revenue rate	2,50% - 2,75%	3,10%/3,75%
Growth rate		
Wages	0,00% - 2,5%	0,00% - 2,5%
Pensions	0,00% - 1,5%	0,00% - 1,5%
Social security retirement pension	0,00% - 0,25 %	1,3%

At 31 December 2014, the post employment benefit obligations of TAP Group, in the total amount of 56,6 million euro, were included in a held for sale group according to IFRS5, as described in note 21.

27 - Advances from trade debtors

Advances from trade debtors amount to 1 770 thousand euro de euro (31DEC14: 497 thousand euro), and are mainly related to Baía do Tejo Group with 1 156 thousand euro (31DEC14: 0 thousand euro).

At 31 December 2014, Advances from trade debtors of TAP Group, in the total amount of 820 thousand euro, were included in a held for sale group according to IFRS5, as described in note 21.

28 – Trade creditors

Trade creditors	31-Dec-15	31-Dec-14
Current account	40.589	34.329
Invoices for approval	1.892	1.142
Securities to be paid	-	61
Other	2.152	1.537
	44.633	37.069

The amount owed to trade creditors c/c results especially from amounts payable: (i) by AdP Group with 30 821 thousand euro (31DEC14: 26 025 thousand euro); (ii) by INCM with 4 613 thousand euro (31DEC14: 4 715 thousand euro); (iii) by Baía do Tejo Group with 1 854 thousand euro (31DEC14: 1 393 thousand euro); and (iv) by Estamo with 1 139 thousand euro (31DEC14: 715 thousand euro).

At 31 December 2014, Trade creditors of EGF Group and TAP Group, in the total amount of 13,6 million euro and 141 million euro, respectively, were included in a held for sale group according to IFRS5, as described in note 21.

29 - Other payables

Other payables	31-Dec-15		31-Dec14	
	Current	Non current	Current	Non current
Accrued expenses	33.210	-	35.124	-
Investment suppliers	481.456	-	481.456	-
Advances on sales	30.342	-	49.442	-
Property, plant and equipment suppliers	34.844	109.649	41.517	115.094
Staff	11.497	-	11.343	-
Other	47.670	9.642	78.665	6.272
Advance payment on SML alienation	9.453	-	-	-
	648.472	119.291	697.548	121.366

Accrued expenses - current liabilities include:

- 23 717 thousand euro from AdP Group (31DEC14: 25 779 thousand euro) related to accrued interests, electricity, insurances, etc.;
- 2 486 thousand euro from Sage secur (31DEC14: 3 049 thousand euro) related to accrued interests;
- 2 900 thousand euro from INCM (31DEC14: 2 771 thousand euro); and
- 914 thousand euro from SIMAB Group (31DEC14: 1 050 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 in Trade Creditors of financial investments - current liabilities (31DEC14: 481, 5 million euro in non-current liabilities) is from PARPÚBLICA and concerns to the debt related to shares acquisitions for the reinforcement of positions in associates considering the re-privatization.

Sales advances are mainly related to properties selling of Estamo, including 26 million euro (31DEC14: 26 million euro) related to the Pavilion of Knowledge building.

Fixed assets Trade creditors' liabilities are mainly from Adp Group in the amount of 33 214 thousand euro in current liabilities (31DEC14: 40 076 thousand euro) and 109 649 thousand euro in non-current liabilities (31DEC14: 115 094 thousand euro).

Other – current liabilities essentially include:

- 44 662 thousand euro (31DEC14: 64 043 thousand euro) from AdP Group related to sanitation fees, advances of grants, advance of the EGF Group sale and subsoil taxes to be paid to Municipalities; and
- 1 132 thousand euro (31DEC14: 6 247 thousand euro) related to Estamo.

Other – non-current liabilities essentially include:

- 4 757 thousand euro (31DEC14: 4 794 thousand euro) corresponding to the net debt of Baía do Tejo Group to the General Treasury Directorate;
- 3 318 thousand euro (31DEC14: 0 euro) from AdP Group; and
- 1 549 thousand euro (31DEC14: 1 461 thousand euro) from SIMAB Group, related to collaterals of operators (clients of the Wholesale Markets).

At 31 December 2014 Other payables referring to 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 group according to IFRS5, as described in Note 21.

30 - Other financial liabilities

Other financial liabilities	31-Dec-15		31-Dec-14	
	Current	Non Current	Current	Non Current
<i>Swaps</i>	-	196.152	-	222.645

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

- 180,4 million euro from PARPÚBLICA, related to three *swaps* of the bond loan of 599 238 thousand euro (see Note 25). The initial value of these *swaps* was 133 648 thousand euro, and at 31 December 2015 their fair value (*mark-to-market*) was 180 427 thousand euro (31DEC14: 202 470 thousand euro); and
- 15,7 million euro (31DEC14: 20,2 million euro) related to 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 national amount of 270 million euro.

31 - Revenue

Revenue	2015	2014
Sales		
Internal Market	572.880	551.002
External Market	173.782	191.674
	746.662	742.676
Services rendered		
Internal Market	702.224	720.022
Rentals from investment properties	54.853	60.891
External Market	1.928.670	2.356.407
	2.630.894	3.076.429
Total	3.377.557	3.819.105

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 2 231 million euro (2014: 2 698 million euro), corresponding to 66% (2014: 73%) of total Revenue. The second most significant segment is Water and Waste contributing with almost 885 million euro (2014: 793 million euro), corresponding to 26% (2014: 22%) of total Revenue.

The decrease in Revenue between 2014 and 2015 is mainly due to the sale of TAP Group and EGF Group, considering that their contribution to the revenue of PARPÚBLICA Group occurred until 31OUT15 and 31JUL15, respectively.

32 - Grants related to income

Grants related to income	2015	2014
Related with biological assets	2.106	2.032
Other	599	1.169
Total	2.705	3.201

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

Others include Grants related to operation, mainly from TAP Group, with 495 thousand euro acknowledged until 31OUT15 (2014: 1 151 thousand euro) receivable from the State, concerning the co-participation in the sale price of the tickets for passengers flying to or from the archipelago 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. It should be noted that after the liberalization of the Azores archipelago airspace, effective from 29 March 2015, the refund request for the State compensation must be performed by the passenger.

33 - Share of profit and loss of associates

Share of profit and loss of associates	2015	2014
<u>Profit by equity method</u>		
Parcaixa, SGPS, SA	28.236	7.967
CVP	176	0
INAPA - Invest. Part. e Gestão, SA	-	484
SPdH - Serviços Portugueses de Handling, S.A.	1.134	1.611
ORIVÁRZEA, S.A.	190	198
Multicert - Serviços de Certificação Electrónica	61	26
APIS	-	779
Subtotal	29.797	11.065
<u>Loss by equity method</u>		
ISOTAL - Imobiliário do Sotavento Algarvio, S.A.	2	-
Propnery - Propriedade e Equipamentos, SA	107	123
TAP SGPS	5.014	-
Subtotal	5.123	123
TOTAL	24.674	10.942

Loss acknowledged by the equity method in shares held by PARPÚBLICA Group in TAP SGPS is based in results after the sale of 61% of the share capital held in that affiliate, maintaining a participation of 39%.

34 - Dividend from investments at cost and at fair value

Dividends from investments at cost or at fair value	2015	2014
REN	-	9.041
GALP	22.470	18.527
Pharol SGPS, SA (ex PT SGPS SA)	-	80
Lisnave	178	178
NOS SGPS	16	14
CTT	-	18.902
	22.664	46.742

35 - Profit/ loss on shares disposal

Gains in shareholdings' sale	2015	2014
CTT	-	81.136
TAP	692.029	-
REN	-	(20.338)
EGF	65.387	-
	757.415	60.799

The profit in the amount of 692 million euro results from the disposal of 915 000 registered, nominated, shares representing 61% of TAP share capital in the privatization process as described in note 10.

The profit in the amount of 65,4 million euro results from the disposal of shares representing 95% of EGF capital as described in note 11.

Gains in shareholdings' sale	2015	2014
TAP		
Disposal revenue	10.000	-
Company's fair value when control is lost (with disposal expenses)	(682.029)	-
Gain/loss in disposal	692.029	-
EGF		
Disposal revenue	154.400	-
Company's fair value when control is lost (with disposal expenses)	89.013	-
Gain/loss in disposal	65.387	-
CTT		
Disposal revenue	-	342.590
Company's fair value when control is lost (with disposal expenses)	-	261.454
Gain/loss in disposal	-	81.136
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	31-Dec-15			31-Dec-14		
	Finished and intermediate goods	Subproducts and other	Work in progress	Finished and intermediate goods	Subproducts and other	Work in progress
Opening balance ¹	(10.743)	(2.131)	(15.975)	(10.218)	(2.040)	(22.197)
Reversal of the exercise reduction on inventory amount ("impairment reversal")	-	-	-	-	-	14.173
Regularization of inventories ¹	(2.433)	82	(1.583)	(1.479)	-	(311)
Transfers to "held for sale"	-	-	-	1.192	-	-
Closing balance ¹	12.278	2.193	16.152	10.743	2.131	15.974
Changes in inventories	(899)	143	(1.406)	238	91	7.639
			(2.161)			7.966

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

37 - Own work capitalised

Own work capitalised	2015	2014
Non current assets		
Property, plant and equipment	23	192
Other non current assets	13.144	16.200
	13.167	16.392
Current assets		
Inventories	493	791
	493	791
TOTAL	13.660	17.183

Own work capitalized regarding Other non-current assets, amounting to 13 144 thousand euro (2014: 16 200 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 – 5 655 thousand euro (2014: 7 149 thousand euro), including the amount of 138 thousand euro from EGF Group;
- Materials and services consumed – 3 935 thousand euro (2014: 4 390 thousand euro), including the amount of 109 thousand euro from EGF Group; and
- Financial expenses – 3 356 thousand euro (2014: 4 546 thousand euro), including the amount of 6 thousand euro from EGF Group.

Own work capitalized related to Inventories, amounting to 493 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 acknowledged until 31OUT15 (2014: 791 thousand euro).

38 - Inventories consumed and sold

Inventories Consumed and Sold (CEVMC)	2015		2014	
	Merchandise	Raw materials and others	Merchandise	Raw materials and others
Opening balance ¹	821.390	16.692	832.712	163.226
Purchases ¹	276.561	169.459	295.316	165.707
Regularization of inventories	50.619	(11.326)	(5.816)	33
Transfers to and from "held for sale"	-	-	(15.108)	(116.666)
Closing balance ¹	(832.139)	(17.451)	(821.390)	(16.692)
Inventories consumed and sold	316.432	157.375	285.714	195.607
	473.807		481.321	

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

Inventories consumed and sold, amounting to 473 807 thousand euro (2014: 481 321 thousand euro), mainly include:

- 212 080 thousand euro acknowledged until 31OUT15 (2014: 276 583 thousand euro) of TAP Group, mainly related to technical material to be used in the company's aircrafts' maintenance and works for other airlines;
- 25 365 thousand euro (2014: 21 087 thousand euro) of coins and other assets from INCM ;
- 164 518 thousand euro (2014: 31 594 thousand euro) regarding reagents and counters from AdP Group, from which 5 898 thousand euro acknowledged by EGF Group until 31JUL15; and
- 68 561 thousand euro (2014: 16 887 thousand euro) of real estate properties from Estamo.

In 2015 the movements on Stocks of Goods Regularization mainly respect to Estamo (50 844 thousand euro of positive adjustments) from the de-recognition of Investment property and the net effect of acknowledged and reverted impairments in the year (see note 41).

In 2015 the movements on Inventories and Raw materials and Consumables Regularization mainly respect to TAP Group (11 478 thousand euro negative).

39 - Materials and services consumed

Materials and services consumed	2015	2014
Fuel	575.365	806.636
Other material and services consumed	239.921	274.841
Airport assistance outsourced	131.993	164.938
Professional services	117.087	131.232
Air navigation fees	128.249	143.334
Repair and maintenance of flying equipment	88.916	86.739
Repair and maintenance of other assets	47.377	55.462
Subcontracts	47.342	51.428
Operational leases on aircrafts	64.085	57.315
Comissions	33.957	41.532
Expenses on board (plain)	43.695	50.528
Selling expenses related to air transport segment	21.866	32.361
Rents and leases	67.426	72.412
Landing fees	62.901	64.947
Surveillance and security	6.634	7.051
Board and lodging at scales	22.470	23.738
Insurance expenses	13.435	14.973
Professional fees	6.431	7.978
	1.719.151	2.087.444

Air transport and related activities is the most significant segment in Materials and services consumed with 85% (87% in 2014) of the total expenses incurred.

Fuel is the most significant expense with 33% of the total of Materials and services consumed.

Other materials and services consumed came mainly from:

- TAP Group in the amount of 126 938 thousand euro (2014: 157 706 thousand euro); and
- AdP Group in the amount of 98 969 thousand euro (2014: 103 847 thousand euro), from which 9 332 thousand euro referring to EGF Group.

The decrease in materials and services consumed between 2014 and 2015 is mainly due to the sale o TAP Group and EGF Group, considering that their contribute to revenue of PARPÚBLICA Group occurred until 31OUT15 and 31JUL15, respectively.

40 - Employee benefit expenses

Employee benefit expenses	2015	2014
Wages	468.674	564.976
Social security	96.431	116.416
Other employee benefit expenses	48.904	60.220
Retirement benefit expenses	5.056	8.887
	619.064	750.498

Governing Bodies members' remunerations of PARPÚBLICA and its subsidiaries were at 31 December 2015 as follows:

- Board of the General Assembly: 20,77 thousand euro
- Board of Directors: 4 199,80 thousand euro
- Chartered Accountant: 337 thousand euro

Other employee benefit expenses are essentially from TAP Group (35 997 thousand euro), as follows:

- Insurances – 11 602 thousand euro (2014: 17 666 thousand euro);
- Social expenses – 8 960 thousand euro (2014: 12 447 thousand euro);
- Meals co-participation – 4 222 thousand euro (2014: 5 207 thousand euro);
- Labour insurance expenses – 3 338 thousand euro.
- Indemnities – 2 629 thousand euro (2014: 2 523 thousand euro);
- Other – 5 246 thousand euro (2014: 7 865 thousand euro).

The decrease in employee benefit expenses between 2014 and 2015 is mainly due to the sale of TAP Group and EGF Group, considering that their contribute to revenue of PARPÚBLICA Group occurred until 31OUT15 and 31JUL15, respectively.

In compliance with the company agreements, PARPÚBLICA Group maintains a set of obligations of established benefits towards its employees, which are handled according to IAS19.

Retirement benefits expenses	2015	2014
Current service cost	4.018	4.562
Interest cost	2.962	3.094
Effect of any cut or disposal	1.469	-
Other	(3.393)	1.230
TOTAL	5.056	8.887

Retirement benefit expenses are essentially from TAP Group with 6 703 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	2015		2014	
	Losses in inventories	Reversals of adjustments	Losses in inventories	Reversal of adjustments
Merchandise	24.399	6.910	27.931	16.894
Finished and Intermediate goods	341	218	187	4
Raw materials and other	522	575	2.105	1.930
Advance payments for purchases	1.231	433	3.158	887
	26.493	8.137	33.382	19.715
	(18.356)		(13.667)	

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

Losses and reversals in inventories adjustments are mainly related to Estamo real estate.

42 - Increases and reversals of receivables adjustments

Increases and reversals of receivables adjustments	2015		2014	
	Increases in adjustments	Reversal of adjustments	Increases in adjustments	Reversal of adjustments
Trade debtors	28.270	1.699	20.381	3.388
Receivables - non-current	150	346	-	-
Other receivables - current	422	92	452	946
Other financial assets and liabilities	340	-	770	-
	29.181	2.137	21.602	4.334
	(27.044)		(17.268)	

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

The reinforcement in Trade Debtors adjustments comes mainly from: (i) 21 712 thousand euro performed by AdP Group (see Note 14), from which 150 thousand euro are registered by EGF Group until 31JUL15; and (ii) 6 239 thousand performed by TAP Group.

The reversal in Trade Debtors adjustments refers mainly to: (i) 1 396 thousand euro of TAP Group; and (ii) 144 thousand euro of AdP Group.

43 - Provisions

Provisions (expenses/ reversions)	2015	2014
Lawsuit in progress	436	(5.222)
Tax	32	(69)
Other provisions	(483)	137
Tax contingencies - Brazil	(8)	688
Labor contingencies - Brazil	-	63
	(23)	(4.404)

The main variations are detailed in Note 24, with special notice for the most significant amounts in: (i) TAP Group, from Lawsuits in progress; (ii) Estamo, from Lawsuits in progress and Other provisions; and (iii) AdP Group, from Other provisions.

44 - Impairment of investments

Non-depreciable/ amortizing (losses / reversals)

Impairment of other non-depreciable (amortizable) assets	2015		2014	
	Expenses	Reversals	Expenses	Reversals
Non-depreciable fixed assets				
Land and other natural resources	738	3.841	55	131
Other financial assets				
Other	122	-	36	-
Sociedade Mineira do Lucapa	-	12.288	-	-
	861	16.129	91	131
	15.268		41	

Reversals in impairment losses referring to Sociedade Mineira do Lucapa correspond to the impairment reversal over the financial investment of SPE in the entity, considering that both the participation and the credits over this affiliate are classified as Non-current assets held for sale, following the signature of the promissory agreement between SPE and Endiama for the sale of Sociedade Mineira do Lucapa shares.

The amount of Losses reversals for impairment in Land and natural resources is referred entirely to Companhia das Lezírias as mentioned in Note 5.

Depreciable/ amortizing (losses / reversals)

Impairment of depreciable (amortizable) investments	2015		2014	
	Expenses	Reversals	Expenses	Reversals
Property, plant and equipment				
Land and other natural resources	494	2.324	-	-
Buildings and other constructions	365	9.494	-	-
Basic equipment	372	12	1.984	-
Administrative equipment	1	1	-	-
Other tangible fixed assets	16	97	-	913
	1.248	11.929	1.984	913
Non-depreciable intangible fixed assets				
Internal				
With finite useful life	24	-	-	-
	24	-	-	-
	1.272	11.929	1.984	913
	10.657			(1.071)

Reversals for impairment losses refer mainly to SIMAB Group and result from the impairment test on Fixed Assets, performed at the reference date of 31 December 2015.

45 - Net changes at fair value

Net changes in fair value	2015	2014
Positive adjustments		
Investment properties	14.856	12.530
Biological assets	11.866	4.234
Net income from financial investment at fair value through	134.525	11.689
Net income from other financial investments	4.218	-
Other adjustments		
Other	22.044	-
	187.508	28.453
Negative adjustments		
Investment properties	33.127	33.039
Biological assets	4.550	1.237
Losses of other financial investments	-	2.557
Net income from financial investment at fair value through		
profit or loss	2.477	204.813
Other adjustments		
Other	-	92.349
	40.153	333.995
	147.355	(305.542)

Fair value net adjustments (positive and negative) in investment properties refer mainly to the following entities (net amounts):

- Companhia das Lezírias – 8 374 thousand euro positive;
- Lazer e Floresta – 24 111 thousand euro negative.

Fair value net adjustments (positive and negative) in biological assets refer to the following entities:

- Lazer e Floresta – 5 333 thousand euro positive;

- Companhia das Lezírias – 1 983 thousand euro positive;

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:

	2015			2014		
	Positive adjustments	Negative adjustments	Net adjustments	Positive adjustments	Negative adjustments	Net adjustments
Losses from financial investments at fair value through results						
GALP shares (*)	-	2.477	-2.477	11.689	-	11.689
		2.477	-2.477	11.689		11.689
Other adjustments						
Option over GALP shares	134.525		134.525	-	204.813	-204.813
ELOS swaps	22.044		22.044		92.349	-92.349
	156.568	-	156.568	-	297.161	-297.162
	156.568	2.477	154.091	11.689	297.161	-285.473

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

Positive variation of 134 525 thousand euro in Stock Option of GALP refers to positive variations of GALP's shares fair value associated to the embedded option in the bond loan.

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	2015	2014
Supplementary income	44.514	55.843
Disposals-inventories	309	559
Disposals- property, plant and equipment	1.197	16.301
Other income from investment properties	3.014	3.932
Cash discounts	572	204
Payment of tax debts in Brazil (REFIS program)	-	51.594
Other interest	36.691	51.755
Other income	14.064	13.563
Exchange gains	1.882	3.093
Total	102.244	196.844

Supplementary income come mainly from Air Transport and Related and respect among others to, gains with advertising in the amount of 9 433 thousand euro (2014: 9 803 thousand euro), sales of air miles to partners under "TAP Victoria" programme of 7 871 thousand euro (2014: 18 402 thousand euro), sales of warehouse recovered material of 7 411 thousand euro (2014: 8 240 thousand euro) and rentals and subleases of 1 946 thousand euro (2014: 2 191 thousand euro). It also includes 7 591 thousand euro from AdP Group (2014: 5 763 thousand euro).

Interest revenue in the amount of 36 691 thousand euro (2014: 51 755 thousand euro), include 31 528 thousand euro from AdP Group (2014: 36 948 thousand euro).

Other income and financial gains, in the amount of 14 064 thousand euro is mainly composed by Estamo in the amount of 6 530 thousand euro (2014: 7 029 thousand euro) and by AdP Group in the amount of 3 808 thousand euro.

47 - Other operating expenses

Other operating expenses	2015	2014
Taxes	22.708	27.321
Losses on disposal of Property, plant and equipment	1.890	2.080
Losses on disposal of inventories	2.169	1.272
Fines and penalties	481	1.148
Exchange losses	141.319	5.409
Cash discount	11	16
Other financial expenses	4.611	5.324
Other	17.697	21.433
	190.885	64.004

Tax expenses include 8 513 thousand euro from TAP Group (2014: 11 274 thousand euro), 8 191 thousand euro from AdP Group (2014: 9 831 thousand euro) and 3 710 thousand euro from INCM (2014: 4 141 thousand euro).

Losses on disposal of property, plant and equipment come mostly from TAP Group with a total loss of 1 625 thousand euro (2014: 1 838 thousand euro).

Losses on disposal of inventories are also essentially from TAP Group in the amount of 1 179 thousand euro (2014: 1 017 thousand euro).

Exchange losses are almost entirely from TAP Group. The increase in 2015 refers to:

- the joint effect of the real depreciation and the dollar appreciation against the euro (48,7 million euro); and
- the impact of the exchange rate in cash equivalents held in Venezuela (92,4 thousand euro). The Executive Board of Directors of TAP Group effective at 31 October 2015 considered that the best estimate for the update exchange rate for cash equivalents held in Venezuela is SIM ADI rate.

Financial Expenses and losses are mainly from TAP Group TAP Group, 4 593 thousand euro (2014: 5 301 thousand euro).

Others include mainly:

- 8 936 thousand euro (2014: 5 472 thousand euro) from Estamo;
- 4 514 thousand euro (2014: 7 720 thousand euro) from TAP Group, mainly related to damage compensations in lawsuits; and
- 1 978 thousand euro (2014: 2 725 thousand euro) from AdP Group.

48 - Expenses/ reversals of depreciation and amortization

Expenses/ reversals of depreciation and amortization	2015	2014
Property, plant and equipment		
Land and natural resources	179	173
Buildings and other constructions	18.687	19.811
Basic equipment	66.294	94.783
Transport equipment	363	507
Tools and utensils	594	1.898
Administrative equipment	3.383	3.436
Other fixed tangible assets	6.151	7.558
	95.650	128.167
Other intangible assets		
Other intangible assets		
With finite useful life	201.147	223.383
	201.147	223.383
Investment properties (at cost)	95	95
Biological assets (at cost)	71	71
Total	296.963	351.716

The variation occurred mainly due to the impact in TAP Group of the changes made in 2014 in the residual value for aircrafts in their maturity.

49 - Grants related to assets

Grants related to assets in the amount of 62 156 thousand euro (2014: 74 576 thousand euro) are mainly from Water and Waste segment.

50 - Interest and other financial income / expense

Interest and other financial income / expense	2015	2014
Expenses and losses		
Interest and similar expenses	288.356	366.024
Exchange losses	18.216	36.688
Other financial expenses and losses	26.295	18.871
	332.867	421.583

Interest expenses with borrowings in the amount of 288 356 thousand euro (2014: 366 024 thousand euro) include:

- 72 749 thousand euro from AdP Group (2014: 103 128 thousand euro); and
- 177 742 thousand euro from PARPÚBLICA (2014: 214 217 thousand euro).

Exchange losses come entirely from TAP Group, due to the dollar appreciation concerning the Group debt, and to some exchange differences related to deposits in foreign markets. However, the reduction verified in 2015 is justified by the cost of immediate discount granted in 2014 in the amount of 20,5 million euro, related to capital repatriation on 2013 sales, after negotiations with Venezuelan authorities.

Other financial expenses and losses in the amount of 26 295 thousand euro (2014: 18 871 thousand euro) refers to:

- 16 767 thousand euro from PARPÚBLICA (2014: 15 158 thousand euro);
- 7 067 thousand euro from AdP Group

51 - Net Income tax for the period

Income tax for the period	2015	2014
Current tax expense (gain)	65.342	88.452
Expense/gain arising from the reversal of temporary differences	32.302	(19.025)
Income arising from a temporary difference of a previous period used to reduce tax expenses	(26.196)	(7.923)
Expenses due to a reduction or reversal of deferred tax asset	3.133	19
Other	242	-
TOTAL	74.823	61.522

Income tax - Relation between the tax expense (gain) and the profit or loss for the year	2015	2014
Earnings before taxes	856.033	(260.803)
Tax rate	23,4%	23,1%
Product	200.502	(60.258)
Non deductible or non taxable income and expenses	(156.846)	111.768
Deferred tax assets and liabilities	4.196	(1.694)
Municipal tax	9.234	9.068
Separate taxation	6.480	7.703
Temporary differences	8.458	5.831
Non relevant tax amortization	100	-
Use of tax losses not previously recognised	(1.749)	(3.573)
Actualization of expenses with agricultural expenses	(201)	-
Other	4.657	(7.323)
TOTAL	74.832	61.522

Tax losses not recognised as deferred tax assets (by extinction date):	2015	2014
N	124.564	27.197
N+1	2.966	20.780
N+2	6.722	22.449
N+3	91.595	9.989
N+4	7.198	92.371
N+5	12.544	3.558
N+11	499	499
TOTAL	246.088	176.844

Income tax expenses for the period, in the amount of 74 823 thousand euro (2014: 61 236 thousand euro) come mostly from AdP Group (2015: 60 426 thousand euro; 2014: 40 680 thousand euro).

PARPÚBLICA Group is subject to Corporate Income Tax (IRC). The calculation of the tax for the current accounting year at 31 December 2015 corresponds to the annual rate of 21%, plus State Surtax and Municipal 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. Board of Directors of PARPÚBLICA Group considers that possible corrections from revisions/inspections by tax authorities to those tax declarations will not significantly affect the 2015 financial statements.

52 - Non controlling interests – Profit or Loss

Non-controlling interests (Profit or loss)	2015	2014
Non-controlling interests (Profit or loss)		
AdP Group (except EGF - held for sale)	49.585	37.214
EGF - held for sale	1.308	2.762
Cateringpor	1.241	643
LFP	3.998	3.504
SAGESECUR	167	125
ECODETRA	(13)	2
Margueira	100	65
SPE	2.183	(130)
MARL, SA	1.346	391
MARF, SA	146	(98)
MARE, SA	27	(10)
MARB, SA	(36)	64
VEM	(487)	-
	59.565	44.532

53 - Discontinuing operating units

The results and cash-flows of discontinuing operating units in 2015 are related to discontinuing operations of EGF and TAP Group and the participation and debt of Sociedade Mineira do Lucapa (SML) held by SPE.

The results and cash-flows of discontinuing operating units in 2014 are related to dividends from CTT, results from the sale of CTT and discontinuing operations of TAP and EGF.

In 2015 and 2014 the results and cash-flows of the discontinuing operating units are the following:

	2015	2014 (Restated)
Revenue	2.307.285	2.864.931
Grants related to income	512	1.151
Share of profit and loss of associates	1.135	1.612
Dividend from investments at cost or at fair value	-	18.902
Gains in shareholdings' sale	757.415	81.136
Inventories variation	(1.091)	241
Own work capitalized	253	10.444
Inventories consumed and sold	(217.978)	(288.645)
Material and services consumed	(1.496.751)	(1.876.901)
Employee benefits expenses	(490.991)	(619.596)
Increases and reversals of inventories adjustments	(85)	(105)
Increases and reversals of receivables adjustments	(4.647)	(14.208)
Increases and reversals in provisions	964	(5.549)
Impairment of non-depreciable (amortizable) assets (expense/reversals)	12.288	-
Net changes in fair value	(201)	104
Other operating income	46.306	108.459
Other operating expense	(163.422)	(36.682)
Earnings before interest, taxes, depreciation and amortization	750.992	245.294
Expense/reversals of depreciation and amortization	(81.582)	(144.474)
Impairment of depreciable (amortizable) assets (expense/reversals)	-	(1.984)
Grants related to assets	9.166	18.134
Earnings before interest and taxes	678.576	116.970
Interest and other financial income	(20.518)	(30.835)
Interest and other financial expenses	(37.092)	(50.648)
Profit before income tax	620.966	35.487
Net income tax expense	14.310	(9.736)
Net result for the year of discontinued operations	635.276	25.751
Net result of non-controlling interest	6.060	6.909
Net result for the year of the owners of the parent	629.216	18.842

Net Cash Flows of the discontinued operational units

	2015	2014
Cash flow from		
Business Activities	124.802	293.927
Investment Activities	11.745	304.525
Financing Activities	(148.572)	(205.725)
	(12.025)	392.727

In 2015 the Net income for the period of the discontinuing operational units in the amount of 629 216 thousand euro includes:

- 692 029 thousand euro from PARPÚBLICA related to capital gains from the sale of 61% of TAP share capital;
- 143 185 thousand euro negative from results of TAP Group until 31OUT15;
- 65 387 thousand euro from AdP related to capital gains from the sale of 95% of EGF share capital;
- 1 669 thousand euro from results of EGF Group until 31JUL15; and
- 13 316 thousand euro from SPE related to the investment in and debt of Sociedade Mineira do Lucapa (SML).

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 2015	Total	Associates	Management of the entity or parent company	Other related parties
Assets	384.292	1.479	-	382.813
Liabilities	61.520	406	-	61.114
Income	377.190	1.815	-	375.375
Expenses	8.144	2.620	293	5.231

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
Expenses	(115.951)	82.721	350	(199.021)

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-15						
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 liabilities at amortised cost	Total
Assets							
Non current assets							
Financial Investments-Other meth	-	3.100	646.292	-			649.392
Other financial assets	4.685.238	11	4.844	3.195			4.693.288
Other accounts receivable	126.378	-	-	-			126.378
	4.811.616	3.111	651.136	3.195	-	-	5.469.058
Current assets							
Trade debtors	429.210	-	-	-			429.210
Advances to trade creditors	5.324	-	-	-			5.324
Other accounts receivable	96.311	-	-	-			96.311
Other financial assets	-	4	7.924	2.286			10.214
Cash and cash equivalents	380.024	-	-	-			380.024
	910.869	4	7.924	2.286	-	-	921.083
Total assets	5.722.485	3.115	659.060	5.481	-	-	6.390.140
Liabilities							
Non current liabilities							
Borrowings					3.894	5.783.718	5.787.612
Other accounts payable					-	119.291	119.291
Other financial liabilities					196.152	-	196.152
	-	-	-		200.046	5.903.009	6.103.055
Current liabilities							
Trade creditors					-	44.633	44.633
Advance to trade debtors					-	1.770	1.770
Shareholders					-	18	18
Borrowings					-	569.316	569.316
Other accounts payable					-	648.472	648.472
	-	-	-	-	-	1.264.210	1.264.210
Total liabilities	-	-	-	-	200.046	7.167.219	7.367.265
Net value	5.722.485	3.115	659.060	5.481	(200.046)	(7.167.219)	(977.125)

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-15			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	640.059	12.768	-	652.827
Financial assets available for sale - Fair value	6.233	-	-	6.233
	646.292	12.768	-	659.060
Financial liabilities at fair value through profit and loss	-	195.407	-	195.407
Financial liabilities at fair value - hedging derivatives	-	4.639	-	4.639
	-	200.046	-	200.046

Financial assets and liabilities	31-Dec-2014						Total
	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 liabilities at amortised cost	
Assets							
Non current assets							
methods	-	67	505.237	-	-	-	505.303
Other financial assets	4.703.606	10	6.405	5.432	-	-	4.715.453
Other accounts receivable	165.928	-	-	-	-	-	165.928
	4.869.534	77	511.642	5.432	-	-	5.386.685
Current assets							
Trade debtors	522.988	-	-	-	-	-	522.988
Advances to trade creditors	6.225	-	-	-	-	-	6.225
Other accounts receivable	84.292	-	-	-	-	-	84.292
Other financial assets	-	4	6.904	882	-	-	7.790
Cash and cash equivalents	404.368	-	-	-	-	-	404.368
	1.017.873	4	6.904	882	-	-	1.025.663
Total assets	5.887.407	81	518.546	6.314	-	-	6.412.347
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	-	-	-	-	-	697.548	697.548
	-	-	-	-	-	1.570.357	1.570.357
Total liabilities	-	-	-	-	224.062	7.745.045	7.969.108
Net value	5.887.407	81	518.546	6.314	(224.062)	(7.745.045)	(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-2014			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	505.237	13.309	-	518.546
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

Measurements at fair value

i) Financial assets and liabilities at fair value 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 these measurements:

Financial assets and liabilities	31-Dec-15	31-Dec-2014	Evaluation Methods
Financial assets at fair value through profit or loss	652.827	518.546	
Shares held by Parpública	640.059	505.237	Market prices (NYSE Euronext)
USof 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 2015
UP do Fundo Fundiestamo I	7.913	6.894	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 IAS8 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.
Financial investments in commercial banks-shares	4.756	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 assets available for sale - Fair value	6.233	-	
Shares	6.233	-	Market prices (NYSE Euronext)
Financial liabilities at fair value through profit or loss	195.407	224.062	
Parpública interests SWAPs	180.427	202.470	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.
Option in bond loan of PARPÚBLICA	3.894	1.417	
AdP interests and exchange SWAPs	11.085	20.175	a)
Financial liabilities at fair value - hedging derivatives	4.639	-	
AdP Swaps	4.639	-	a)

a) AdP uses derivatives only to manage the financial risks it is subject to. According to the financial policies of the company, AdP do not uses derivatives for negotiation. Despite the AdP's contracted derivatives are related to efficient instruments in the economic risk hedging, not everyone classifies as accounting hedge instruments according to IAS39 rules and requirements. The instruments not classified as accounting hedge instruments as recorded in the balance sheet at fair value and their variations are recognized as financial results. The fair value of derivatives is whenever possible estimated based on quoted instruments. When there are no market prices, the derivatives fair value are estimated through the discounted cashflows method established by external entities, based on valuation techniques accepted by the market. The derivative financial instruments are recognized at fair value at their trade date. Subsequently, the derivative financial instruments at fair value are regularly revaluated and gains and losses are directly recorded in the year profit and loss, except those referring to hedging derivatives. The recognition of the variations at fair value of the hedging derivatives depends on the nature of the hedging risk and on the used hedging method. The financial instruments related to Depfa loans (Notional of 50 million euro) are considered as cashflows hedging instruments and therefore the related variations at fair value in directly booked in share capital as from 2012. The efficacy of the instruments was evaluated and results were between 80% and 125%.

- 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-2015		31-Dec-2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Borrowings	2 066	1 919	2 266	1 503
Total	2 066	1 919	2 266	1 503

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 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 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 factors that affect every single instrument traded in the market.
- **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 or trade debtors. 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 and approved limits of exposure for each customer.
- **Liquidity Risk** (also referred as financing risk) – is the risk that the Group may find difficulty in obtaining funds to meet the obligations associated with the financial instruments. 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, and AdP 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 its cash surpluses (mitigated since these applications are made with the IGCP), to counterparts of *swaps* and to beneficiaries of granted loans.

Granted loans are granted to companies whose financial policies are controlled (subsidiaries) for investments with expectation of appropriate return. The loans are approved by PARPÚBLICA Executive Committee and bear interests at market rates.

ii) Liquidity risk

Liquidity risk associated to the possibility of the company not to be able to meet its commitments is entirely covered by the State Budget according to integration of PARPÚBLICA in the State's budgetary consolidation perimeter. Therefore financial needs not covered by PARPÚBLICA's funds are promptly met with deliveries from DGTF, which have been classified as paid share capital already subscribed.

Segmentation of debt by nature of instruments and by remaining time until maturity is as follows (nominal values in millions euro):

31-12-2015	1-3 months	4-12 months	1-2 years	2-5 years	>5 years	Total
Financing						3.872,7
Commercial Paper					0,0	0,0
Eurobonds				650,0	850,0	1.500,0
Galp Exchangeable Bonds			885,0			885,0
Other Bonds		170,0		750,0		920,0
Bank Loan		21,0	21,0	63,1	462,6	567,7

31-12-2014	1-3 months	4-12 months	1-2 years	2-5 years	>5 years	Total
Financing						4.094,4
Commercial Paper						0,0
Eurobonds					1.500,0	1.500,0
Galp Exchangeable Bonds				885,7		885,7
Other Bonds		200,0	170,0	750,0		1.120,0
Bank Loan		21,0	21,0	63,1	483,6	588,7

Covenant clauses existing in debt instruments are as follows:

Borrowings	Covenants
Eurobonds Bonds 500M€ - 2005, due 2020 Bonds 150M€ - 2005, due 2020 Bonds 250M€ - 2006, due 2026 Bonds 600M€ - 2014, due 2021 Galp Exchangeable Bonds 885, 65M€ - 2010, due 2017 PARPÚBLICA Bonds at floating rate 170M€ - 2013/2016 PARPÚBLICA Bonds at floating rate 750M€ - 2014/2019 Bank loan 599,238M€	Cross Default / Force Majeure Cross Default Cross Default Cross Default / Negative Pledge / Pari Passu Cross Default / Negative Pledge / Restrictions on Activity Cross Default / Negative Pledge / Pari Passu Cross Default / Negative Pledge / Pari Passu Cross Default / Negative Pledge / Pari Passu

i) *Market risk*

Interest rate risk

Interest rate risk respects to the possible change, due to changes in interest rates in the market, 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.

As per medium and long term debt, about 61,0% has a fixed interest rate and only about 39,0% has a floating interest rate.

PARPÚBLICA keeps three interest rate *swaps* structures *plain vanilla* (floating rate - fixed rate swap). The total *notional* amount of the three structures is 440,6 million euro. The three structures together had the following impacts (thousands euro):

	2015	2014
Payments	-16 622	-12 055
Gains (Losses) in changes at fair value after initial recognition	22 044	-92 349

At 31 December 2015 the forecast flows of the medium and long term debt interests and the *swaps* interests were as follows:

31 Dez 15				
	<1 year	1 a 5 years	>5 years	Total
Medium/ long term debt interests	-149.470,1	-404.273,9	-417.965,3	-971.709,3
Swap flows	-20.482,9	-66.699,0	-106.343,6	-193.525,5

31 Dez 14				
	<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
Swap flows	-16.336,8	-69.664,7	-129.907,0	-215.908,5

Price risk

Price Risk is the possibility of the value of a financial instrument to float as the result of changes in the market prices, whether those changes are caused by specific individual instrument factors or by its issuer, or whether by systemic factors. In the specific case of the bond issued with the nominal amount of 885,65 million euro, with embedded option that allow the investors to convert their bonds in GALP shares held in the portfolio the risk exists mainly due to 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 their 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 may ask for the reimbursement of the bonds in 28 September 2015. At this last date investors exercised their option (Investor Put) in a total of 14 bonds, which means that PARPÚBLICA paid a total of 700 thousand euro.

Subsequently the total amount of the borrowing to be paid in 28 September 2017 is now of 884,95 million euro.

Should bondholders choose to convert their 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 (*bond floor*) and the embedded option of these loans are separated for accounting purposes being measured according to notes 2m, 2t and 2w. The amount of the first component is mainly determined by the levels of interest rate in the market, and in the second case the main determinants of the amount are price behaviour of the underlying share, their respective volatility, the levels of interest rates and remaining time until maturity.

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 recognised. Those effects were the following (in millionseuro):

	2015	2014
Changes in the value of the options	-2,5	+11,7
Changes in the value of the underlying asset	+143,5	-199,7
Net Gain/ Net Loss	+141,0	-188,0

Assuming positive and negative changes of 15% in the quotes of Galp shares at 31 December 2015, effects in the embedded option of convertible bonds would be the following:

Convertible Bonds in GALP' Shares						
Galp' Shares			Option			Net Change (M€)
Price	Value (M€)	Change	Value %	Value (M€)	Change	
10,72	638,0	-	0,44%	3,9	-	-
12,33	733,7	15,0%	3,74%	33,1	750,0%	66,5
9,11	542,3	-15,0%	0,00%	0,0	-100,0%	-72,8

The effects in the same option as a result of a change in the implicit volatility would be the following:

Convertible Bonds in GALP' Shares			
Implicit volatility			
%	Option (%)	Value (M€)	Change
36,2%	0,44%	3,9	-
41,2%	1,78%	15,8	304,5%
312,0%	0,00%	0,0	-100,0%

The effects on the *swaps* related to the 599,2 million euro loan, with the remaining capital to be paid at 31 December 2015 of 567,7 million euro, by positive and negative changes of 1% in the floating interest rate (Euribor 6M) would be the following:

Rate	Value	Change
Euribor 6M	180,4	
Euribor 6M + 1%	117,7	-34,8%
Euribor 6M - 1%	254,6	41,1%

AdP Group

Risk factors

The activities of AdP Group are exposed to a variety of financial risk factors: credit risk, liquidity risk and risk from cash flows 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 permanent 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 trade debtors (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 specific 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 losses 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, 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 (which is applicable to current debt) and the establishment of payment agreements and filing of injunctions/ legal proceedings.

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 2015, 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.

Unit: thousand euro

Banking financial assets	31-Dec-15	31-Dec-14
Bank deposits	49 226	51 140
Time deposits	119 907	207 377
Other financial assets	4 867	23 014
Equipment renovation fund	-	-
Capital reconstitution fund	96 408	102 668
Total	270 410	384 199

Rating	31-Dec-15
A2	214
B1	49 564
Ba1	163 434
Ba3	5 678
Baa1	1 606
Baa3	511
Caa1	38 035
Caa2	214
Rating unknown	11 151
Total	270 410

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 net investments on foreign operations that did not yet took place or were not expressed on the AdP's functional currency. The Group's central treasury department is responsible for the management of AdP Group net exposure in every currency, by 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 for the conversion, as well as loans in foreign currency exposed to currency risk. Currency exposure embedded on foreign currency net assets is managed through the contracting of loans in the same currency.

iii) *Liquidity risk*

Liquidity risk management implies keeping cash at a reasonable level, floating debt consolidation viability through an adequate amount of credit facilities and the ability to liquidate market positions. In face of its own business dynamics, treasury department of AdP Group intends to assure floating debt flexibility, keeping the credit lines available for this effect. AdP group manages liquidity risk through contracting and maintaining credit lines and financing facilities with firm underwriting commitment before national financial institutions that allow an immediate access to funds. In the 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 analysed its investments commitments and rescheduled AdP Group's investments, with a map considering their importance, financial, economic and environmental impact, minimizing all the risks associated with the commitments before the different entities.

The table below 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	349 059	344 317	1 721 447
Trade creditors and other liabilities	166 708	74 396	38 572

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, comes essentially from contracting long-term loans. In this context, loans obtained with interest calculated at variable rates expose AdP group to cash flow risk and loans obtained 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 rates is the guaranteed return on the concession agreements, and consequently the tariff deviation.

The table below shows the sensibility analysis of AdP Group financial expenses.

	31-Dec-15	Average Rate + 1%	Average Rate - 1%
Interests paid	70 734	93 039	47 654

v) *Capital risk*

AdP Group objective concerning capital management, which is a wider concept than the capital on the face of the balance sheet, is to maintain an optimal capital structure, through a prudent use of debt that allows the Group to reduce capital cost.

The purpose of capital risk management is to assure that AdP 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 a bigger efficiency and the decrease in the average cost of capital.

	31-Dec-15	31-Dec-14
Non current borrowings	2 065 765	2 139 653
Current borrowings	349 059	598 893
Cash and equivalents	(169 250)	(281 885)
Debt	2 245 574	2 456 660
Investment grants	1 621 339	1 630 393
Total equity	1 428 256	1 327 665
Capital and grants	5 295 169	5 414 717
Debt/ total capital	0,42	0,45

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.

vi) 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).

Law nr 10/2014, of 6 March approved the new statutes of ERSAR, transforming it in an independent administrative entity, with a reinforced organic, functional and financial autonomy, equivalent to other regulatory independent entities. Law nr 12/2014, of 6 March, amending for the second time Decree-Law nr 194/2009, of 20 August (already amended by Decree-Law nr 92/2010, of 26 July), was also published and establishes the new legal framework of the municipal services of water supply and sanitation and urban waste management, by amending the billing and infractions regimes.

57 - Contingent assets and liabilities and subsequent events

PARPÚBLICA

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 of 2007-2009, about which there is a doubt if they really are company's liabilities. The bonuses are related to 50% of the variable remuneration of 2008 (77 850,06 euro), whose payment was deferred 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 and following.

As per all the procedures related to tax inspections executed by Tax and Customs Authority in Sociedade Gestora do Autódromo Fernanda Pires da Silva SA, which was transferred to PARPÚBLICA after extinction, there was also a transfer considering the legal position the extinguished company had in such procedures. Consequently it should be noted the IRC (corporate income tax) legal action in course, concerning missing deductions at source in the fiscal years 2002, 2003 and 2004, in the global amount of 865 496,89 euro. A court decision is waited.

In 2005 was filed against the Portuguese State and Portucel, SGPS, today PARPÚBLICA, a common administrative legal action referring to the 2nd stage of Gescartão, SGPS, SA reprivatization, in which it is requested the conviction of the defendants to collectively pay an indemnity to be fairly defined in the minimum of 46 765 399,62 euro, plus interest at a legal rate, to compensate damages within reprivatization process of Gescartão, SGPS, SA, as well as the payment of court fees, expenses with lawyers and other costs of the lawsuit. In the last developments of the lawsuit it returned to Lisbon TAC to proceed its terms. New developments are waited.

From 2015 onwards PARPÚBLICA became part of the institutional sector of the Public Administrations, being for this reason subject to the rules applied to these entities namely in what concerns impossibility of funding in the market.

During accounting year of 2016 the payment reductions applicable to workers from administration and public companies will be fully reversed.

Option

Within the reprivatization process of TAP Group it was also established a put option in favour of the State, for the sale to Atlantic Gateway of up to 34% of the remaining TAP — SGPS, S.A. share capital. The option may be exercised during two years after the signature of the direct sale agreement, entirely or partially, at once or for several times. Should the State chose not to exercise such put option, within six months after the extinction of the put option, Atlantic Gateway benefits of a call option over all the remaining shares of TAP — SGPS, S. A. share capital. This call option is subject to the timely fulfilment of its obligations within the direct sale agreement.

The price to exercise the put option and the call option, after the foreseen reductions, would be about 5 574 300 euro, which means the same 10,93 euro per share.

Should one of the options be exercised and an OPV (public offering of sale) occurs during the four years after the sale, PARPÚBLICA is entitled to receive a price increase of up to 90 million euro.

Responsibilities

In case of serious and definite breach of the strategic commitments, the Portuguese State and PARPÚBLICA are entitled to compulsory acquire 100% of TAP SGPS share capital.

At 12 November 2015, with the acquisition by Atlantic Gateway of shares representing 61% of TAP SGPS share capital, between other agreements signed it is important to highlight the “Agreement for the Economic and Financial Stability of TAP”, between PARPÚBLICA, Atlantic Gateway, TAP SGPS, TAP S.A. and Portugalá, with Atlantic Gateway as buyer, TAP S.A and Portugalá as borrowers, which intended to reinforce some mechanisms to monitor the evolution the company’s activity, and at the same time reinforced some of the buyer’s obligations concerning the financial debt and the debt service of TAP Group.

In case of definitive breach by any of the borrowers of TAP Group, concerning the payment obligations undertaken within the financing agreements, PARPÚBLICA committed to, before the respective creditor banks, exercise the compulsory right to buy, which means to buy all TAP, SGPS, S.A, shares, creating the contractual and economic conditions so that should this happen, it may do it in the most favourable conditions. This subsidiary responsibility represents a contingent liability.

In the Direct Sale Agreement and other agreements signed are foreseen possible responsibilities that may be charged to PARPÚBLICA (current and future lawsuits), which is also a contingent liability.

At 31 December 2015 three Special Administrative legal Actions and a Protective Order relating to TAP Group reprivatization process were pending against PARPÚBLICA (or where it is counter-interested party) and other related entities in the process. Further developments in these lawsuits are waited.

Subsequent events

At 6 February 2016 a memorandum of understanding was signed between Atlantic Gateway (private shareholders) and the Portuguese State where it stands out the sale by Atlantic Gateway to PARPÚBLICA of shares representing TAP, SGPS, SA share capital, in a way that the latter becomes owner of a number of shares representing 50% of TAP, SGPS, SA share capital, at a price of 10,93 euro per share. The referred sale will be subject to the previous verifications of some conditions, amongst which the necessary authorizations by third parties and TAP Group financial restructuring. It should also be noted the change foreseen in the structure of the Board of Directors, this meaning it will be composed by 12 members, 6 nominated by the State and 6 by the private shareholders, and the president of the board is nominated by the State after previous consultation of Atlantic Gateway and will have quality vote.

At the date of the approval of the accounts, the reconfiguration of the State/ PARPÚBLICA in TAP, SGPS, S.A. share capital is still only formalized in an understanding memorandum and the definitive terms in which it will be materialized are still unknown.

At 19 February 2016, the National Authority of Civil Aviation (ANAC) decided to impose a group of protective measures to Transportes Aéreos Portugueses, S.A. (TAP, S.A.) and to Portugalá – Companhia Portuguesa de Transportes Aéreos, S.A. (PGA, S.A.), to ensure that until final decision within the framework of Community Regulation nr 1008/2008, the management is limited to actions and operations that do not exceed normal and current management.

AdP Group

Treasury Unit (AdP Group)

Following an audit performed by the Court of Auditors on the degree of compliance with the State Treasury Unit by Public Companies, foreseen in State Budget Law (SBL) of 2010 and reaffirmed on the following SBL, some companies of AdP Group were notified because the Court considered they were not in compliance with such law for the accounting year of 2012. AdP Group answered this notification exposing its understanding of not having breached the law since according to such law it had requested a partial exemption of its rules, and presented relevant defence accordingly. It should also be noted that in what concerns this matter and within the same lawsuit the Secretary of State and Treasury refers the following [included in the Court of Auditors report]: “The reasons given by public companies justifying the exemption from the Treasury Unit principle should not be taken in consideration in the current context”. Up to this moment the final conclusions of the lawsuit are not known and AdP, SGPS, SA, Board of Directors believes that no penalty will be applied to the Group companies. For the years 2013 and 2014 the companies of the Group were exempted from the application of the abovementioned rule.

Sale of EGF Group

AdP – Águas de Portugal, SGPS, SA and Parpública, Participações Públicas, SGPS, SA informed that within the reprivatization process of EGF – Empresa Geral do Fomento, SA, and after favourable decision of the Competition Authority, at 28 July 2015 it was executed the transfer of shares representing 95% of this company’s share capital to SUMA Tratamento, SA.

It must be stated however that according to “clause 16 – Extraordinary Compensations: Acquisition rights and base value of regulated assets” of the sale and purchase agreement (SPA), namely its clause 16.4, if a change in occurs the Base of regulated assets, the parties may exercise a compensation right between them, which will affect the results in the accounting period when such fact is known. At the present date the effects of these compensations, should they exist, are unknown.

Protective Measures

As a result of the strategy defined by the Government for the water sector, fifteen multi-municipal systems were extinguished and three new with a bigger size were created. Disagreeing with this strategy several Municipalities, as shareholders of the extinguished and new companies filed several protective legal actions in which many companies appear as defendant or counterparts, such as companies of Águas de Portugal Group like Águas do Norte, S.A., the extinguished Águas do Douro e Paiva, S.A., Águas do Centro Litoral, S.A. and AdP – Águas de Portugal, SGPS, S.A.. Considering that these protective measures intend to stop the restructuring and reorganizing process in the water sector, at the present date we can’t determine how any of these legal actions may end.

i) Contingent assets and liabilities

Company	Description of process	Amount (in euro)
AdRA - Águas Região de Aveiro	There aren't any lawsuits involving an amount superior to 1 500 000 euro.	
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.	1 876 479,15
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.	3 527 980,06
Águas do Algarve, S.A.	Proc. nr 46/09.3BELLE required by Somague Engigás Neopul – Construtores, ACE within the construction agreement “Project/construction of high level water supply and sanitation facilities for the Culatra and Armona islands – Ria Formosa crossing by horizontal guided drilling” with grounds on the technical impossibility of the Ria Formosa crossing construction. In the same action the author also contested three AdA decisions where the latter denied the former requests for the construction deadline extension. It also contested the fines in the amount of 666 014,13 euro for breach of both the interim mandatory deadlines and final deadline for the construction works. The process was contested by AdA, which joined scientific opinions issued by LNEC that contradict the alleged impossibility of construction. In its contestation AdA also claimed the expiry date of the action in what concerns the partial request of 1 164 598,98 euro considering the action was filed after the term of 132 (working) days established in the law. In what concerns this question the court already ruled in favour of AdA and the counterpart appealed. The sentence concerning all the requests was also already issued and ruled totally in favour of AdA. The counterpart appealed and a decision is waited.	8 332 017,00
Águas do Algarve, S.A.	Proc. nr 516/09.3BELLE required by Somague Engigás Neopul – Construtores, ACE in the Loulé Administrative and Tax Court against Águas do Algarve, S.A. in which with the same grounds of the alleged technical impossibility of the Ria Formosa crossing construction (claiming the partial nullity of the respective construction agreement), it is contested AdA's decision to terminate the construction agreement with just cause for definitive breach of contract by the constructor ACE, and where it is claimed the payment of 9 191 597,54 euro (a mere update of the request in the amount of 8 332 017,21 euro requested in the previous legal action nr 46/09.3 BELLE). The process was contested by Águas do Algarve, S.A. on identical grounds of the previous action Proc. 46/09.3BELLE. A decision was issued determining the suspension of the process until decision of the above mentioned action nr 46/09.3BELLE. The action is therefore suspended.	9 191 598,00
Águas do Algarve, S.A.	At 31 December 2015 Linklaters represented ÁGUAS DO ALGARVE, S.A., in Process nr 232/2000 in the Circle Administrative Court of Lisboa, required by Sociedade de Construções Soares da Costa, S.A.. The request against ÁGUAS DO ALGARVE, S.A. – initially against Águas do Sotavento Algarvio, S.A. –, is in the amount of 2 662 385,97 euro (two million six hundred and sixty two thousand three hundred and eighty five euro and ninety seven cents). Now that the trial has ended a decision concerning facts is waited.	2 662 386,00
Águas do Algarve, S.A.	Process nr 65/10.7BELLE required by AdA against the Tavira Municipality and the company Tavira Verde – Empresa Municipal de Ambiente, E.M.. Administrative legal action required at 22/01/2010.	1 630 949,00
Águas do Algarve, S.A.	Process nr 427/11.2BELLE required by AdA against the Tavira Municipality and the company Tavira Verde – Empresa Municipal de Ambiente, E.M.. Administrative legal action required at 14/07/2011, for which the defendants presented their reply in 06/10/2011. We were notified by the court in 24/05/2012 of the decision that determines that the process should wait the descend of Proc. 65/10.7BELLE to join it and be judged together. A final decision is therefore waited.	2 533 779,00
Águas do Algarve, S.A.	Process nr 104/12.7BELLE required by AdA in 5/12/2011, against the Municipality of VRSA. Initially an injunction process where it was claimed the amount of 2 496 051,41 euro. After the opposition presented by the defendant, in 23-01-2012, the Injunction process was transformed in an Administrative Action being judged in the Loulé Administrative and Tax Court. In 01/03/2012 and following the court notification the improved initial application was delivered. In 11/04/2012 the defendant contested. In 02/05/2012 we presented our reply to the defendant's contestation. We were notified that the Preliminary Hearing was scheduled for 31/01/2013. In 30 January 2013 we were notified of the Preliminary Decision and of the decision that determined the Preliminary Hearing was invalid. A final decision is waited. In 31/12/2014 the invoices in dispute in this Administrative Action were received by AdA within the PAEL. It is AdA's intention to withdraw the Administrative Action.	2 495 898,00

Company	Description of process	Amount (in euro)
Águas do Algarve, S.A.	Proc. nr 715/09.8 BELLE - Action filed in Administrative and Tax Court of Loulé by AdA against Somague, Engigás, Neopul, Construtores, ACE and against the respective grouped companies, with a request in the amount of 1 894 762,79 euro for definite breach of the construction contract by the contractor (it is the same construction work of "Project/construction of high level water supply and sanitation facilities for the Culatra and Armona islands – Ria Formosa crossing by horizontal guided drilling"). The court decision acquitted the defendants. This decision didn't examine the substance of the case (such as the fairness of the construction contract termination and AdA indemnity request based in it), having been exclusively grounded in the bringing of the action after the respective expiry date of 132 days, as foreseen in art. 255º of RJEOP (approved by Decree Law nr. 55/88 of 2nd March). This decision is clearly illegal. The rule (art. 255º do RJEOP) that establishes that the expiry date of 132 days used by the decision is only applicable to actions filed by constructors and not by the ones filed by the developer (in the Case Águas do Algarve), as the letter of the law indicates. And even if this rule was applicable to the case, the action was brought on the 130th day after the termination of the construction agreement. Therefore an appeal in the Central Administrative Court of the South was filed against the decision, which is waiting for decision. The victory in this appeal will only allow the action to follow its normal course, in order to determine if the termination of the agreement decided by Águas do Algarve is based in just cause or not, as well as to determine what are the damages that should be indemnified.	1 894 763,00
Águas do Algarve, S.A.	Process 105/12.7BELLE required by AdA in 5/12/2011 against the municipality of VRSA. Initially it was an Injunction process where it was claimed the payment of 1 596 738,95 euro. After the opposition presented by the defendant in 24-01-2012, the Injunction process became an Administrative Action being judged in the Loulé Administrative and Tax Court. In 08/02/2012 the defendant presented its contestation. We replied to this in 28/02/2012. In 22/05/2012 a Decision was issued declaring the entire process invalid for ineptitude of the initial application and consequently considered the Vila Real de Santo António Municipality acquitted in the process. In 02/07/2012 and because we disagreed of this Decision, we filed an appeal to the South Central Administrative Court. The counterpart also appealed. We were notified by the South Central Administrative Court that the appeal was distributed in 13/11/2012, 2nd Juízo, 1st Section with the nr 09414/12. A final decision is waited. In 31/12/2014 the invoices in dispute in this Administrative Action were received by AdA within the PAEL. It is AdA's intention to withdraw the Administrative Action.	1 596 416,00

Company	Description of process	Amount (in euro)
Águas do Algarve, S.A.	<p>Authors DTE, SA and DOMINGOS SILVA TEIXEIRA SA; Defendant: Águas do Algarve SA.</p> <p>9 March 2015 – The Authors filed against Águas do Algarve SA. a Pre-Contractual Administrative Legal Action challenging the awarding act concerning the agreement of "Conception – construction of Companhia ETAR", within which they require the annulment of such awarding act issued within the Public Tender with procedure announcement nr 346/2014, published in the Republic Diary, 2nd Series, nr 18, of 27 January 2014, as well as the acceptance of the Authors' proposal in the public tender with all the legal consequences it implicates. 13 March 2015 – The Defendant was notified to reply. 9 April 2015 – The contestation was presented by de Defendant where it demonstrates there is a group of Previous Questions ("Questões Prévias/Exceções") that prevent the lawsuit to proceed and consequently demonstrated the reply would grant a win. 13 April 2015 – The Counter-Interested Acciona Água, SA. and Oliveiras, SA. also presented their contestation. 15 April 2015 – The Public Ministry was notified to intervene according to article 85º, of the Administrative Courts Process Code. 6 May 2015 – A decision was issued where the court considered that the Authors didn't have legitimacy to file the lawsuit and consequently acquitted the Defendant and the Counter-Interested. 7 May 2015 – The decision was registered in the competent Book of Registries nr 19 and the parties were notified. 25 May 2015 – The Authors appealed the decision dated 06.05.2015. 22 June 2015 – A decision was issued where the Court denied the appeal considering it was not possible to convert such appeal into a Complaint to the Court Conference ("Reclamação para Conferencia"). 7 July 2015 – The Authors filed a new appeal against the decision dated 22.06.2015, requiring the conversion of the appeal dated 25.05.2015 into a Complaint to the Court. 13 July 2015 – A decision was issued where the court annulled the previous decision dated 22.06.2015, i.e., accepted the conversion of the Author's appeal dated 25.05.2015 into a Complaint for the Court Conference. 14 July 2015 – The Defendant filed a Complaint to the Court Conference with reference to the decision dated 13.07.2015, requiring the maintenance of the first decision where the Court didn't accept the appeal filed by the Authors in 25.05.2015. 20 July 2015 – The Defendant filed a Request for Clarification with reference to the decision dated 13.07.2015, which denied the appeal filed by the Authors. 28 July 2015 – The Authors required that the Complaint to the Court Conference filed by the Defendant at 14.07.2015 should be dismissed. 31 July 2015 – A decision was issued where the court kept its previous decision dated 13.07.2015. 5 August 2015 – The Defendant filed a Request for Clarification concerning decisions dated 31.07.2015 and 13.07.2015. 6 August 2015 – A decision was issued by the Administrative and Tax Court of Almada where the Defendant was notified to clarify if the second Request for Clarification filed concerns the decision dated 22.06.2015 or dated 13.07.2015. 24 September 2015 – By decision of the Administrative and Tax Court of Loulé it was appointed the day 28.10.2015 for the judgement via conference. 28 October 2015 – A decision was delivered where the court denied the Complaint and consequently confirmed the decision contested. 17 November 2015 – The Authors appealed the decision delivered by the Administrative and Tax Court of Loulé in 28.10.2015. 7 December 2015 – The Defendant replied to the appeal presenting its counter allegations. 10 December 2015 – The Administrative and Tax Court of Loulé delivered a decision considering that since the appeal of the Authors was filed in due time, it should have a suspension and appealing effect, ordering the process to be redirected higher, to the Central Administrative Court of the South.</p>	9 850 032,80

Company	Description of process	Amount (in euro)
Águas do Algarve, S.A.	<p>Authors: DTE, SA and DOMINGOS SILVA TEIXEIRA SA; Defendant: Águas do Algarve SA.</p> <p>10 March 2015 – The Authors required a Protective Measure to Suspend the Effectiveness of the Awarding Act (instrumental to the Pre-Contractual Administrative Legal Action abovementioned), with the consequent suspension of the procedure for the contract formation, which prevents the Defendant from signing the construction agreement with the Counter Interested Consórcio Acciona Agua, S.A.U /Oliveiras, SA.. If the contract has already been signed, the Author required the suspension of its execution. 13 March 2015 – The Defendant was notified. 31 March 2015 – The Defendant filed in the process a Substantiated Decision (“Resolução Fundamentada”), according to and for the purposes mentioned in article 128º of the do Administrative Courts Process Code, in which demonstrates that the delay in the execution of the administrative act to be suspended (the awarding act) would be seriously damaging for the public interest. Still at the same date the Defendant presented its response or Opposition to the protective measure required. 02 April 2015 – The Counter-interested Acciona SA and Oliveiras, SA presented their Opposition. 29 April 2015 – The Administrative Procedure for the contract formation was joined to the process by the Defendant. 19 June 2015 – A decision was issued ordering the filling of the administrative procedure in the lawsuit. 23 June 2015 – The Defendant required the extinction of the Protective Measure for verification of extinctive fact, which was the existence of a decision given in the main process where the Court in a final and non appealable decision dismissed the lawsuit. 10 July 2015 – A decision was issued where the Court stated that the Decision dated 22-06-2015, issued within the main legal action, was appealed about the refusal of its conversion in a Complaint to the Court Conference. 28 July 2015 – A decision was issued where the Court ordered the Authors notification of the Opposition (according to article 118.º, nr 3, of the CPTA), and of the Substantiated Decision, according to and for the purposes mentioned in article 128º, nr 4 of the CPTA. 06 October 2015 – The Defendant was notified by letter of notification Refª 004283558 of the decision issued by TAF de Loulé, where it was decided to accept the alleged exception of the Authors illegitimacy, and consequently acquitted the Defendant and the Counter-Interested. 11 October 2015 – The Defendants appealed the TAF de Loulé decision. 19 October 2015 – The Counter-Interested presented their allegations replying to the appeal. 23 November 2015 – The Defendant presented its allegations replying to the appeal. 26 November 2015 – Loulé TAF accepted the Authors Appeal and ordered the process to be redirected higher, to the Central Administrative Court of the South. 14 December 2015 – By Notification Ref. 004298295, issued by the Loulé TAF, in 14-12-2015, the process was sent to the Central Administrative Court of the South.</p>	9 850 032,80

Company	Description of process	Amount (in euro)
Águas do Algarve, S.A.	<p>Author: SISÁQUA SA; Defendant: Águas do Algarve SA.</p> <p>15 April 2015 - The Author filed against the Defendant an Administrative Legal Action challenging the Awarding Act Concerning the Service Agreement (which is the main lawsuit for the Protective Measure under number 297/15.1BELLE), requesting the following: " a) Annulment of the awarding act where the Defendant decided to award the proposal of contestant nr 4 (AGS/ MANVIA/ INDAQUA), because it is illegal and violates the essential core of public procurement principles, specifically, the principles of competition, equality, transparency and intangibility of proposals, and also because it violates law, art. 60º, nr 3 of CCP and also the public tender rules; b) if the contract has already been signed, the Court should also determine its annulment as well as all new acts eventually practiced in the procedure after the illegal award to Contestant nr 4; c) That the Court orders the Defendant to reclassify and reorder the proposals according to public procurement principles abovementioned and law, art. 60º, nr 3 of CCP and also the public tender rules, as well as ordering the Defendant to issue a new awarding act in favour of contestant nr 2 (the Author), because it has the most advantageous proposal; d) The Court should condemn the Defendant to practice all further acts necessary to restore legality and according to the court decision, and the process should follow its diligences until the end.", 17 April 2015 – A decision was issued determining that the Protective Measure required should be joined to this lawsuit. 20 April 2015 – The Defendant was notified. 12 May 2015 – The Protective Measure with nr 297/ 15.1BELLE was joined to the process. 15 May 2015 – The Counter Interested AGS, MANVIA and INDAQUA presented their reply. 18 May 2015 – The Defendant presented its reply. 25 May 2015 - The Administrative Procedure for the contract formation was joined to the process by the Defendant. 27 May 2015 – A decision was issued ordering the Author notification to answer the Previous Questions raised by the Defendant in its reply which, being considered "exceptions", may prevent the object of the lawsuit to be judged. 03 June 2015 – According to decision dated 27.05.2015 the Author answered the Previous Questions raised by the Counter Interested and Defendant. 09 June 2015 – A decision was issued ordering the Defendant to reply the Author's request to convict the Defendant for bad faith in the litigation. 16 June 2015 – According to decision dated 09.06.2015 the Defendant presented its reply to the Author's request to convict the Defendant for bad faith in the litigation. 22 June 2015 – The Author presented its reply, after being notified of the Defendant reply to its request to convict the Defendant for bad faith in the litigation, as included in the Reply to the Previous Questions raised in the Contestation. 23 June 2015 – The Defendant also replied. 22 July 2015 – A Preliminary Decision was given where the Court rejected the Previous Questions/ exceptions invoked by the Defendant and Counter Interested. It also refused the examination of the witnesses offered by the party. Furthermore determined the notification of the parties to present their written allegations according to artº 91º, 4º of CPTA. 03 August 2015 – With regards to the Preliminary Decision the Defendant presented a Complaint to the Court Conference. 10 August 2015 – The Beja Administrative and Tax Court determined the notification of the Author and Counter Interested to react about such complaint to the court conference. According to such order, the Author presented its reply. 13 August 2015 – The Author presented its allegations. 19 August 2015 – The Defendant required the Court to clarify the status of the Complaint to the Court Conference and at the same time to determine the suspension of the term to present its written allegations, until clarification of the denial considering the Previous Questions/ exceptions invoked. 26 August 2015 – The Defendant was notified by letter of notification refº 004275484, of the Loulé TAF decision dated 25.08.2015, admitting the Complaint to the Court Conference and deciding to suspend the term for the Defendant to present its allegations. 2 October 2015 – The Defendant was notified by letter of notification refº 004282880, of the Loulé TAF decision dated 01.10.2015, denying the order issued in 25.08.2015. 13 October 2015 - The Defendant was notified by letter of notification refº 004284734, of the Loulé TAF decision dated 12.10.2015, joining to the present lawsuit the Complaint under process nr 311/ 15.0BELLE-A. 26 October 2015 – The Defendant presented its written allegations. 3 November 2015 – In compliance with Loulé TAF decision dated 27.10.2015 the Author replied to the lawsuit suspension required by the Defendant. 26 November 2015 – The Defendant was notified by letter of notification refº 004294819 of the Loulé TAF decision dated 25.11.2015 according to which the required suspension of the lawsuit was denied. 11 November 2015 - The Defendant was notified by letter of notification refº 004301970 that the claim under process nr 311/ 15.0BELLE-A was disjoined.</p>	8 901 924,95
Águas do Algarve, S.A.	<p>Author: Águas do Algarve SA; Defendant SISÁQUA SA.</p> <p>12 October 2015 – The Defendant filed a claim against Loulé TAF decision dated 01-10-2015. 14 October 2015 – By TAF de Loulé decision the parties were notified to reply in 10 (ten) days, should they intend to. 26 November 2015 - The Defendant was notified by letter of notification Ref.º 004294836 of the decision given by Loulé TAF in 25-11-2015, according to which the required suspension of the lawsuit was denied. 04 January 2016 - The Defendant was notified of Loulé TAF decision which determined the process to be redirected higher, to the Central Administrative Court of the South. 11 January 2016 - The Defendant was notified by letter of notification Ref.º 004301975 , that the process had been delivered to the Central Administrative Court of the South.</p>	8 901 924,95

Company	Description of process	Amount (in euro)
Águas do Centro Litoral, S.A.	Common Administrative Action nr 385/ 15.4BECBR , being judged in 1 st Organic Unit of Coimbra Tax and Administrative Court, filed by Coimbra Municipality and AC – Águas de Coimbra, E.M. against AdCL, SA, with several Municipalities as counter interested, where the Authors require AdCL condemnation to conclude, within a year, the construction works it allegedly undertook to execute under agreement signed with Coimbra Municipality in 25/05/2005, and also require that the payment by AdCL of 1/1000 of the price of the construction work to be performed, per each day in the delay of the conclusion of such construction works. The Authors also require from AdCL the payment of alleged damages caused by breach of contract in the amount of 2 696 947,37 euro, as well as an additional amount to be defined by the execution court. Furthermore the Authors challenge the resolution from AdCL General Meeting dated 12/03/2014, requiring its annulment. The amount proposed of the action is 15 696 947,37 euro. AdCL, SA replied in 15/06/2015. The stage of the written pleadings ended and a decision from the Judge is waited.	15 696 947,37
Águas do Norte, S.A.	Process 280/09.6BEM DL – Damages claim extra works - Babo& Mata	5 218 000,00
Águas do Norte, S.A.	Process 334/ 10.6BEVIS - Damages claim extra works - Babo& Mata	4 383 551,95
Águas do Norte, S.A.	Process 420/ 11.5 BEM DL – Prices revision and extra works - Babo& Mata	2 822 766,88
Águas do Norte, S.A.	Process 392/ 11.6 BEM DL - Extra works - Babo& Mata	4 917 143,58
Águas do Norte, S.A.	Process 105/ 13.8 BEM DL – Damages in property - Babo& Mata	1 598 471,10
Águas do Norte, S.A.	Administrative Offense 510/2013 ARH North - ARHN attributes facts considered an environmental administrative offense (Disposal of waters directly to the waterline creating bad odor) - Babo& Mata	200 000,00 a 2 500 000,00
Águas do Norte, S.A.	Administrative Offense 545/2013 ARH Norte - ARHN attributes facts considered an environmental administrative offense (Disposal of water to Douro River) - Babo& Mata	200 000,00 a 2 500 000,00
Águas do Norte, S.A.	Process 361/ 14.4BEPRT - INDAQUA intends to stop the water supply to Refinaria de Matosinhos and to be indemnified for alleged lost profits because such supply is being provided by former Águas do Noroeste and not itself. - Dr. Paulo Fernandes	8 200 000,00
Águas do Norte, S.A.	Process 3345/ 15.1BEBRG - AMAVE intends to receive the amount of the rents concerning the use of municipal infrastructures between 2008 and 2014.	2 443 765,23
Águas do Norte, S.A.	Administrative offense - 469/2013 (Loureira ETAR – Vila Verde) - Environmental Administrative offense - Dr. Paulo Fernandes	Fine between 38 500,00 and 70 000,00 in case of negligence and between 200 000,00 and 2 500 000,00 in case of intent
Águas do Norte, S.A.	Administrative offense - 2238/2011 - CO/ 735/2013/ ARH (Gandra-Turiz ETAR – Vila Verde) - Environmental Administrative offense - Dr. Paulo Fernandes	Fine between 38 500,00 and 70 000,00 in case of negligence and between 200 000,00 and 2 500 000,00 in case of intent
Águas do Norte, S.A.	Administrative offense - 2238/2011 - CO/ 733/2013/ ARH (Rio Trofa) - Environmental Administrative offense - Dr. Paulo Fernandes	Fine between 38 500,00 and 70 000,00 in case of negligence and between 200 000,00 and 2 500 000,00 in case of intent

Company	Description of process	Amount (in euro)
Águas do Norte, S.A.	Administrative offense - 2238/ 2011 - CO/ 734/ 2013/ ARH (Ponte da Barca) - Environmental Administrative offense - Dr. Paulo Fernandes	Fine between 38 500,00 and 70 000,00 in case of negligence and between 200 000,00 and 2 500 000,00 in case of intent
Águas do Norte, S.A.	Administrative offense - 12923/ 2009 - CO/ 890/ 2013/ ARH (Construction - Rio Homem) - Environmental Administrative offense - Dr. Paulo Fernandes	Fine between 38 500,00 and 70 000,00 in case of negligence and between 200 000,00 and 2 500 000,00 in case of intent
Águas do Norte, S.A.	Administrative offense - CO/ 000954/ 14 (Agra ETAR) – Environmental Administrative offense - Dr. Paulo Fernandes	Fine between 38 500,00 and 70 000,00 in case of negligence and between 200 000,00 and 2 500 000,00 in case of intent
AdLVT - Águas de Lisboa e Vale do Tejo, SA	Administrative and Tax Court of Leiria – Organic Unit 1	1 838 439,20
AdLVT - Águas de Lisboa e Vale do Tejo, SA	Administrative and Tax Court of Leiria - Organic Unit 1	2 377 802,70
AdLVT - Águas de Lisboa e Vale do Tejo, SA	Administrative and Tax Court of Leiria - Organic Unit 1	1 714 090,41
AdLVT - Águas de Lisboa e Vale do Tejo, SA	Circle of Lisboa Administrative Court - Organic Unit 3	3 894 401,00
AdLVT - Águas de Lisboa e Vale do Tejo, SA	Administrative and Tax Court of Leiria	3 736 617,00
AdLVT - Águas de Lisboa e Vale do Tejo, SA	Administrative and Tax Court of Leiria - Organic Unit 1	1 535 950,31
AdLVT - Águas de Lisboa e Vale do Tejo, SA	Administrative and Tax Court of Sintra - Organic Unit 3. The process was judged and the Defendant was acquitted for alleged misuse of the injunction process. Such decision was appealed by SANEST to TCA South where it was accepted and waits to be judged. Approval or rejection of the Appeal and the continuation of the lawsuit or filling of a (new) Common Administrative Action, according to each case.	Capital - 1 845.277,04; Default interest accrued and claimed until the injunction date: 758 267,62; Total – 2 603 545,68 + Interest not yet fallen due.
AdLVT - Águas de Lisboa e Vale do Tejo, SA	Administrative and Tax Court of Beja	7 030 769,97

Company	Description of process	Amount (in euro)
AdLVT - Águas de Lisboa e Vale do Tejo, SA	Circle Administrative Court of Lisboa. Under SANEST contestation, where it defends itself with exceptions and arguments stating that has nothing to pay, namely if and while the Tax and Customs Authority doesn't confirm that it can still amend/retrieve the VAT at stake in its favour, as exposed to this entity in a request filed, also presenting a subsidiary counterclaim to ensure that, if the Court doesn't agree with this position, the claimed credit of the Author is compensated with the debt it has towards the Defendant, under injunction process nr 389714/08.3YIPRT, current nr 119/09.2BELSB. The Author replied to this counterclaim with exceptions and arguments. By decision dated 22.10.2014, Lisboa TAC declared itself materially incompetent, as SANEST had defended in its contestation and determined that the lawsuit should be sent to the Tax Court of Lisboa. The Author appealed of this decision and SANEST presented its counter allegations. A decision on the Appeal of the sentence declaring Lisboa TAC incompetent and the Tax Court of Lisboa competent is waited, to know if the process will proceed on one court or the other.	Capital: 1 564 420,13 Default interest accrued until the Action date: 375 803,72 Total: 1 940 223,85 + interest accrued
AdLVT - Águas de Lisboa e Vale do Tejo, SA	Administrative and Tax Court of Beja. Beja TAF has a long and late list of lawsuits. This process of 2013 is not expected to move in the short/ medium term. In the meantime the Municipality already paid some of the invoices at stake within PAEL.	7 498 698,00
AdLVT - Águas de Lisboa e Vale do Tejo, SA	Évora Court – Civil and Criminal section - J1. Terminated by decision of the TRE, entirely favourable to the Author. The amount of the lawsuit is almost entirely paid through PAEL.	5 599 742,96
AdLVT - Águas de Lisboa e Vale do Tejo, SA	Administrative and Tax Court of Beja	2 549 496,72
AdLVT - Águas de Lisboa e Vale do Tejo, SA	Arbitration proceeding	48 945 026,00
AdLVT - Águas de Lisboa e Vale do Tejo, SA	Contractual liability	2 041 466,28
AdLVT - Águas de Lisboa e Vale do Tejo, SA	Contractual liability	2 455 255,81
AdLVT - Águas de Lisboa e Vale do Tejo, SA	Contractual liability	1 508 254,60
AdLVT - Águas de Lisboa e Vale do Tejo, SA	Waits for scheduling of preliminary hearing and judgement	2 370 692,89
AdLVT - Águas de Lisboa e Vale do Tejo, SA	Required the payment of the amount of 2 867 610,16 (capital) + 262 872,21 (interest). A reply is waited	3 130 482,37
AdLVT - Águas de Lisboa e Vale do Tejo, SA	Required the payment of the amount of 2 400 396,14 (capital) + 216 989,20 (interest). A reply is waited	2 617 385,34
AdLVT - Águas de Lisboa e Vale do Tejo, SA	Required the payment of the amount of 4 886 689,55 (capital) + 444 170,80 (interest). A reply is waited	5 330 860,35
AdLVT - Águas de Lisboa e Vale do Tejo, SA	Required the payment of the amount of 1 411 120,88 (capital) + 128 920,86 (interest). A reply is waited	1 540 041,74

Baía do Tejo Group

i) Contingent liabilities

Subsequently to unfavourable decisions a trade creditor filed the following new actions: a common administrative legal action against Baía do Tejo and the Environmental Ministry claiming the payment of 1 648 thousand euro, as soon as they receive it from the Portuguese State, and another common action claiming 3 053 thousand euro for interests and for the amounts of invoices nr 1 and 2 of 2005. These procedures are ongoing.

It should be noted that concerning the claimed amount, the Company 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 were assumed by the 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 trade creditor concerning a claim for alleged removal of waste unduly deposited in the plaintiff lands. The claim amounts to 1 045 thousand euro. As in the abovementioned situation, it is presumed that possible liabilities that may occur will be assumed by the State and, for that, no provision was set.

1) Environmental matters

1.a) General 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 that company had 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), related to environmental decontamination procedures, treatment of solid waste and sediments in those companies' facilities in Seixal and Maia, which were generated before their incorporation.

Under the above 1995 mentioned agreements, the so called Siderurgia Nacional – Empresa de Serviços, S.A., also took similar environmental responsibilities.

Therefore and related to the merger in 2009, Baía do Tejo Group took over all the referred 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 responsibilities for the management/disposal of several waste and sediments existing in that area.

1.b) Steel plants of Maia

The environmental decontamination procedure of the Maia plant waste, belonging to SN Longos, began in 1998.

However and under a decision of the Regional Directorate of Environment and Spatial Planning – North, the works of waste removal were suspended in order to clarify some doubts related to the quantity and classification of the removed and to be removed 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 consequence of the works suspension and non payment of the invoices, the company responsible for the waste removal filed lawsuits in the global amount of 1 648 thousand euro claiming the payment of the due invoices. These legal procedures had definite and non appealable decisions favourable to Baía do Tejo.

However, not accepting these decisions the company responsible for such waste removals filed new lawsuits.

Baía do Tejo opposed considering the existing doubts related with the quantity of the removed waste.

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 thousands euro are recorded under Trade creditors - current account, although no accrued interests are being recognized.

The financial statements do not reflect any liabilities related to these law procedures as the Board of Directors understands that Baía do Tejo acted according to the law. However, should there be an unfavourable decision any additional 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, in November 2011, the removal works of the remaining historical dust still existing in 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. According to the assumption by the State of these liabilities, the work has no impact on the operation account of Baía do Tejo.

1.c) Steel Facilities of Seixal

With the transformation of the Siderurgia Nacional, Empresa de Serviços, SA, giving rise to SNESGES, that took place in 2005, the main objectives of the management focused on the development of the study of 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, green spaces, playground and recreational areas along the river.

In the meantime, during the year 2009, 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 Economy and Innovation, regarding the inventorying, qualification and quantification of environmental liabilities for contaminated soils in agricultural, industrial and mining areas, among others, and consequent 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 program in this domain to be submitted to Community funding under the Operational Programmes of the National Strategic Reference Framework (NSRF 2007-2015).

In this context, a Joint Venture with Empresa Geral de Fomento 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 to carry 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, with a contribution of 356 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 P.O.V.T./Q.R.E.N. 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 an 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 Lagoa da Palmeira. This action had an overall spending, including the monitoring services, in the amount of 2 084 thousand euro.

According to the methodology of previous actions, in 2013 two actions were executed to eliminate environmental liabilities:

- Waste removal in East Zone of Dump I.
- Waste removal in Central Zone.
- The total expenses of these actions reached the global amount of 5 714 thousand euro.

Having all the actions to eliminate environmental liabilities, as foreseen in the global application for the territory, been concluded in the end of 2013, it was verified that a remaining amount of approximately 1 985 thousand euro was left available.

In the beginning of 2014, the ACE filed within the POVT a request to timely reprogram its application and to be authorized to use the referred remaining amount in the elimination of 10 000ton of hazardous waste. This request was accepted.

At 11 November 2014 the international tender for its elimination was launched and the action on the field started at July 1 and finished at 25 September 2015. The total cost of the action was 1 498 thousand euro.

A provision in the amount of 3 741 thousand euro is 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 thousand euro, in the total amount of 4 240 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.d) 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 about Seixal Business Park lands

At the end of 2008 and following the above mentioned Joint Order nr 28.176/2007, of August 24 referred in iii), another Joint Venture was formed, also including Empresa Geral de Fomento, with the purpose of coordinating and preparing the application for Operational Programme for Territorial Development, in order to get the EU 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, 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 referred 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 by the amount of 4 355 thousand euro, with an approval of co-funding in the amount of 3 049 thousand euro.

With the privatization of EGF – Empresa Geral de Fomento in 2015 the liabilities of this company in the Joint Venture were transferred to ADP Serviços.

Joint Ventures EGF Quimiparque and EGF SNESGES didn't develop any action noteworthy within the QREN which terminated in 2015.

With the opening of the tender for PO SEUR applications in August 2015, Joint Venture Quimiparque filed applications within intervention – rehabilitation of industrial facilities and contaminated land, for the

elimination of “green pyrites” and “zinc sludge” deposited in the territory of Barreiro Business Park in the estimated global amount of 5 920 thousand euro (amount before VAT).

Although the ongoing works help to reduce the environmental responsibilities, it is not yet possible to estimate the total charges amount than may arise to Baía do Tejo from environmental liabilities. Therefore no specific provision is set up to cover the responsibilities concerning the Barreiro territory.

However and as stated in 1.c), provisions are set up to cover environmental responsibilities in the amount of 4 240 thousand euro (4 721 thousand euro in 2014).

SIMAB Group

There are the following contingent liabilities in SIMAB Group, related to **MARB**:

Action filed by Mr. António Leite related to the land subject of a purchase and sale promissory agreement:

- (i) At 30 March 2015 it was filed in 1st Civil Section of the Braga Court a lawsuit against MARB, SA filed by António Cunha Leite, referring to a purchase and sale promissory agreement signed at 19/02/2010, for a real estate to be detached from Mercado Abastecedor, having been given an advance payment in the amount of 270 thousand euro. Now he claims the reimbursement of the advance payment and other costs incurred (50 thousand euro), for alleged impossibility to execute the agreement on MARB, SA responsibility;
- (ii) At 4 May 2015, MARB, SA contested the action;
- (iii) At 28 May 2015 Mr. António Cunha Leite replied to MARB, SA contestation;
- (iv) At 26 June 2015 the PDM was approved in Municipal Meeting and is available in City Hall of Braga website (http://pdmbraga.cm-braga.pt/images/relatorioponderacao/anexos/ANEXO_XII_Reclamacoes_Particulares.pdf) the approval of MARB claim where it informs that such land is now classified as “AE1 – Area mainly industrial of large and medium size”, which allows the construction intended by Mr. António Leite;
- (v) At 12 November 2015, the Judge tried to reconcile the parties;
- (vi) At 24/2/2016 a settlement was signed between MARB (Defendant) and the Author, promissory buyer, following the conciliation attempt, the Judge anticipated she didn't consider that the non signature of the promissory agreement and its termination by the Author was due to guilt of any of the parties, stating that on one hand it was not MARB's responsibility to approve the PDM and on the other hand it was not required that the Author would stay indefinitely (“ad aeternum”) bound to the promissory agreement until approval of the PDM (considering that it was assumed such approval should have occurred in 2012). From this understanding it would result the obligation to return the advance payment, plus interest since the termination date (December 2014). Considering the amount at stake and the commercial nature of the parties, the interests due should be calculated at the rate of 7,05%/year, therefore at the date of the settlement they amounted to a superior value than the 25 thousand euro agreed. Furthermore the debt would continue to bear interests until date of issuance of a final Court decision with the same understanding (that the

advance payment should only be refunded). Such date would not be controlled by MARB since it does not control the dates of court decisions (which could take months), and at the same time the Author losing the claim to be reimbursed of the advance payment in double, he could always appeal, which would only allow the formation of a final decision after a decision of the superior court (Acórdão da Relação) that would confirm the decision of the first court. For these reasons we consider that MARB's Board's decision to settle was beneficial to its financial situation.

This lawsuit is therefore concluded having been determined the payment by MARB of 295 thousand euro until the end of March 2016, with the consequent eliminations of any contingent liability of MARB, S.A.

Novo Banco Process

- i. At 13 October 2014 MARB, SA received a letter from Espirito Santo – Recuperação de Crédito, ACE, dated 7 October 2014, in which it is informed that the agreement nr 12405694630 (signed with former operator Hilário Alves) was terminated and demanding from MARB, as grantor, the payment of 13 thousand euro (capital of 8 thousand euro and interests of 4 thousand euro), having the collateral promissory note already been filled in for such purpose;
- ii. Letter with MARB's reply disagreeing was sent in 23/10/2014;
- iii. At 25/05/2015, MARB, SA presents its opposition to the execution with a request to suspend its effects;
- iv. At 09/06/2015 a decision is issued accepting the opposition;
- v. At 10/07/2015, MARB, SA is notified of the reply to the opposition as presented by Novo Banco;
- vi. In January 2016 MARB, SA provided collateral, with a bank guarantee issued by Millennium Bcp;
- vii. Reconciliation attempt scheduled for 10/02/2016;
- viii. Trial day scheduled for 23 May 2016.

In MARE:

Name	Type	M ARE Position	Claim value (thousand euro)	Stage of the process
Sobral, Lda	Insolvency proceeding – Évora Court – Inst. Local – Civil Section – J1 – Proc. 1929/11 . 6TBEVR	Plaintiff	29,7	Process ended: in August 2015 MARE received 196,45 euro, partial receiving according to the payment division map, IVA recovery.
Carriço Peixaria, Lda	Insolvency proceeding – Évora Court – Inst. Local – Civil Section – J1 – Proc. 1953/12. 1TBEVR	Plaintiff	7,3	MARE claimed credits in the amount of 7 268,36 euro for utilization fees, that were entirely acknowledged. In 14.11.2014 – the liquidation was concluded. In 2015.01.05 – Insolvency Administrator hadn't yet elaborated the payment division map. However, up to this date no amount was paid yet. There are not many perspectives for MARE, SA to receive any payment within this proceeding other than the VAT. According to the payment division map MARE will receive only 466,49.
TOTAL			37,0	

In MARL:

Name	Type	M AR L Position	Claim value (thousand euro)	Stage of the process
ADD4YOU	Insolvency proceeding	Plaintiff	25,3	Waits declaration for tax purposes. Collection of amount due not expected.
Amilcar Augusto	Declarative legal action for conviction	Plaintiff / Defendant with counter-claim	2,8	Sent to the competent court of Torres Vedras. Preliminary hearing scheduled to February 2016. Possibility of obtaining Amilcar Aungusto conviction to pay the amount claimed.
ASAE	Administrative infraction	Defendant	fine between 3,5 and 30	MARL appealed and waits for the decision of the administrative body
Disgelo	Declarative legal action for conviction	Plaintiff	119,3	Compensation claim for breach of contract. Notification of the reply. Waits for the preliminary decision/preliminary hearing and court notification about the object of investigation. Preliminary hearing scheduled to March 2016. Favourable decision is expected.
Fenixpesca, SA; Manuel Ibanez Carrera ; Zonafao, Lda	Common Execution Process	Creditor	42,5	Execution for the payment of a defined amount with pending actions for seizure of assets. Seizure of movable assets executed in 13.12.2014. The assets seized were sold for the amount of 2 007,00 euro. A court decision is waited to terminate the process. Low expectations of collection beyond the assets seized.
João Alexandre Miguel Severino	Execution Process	Creditor	3,4	Execution based on Injunction. Insistence before AI about the award and new research of the employer before Social Security. Process with prospects of receiving the debt (award of assets for part of the debt + seizure of salary). Until 17/06/2015 were already seized

Name	Type	MARL Position	Claim value (thousand euro)	Stage of the process
				563,95 euro.
Lagoa Comprida, Lda; Cristina Isabel Malheiro Cambão Fernandes	Common Execution Process	Creditor	3,1	Required the seizure of salary if it exceeds the national minimum wage. The Execution Agent demanded the employer a copy of the salary receipt. Low prospects of collection.
Manuel Carvalho, SA	Insolvency proceeding	Plaintiff	7,3	The banks complained about the payment division map. Agreement with the new proposal of division promoted by the secretariat and promotion of MP and confirmation of NIB. With partial recovery according to payment division map.
Marco António Conceição Santos	Crime-claim	Plaintiff	0,4	Accusation was formed and a civil claim for damages filed. Judgement scheduled to January 2016. Favourable decision expected.
Maria dos Anjos Botelho Saudade Vidal	Execution Process	Creditor	3,1	Insolvency proceeding in the stage of accounts reporting. It was only possible to pay the credit with mortgage and the execution was terminated. Impossible to collect.
Pescados Rosa, Lda	Execution Process	Creditor	8,6	Execution claim filed. Low prospects of collection.
RECHEIO	Declarative legal action for conviction	Plaintiff / Defendant	214, 7 (counter claim 282,0)	Indemnity claim for breach of contract. Opposition filled in 25.06.2014. With counter claim. Possibility to obtain the conviction of RECHEIO to pay the amount requested.
Ribafresh	Declarative legal action for conviction	Defendant with counter-claim	15,7 (counter claim 9,9)	Filing of contestation with a counter claim. Distributed to Loures Court. Without liability, with prospects of favourable decision.
Ricardo Jorge Marques Constantino	Execution Process	Creditor	3,1	Attempt to personally notify the defendant. Without prospects of collection (no assets).
Transprisma	Insolvency proceeding	Plaintiff	5,0	Waiting for the liquidation conclusion. Without prospects of collection.

Na MARF:

Name	Type	M ARF Position	Claim value (thousand euro)	Stage of the process
Paulo Alexandre Oliveira Cesar	Injunction nr 166161/14.5Y IPRT (Balcão Nacional injunções)	Plaintiff	0,6	Claim of credits (utilization fees); 13.10.2014 Injunction application filed; 5.11.2014 notification sent by BNI to the defendant; 5.01.2015 the process was consulted in citius; 6.1.2015 mail sent to BNI requiring the issue of the enforcement order; 2016.01.07 – BNI informs that the Secretariat of BNI is working on it directly with CTT. 05-05-2015 – Enforcement order received
Logiters – Logística Portugal, SA	Declarative legal action for conviction (Faro Court – Inst. Local – Civil Section – J2 – Proc. 1181/15. 4T8FAR)	Plaintiff	19,7	Indemnity for breach of contract and damages; 4.7.15 notified of the contestation; 6.11.15 preliminary hearing; judgement scheduled for 20.1.16; 26.11.15 proposal for settlement from the counter part; 8.1.16 MARF rejected the proposal; 13.1.15 communication of MARF's position to the lawyer of the counter part/ without liability, with prospects of collection.
TOTAL			20,3	

CE

At 31 December 2015 the contingent liabilities are the following:

Type	Description	Measurable	Probability of occurrence	Amount (thousand euro)	Time Horizon	Comments
Lawsuit	Proc. nr 4345/12.9 TBCSC - Declarative legal action for conviction	Yes	15%	573,9 thousand euro	2014 and after 2014	Several defendants involved (not only CE). CE appealed and waits for further process development.
Lawsuit	Proc. nr 1797/05.7 TBELSB – Special Administrative legal action	No	0	0		The Central Administrative Court of the South considered that the decision of the lower court was not challengeable. This decision was appealed to the Supreme Administrative Court, a decision is waited.
Lawsuit	Proc. nr 991/103.3 BESNT – Pre-contract legal procedure	No	0	0		High Court decided that the process should be judged by the Court of 1st instance in order to decide if CE shall be considered the awarding authority concerning the Accounting Code enforcement and possible conversion of the procedure into a compensation procedure.
Operational Leasing	Renting car 50-NN-92 Contract ends at 12/03/2017 not yet due instalments 15 –	Yes	100%	7,7 thousand euro	12/03/2017	

	0.513X15=7,7 thousand euro					
Operational Leasing	Renting car 32-NO-15 Contract ends at 15/03/2017 not yet due instalments 15 – 0,522X15= 7,8 thousand euro	Yes	100%	7,8 thousand euro	15/03/2017	
Operational Leasing	Renting car 75-PI-59 Contract ends at 22/12/2018 not yet due instalments 36 – 0,593X36=20,7 thousand euro	Yes	100%	20,8 thousand euro	22/12/2018	

Companhia das Lezírias

Companhia das Lezírias asked for VAT (Value Added Tax) reimbursement relating to July 2013 in the amount of 202 thousand euro. This amount was credited by the Tax and Customs Authority (TCA) in 08/01/2014.

Following the reimbursement request, the TCA made a tax inspection to accounting years of 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 also 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.

After receiving the related assessment notes, Companhia das Lezírias used the corresponding defence resources to challenge them.

Concerning the unpaid VAT, the TCA alleged “Missing 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 lands in Lezíria Grande de Vila Franca de Xira zone, are temporary leases of exploitation rights transferred for a price, 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 ...”

Companhia das Lezírias does not agree with the interpretation and conclusions 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 collected by Companhia das Lezírias, under nr 29 of art. 9 of the Value Added Tax Code (VATC).

The current irrigation 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 Companhia das Lezírias. On behalf of the Associação, this company just collects the tenants amounts related to the services rendered exclusively by the Associação and gives the same 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 light cars” between 1 of January 2012 and 15 of October 2013. Under the clarification given by Letter-Circulated nr 30152, of 16/10/2013, 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”.

Also in this matter Companhia das Lezírias can't agree with the interpretation and conclusions of AT since the referred invoiced expenses are directly related to the activity subject to tax, not being comprised in any of the exclusions foreseen in article 21 of CIVA. On the other hand it considers that this interpretation of Letter-Circulated dated 16 October 2013 is not applicable to tax periods of 2012 and 2013 as per the general principles of legal security and non-retroactivity of tax laws.

As an alternative to the payment of the TAC assessment notes, Companhia das Lezírias chose to give to TAC a bank guarantee in the amount of 859 thousand euro at October 2014.

Through decision about the administrative appeal filed, TAC partially rejected the request, agreeing with 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.

Consequently, at February 2015, Companhia das Lezírias filed in the Leiria Administrative and Tax Court a judicial challenge 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 valid 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 by business units of the companies included in the consolidation perimeter are as follows (amounts in thousands euro):

BU	Courts	Financial Institutions	Grantors	Other	30-Dec-15	31-Dec-14
UNAPD	7 412	-	985	11 965	20 361	21 464
EPAL	5 175	169 532	-	321	175 030	171 223
UNADR	-	-	-	446	446	407
UNI	-	1 027 258	-	-	1 027 258	3 307
Corporate	-	-	-	1 382 993	1 382 934	1 715 923
TOTAL	12 587	1 196 790	985	1 396 665	1 579 797	1 912 323

The holding company of AdP Group (AdP SGPS), within the borrowings contracted with EIB, is the grantor for the fulfilment of the contracted obligations.

Baía do Tejo Group

At 31 December 2015, the bank guarantees given to third parties were as follows (amounts in thousands euro):

Beneficiary	Nature	31-Dec-15	31-Dec-14
Town Hall of Seixal	Good execution of infrastructures.	141	141
Administration of Lisboa Port (APL)	To guarantee the expenses related with the use of Seixal terminal.	68	68
Administration of Lisboa Port (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
Labour Court of 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
		256	256

Baía do Tejo 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 execute the infrastructure works to make in the referred park, budgeted in 4 660 thousand euro.

SIMAB Group

Guarantees granted to third parties

Beneficiary	Issuing entity	Values (thousand euro)	Company
REPSOL	CGD, SA	2	MARL
REPSOL	Millennium BCP	2	SIMAB
CEMG – Subscribed Promissory Note	Caixa Económica Montepio Geral (CEMG)	157	MARL
CEMG – Subscribed Promissory Note	Caixa Económica Montepio Geral (CEMG) – Pledged current account	1 500	SIMAB
Banco Santander Totta (Banif) – Subscribed Promissory Note	Banco Santander Totta	2 153	MARL
Banco Santander Totta – Subscribed Promissory Note	Banco Santander Totta	3 000	MARL
Banco Santander Totta – Guaranteed Promissory Note	Banco Santander Totta	3 000	SIMAB
CEMG – Subscribed Promissory Note	Millennium bcp – Commercial Paper	25 000	SIMAB
Total		34 814	

Guarantee granted to the European Investment Bank (EIB)

In the scope of the funding held by affiliates MARL, SA, MARF, SA e MARB, SA at the European Investment Bank (EIB), the granting of a Portuguese State personal guarantee was authorized for the bonds and interests related to loans from the EIB for the financing of the project “Project 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 the granting of a State personal guarantee was authorized for MARL, SA financing and at August 2013 was authorized for MARB, SA and MARF, SA.

Guarantees held from third parties

1) 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 (thousand euro)
Armando Cunha, Lda	Remodelling works in the area surrounding the CTT Expresso building	Bank guarantee – Millennium BCP	0,9
Caetano Coatings	Repairing works in the area surrounding the CTT Expresso building	Bank guarantee / SANTANDER	0,9
Caetano Coatings	Repairing works in the floor of Pavilhão do Pescado	Bank guarantee / SANTANDER	25,9

Issuing entity(ies)	Purpose	Type	Value (thousand euro)
Casa dos Asfaltos – Isolfrei, Lda	Works of rehabilitation of the waterproofing Coverage of NAC	Proof of payment	1,4
Casa dos Asfaltos – Isolfrei, Lda	Works to build the coverage of the Technical rooftop CTT Expresso	Proof of payment	1,0
CHARON, Lda	Security and Surveillance Services Agreement	Bank guarantee - BES	23,1
Electrolimpa	Contract of Inside Cleaning Services	Insurance Collateral COSEC	100
Electrolimpa Sul, S.A.	Contract of Inside Cleaning Services	Insurance Collateral AXA	29,9
JCDcaux, S.A.	Contract of Services of Urban Furniture	Bank guarantee - SANTANDER	59,3
Ramos Catarino, Lda	Contract of Rehabilitation of the Coverage of the CTT Expresso Building	Bank guarantee – Banco Popular	3,8
Ramos Catarino, Lda	Contract of Rehabilitation of the Coverage of the CTT Expresso Building	Bank guarantee – Banco Popular	3,7
Sotecnisol	Rehabilitation of the Coverage of Pav. A11 and Qt Expresso	Bank guarantee – Santander	9,7
Strong, S.A.	Prevention and Surveillance Services	Bank guarantee – Millennium BCP	15,0
Strong, S.A.	Contract for Prevention and Surveillance Services	Bank guarantee – Santander	24,8
SUMA, S.A.	Contract of Cleaning Services	Bank guarantee - Millennium BCP	60,8
VISACASA, S.A.	Contract of Maintenance Services	Bank guarantee – Banco BIC	9,6
VISACASA, S.A.	Contract of Coverage of MARL A08 and A10 Pavilions	Bank guarantee - Millennium BCP	13,4
VISACASA, S.A.	Contract of Rehabilitation of the Northern side of A07 pavilion	Bank guarantee - Millennium BCP	3,0
VISACASA, S.A.	Contract of painting Works of the facades of the A01, A03 and A08 Pavilions	Bank guarantee - BIC	3,7
VISACASA, S.A.	Acquisition of Equip. and Facilities Maintenance services	Bank guarantee - BIC	18,9
VISACASA, S.A.	Contract of Supply and Ass. of 3un Prod. Cold Water Pav. A01 A05 and A07	Bank guarantee - Millennium BCP	13,5
Total			422,3

At 31 December 2015 MARL held 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	10,0
Catefru, Lda	Contract Collateral	Bank guarantee - BPI	19,0
CEM G	Contract Collateral	Bank guarantee - M G	24,4
Doca Marinha, Lda	Contract Collateral	Bank guarantee - BES	1,8
Espada Pescas, Lda	Contract Collateral	Bank guarantee - BES	5,6
Eurotejo, Lda	Contract Collateral	Bank guarantee - BES	3,7

Issuing entity(ies)	Purpose	Type	Value (thousand euro)
Figueira, Lda	Contract Collateral	Bank guarantee - BES	36,1
Repsol, Lda	Contract Collateral	Bank guarantee – Millennium BCP	15,0
Torrestir, S.A.	Contract Collateral	Bank guarantee - BPI	15,4
Total			130,9

Issuing entity(ies)	Purpose	Type	Value (thousand euro)
MARL Energia, Lda	Contract of use of space for the photovoltaic plant.	Promissory note	500,0
HYPESOLAR Fanhões, Lda	Guarantee of the full and timely compliance with the building lease.	Promissory note	50,0
HYPESOLAR Sacavém, Lda	Guarantee of the full and timely compliance with the building lease.	Promissory note	50,0
Total			600,0

2) At 31 December 2015 MARF, SA held the following bank guarantees over third parties related to the compliance with the contracts of services rendered:

Issuing entity(ies)	Purpose	Type	Value (thousand euro)
NCC Facility Systems, SA	Acquisition of internal cleaning services of offices, market pavilion and lobby	Insurance Collateral - AXA	1,5
Total			1,5

3) At 31 December 2015 MARE, SA held 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)
Bloco	10% of the value of works of reinforcement and isolation of the Market Hall coverage.	Bank guarantee - BCP	4,8
Bloco	10% of the value of works of reinforcement and isolation of the Market Hall coverage (other works)	Bank guarantee - BCP	1,0
José Quintino, Lda	External repairs of the Warehouse Surroundings (Chronopost)	Bank guarantee - BPI	6,9
JFS, S.A.	Execution of Alterations in the Warehouse (Chronopost)	Bank guarantee – BCP	18,4
JFS, S.A.	2nd Amendment to the Contract of Execution of Alterations in the Warehouse (Chronopost)	Bank guarantee - Santander Totta	1,9
PSG – Segurança Privada, SA	Security and surveillance services Agreement	Bank guarantee - Novo Banco	3,7
Total			36,6

At 31 December 2015 MARÉ, SA held the following bank guarantee related to collateral of good and full compliance of the responsibilities concerning the contract of spaces in the MARE:

Issuing entity(ies)	Purpose	Type	Value (thousand euro)
CEMG	Contractual collateral	Bank guarantee - MG	4,3
Total			4,3

4) At 31 December 2015 MARB, SA held the following bank guaranties over third parties:

Issuing entity(ies)	Purpose	Type	Value (thousand euro)
Construções Europa Ar Lindo, S.A.	Construction Agreement for CTT Expresso facilities in MARB	Bank guarantee / BCP	17,0
Construções Europa Ar Lindo, S.A.	Construction Agreement for CTT Expresso facilities in MARB	Bank guarantee / BES	17,0
Construções Europa Ar Lindo, S.A.	Construction Agreement for the verification and repair of rainwater in MARB building	Bank guarantee / BES	0,7
Climex, Controlo de Ambiente, S.A.	Acquisition of cleaning and waste removal services in MARB	Bank guarantee / Millenium BCP	3,1
Líder – serviços Gerais de Vigilância, Lda	Security and surveillance services Agreement in Mercado Abastecedor da Região de Braga	Bank guarantee / Millenium BCP	1,9
Stong –Segurança, S.A.	Security and surveillance services Agreement	Bank guarantee / Santander Totta	2,2
Total			41,9

Companhia das Lezírias

At 31 December 2015 Companhia das Lezírias holds 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 30 thousand euro, in BCP, to secure the supply of diesel;
- Bank guarantee in the amount of 859 thousand euro, in BCP, to secure a VAT reimbursement request.

In “Other receivables” it’s registered the amount of 22 thousand euro, deposited in the name of Tomar Labour Court, within the legal procedure concerning the work accident of Bernardo da Silva Moreira and was done as a guarantee for future due pensions.

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 it follows (amounts in thousand euro):

	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	7 556 066	5 094 279	198 707	229 170	479 766	1 554 147
	7 556 066	5 094 279	198 707	229 170	479 766	1 554 147

In the following table it can be found the future commitments of the Group regarding the rents to be paid to municipalities, as defined in the concession agreements:

Companies	Rents already recognised	Recognised rents not yet paid	Future Rents N+1	Remaining future rents	31-Dec-15	31-Dec-14
Águas do Mondego, S.A.	-	-	-	-	-	36 267
Simlis, S.A.	-	-	-	-	-	2 879
Águas do Centro Litoral, S.A	35 349	770	1 671	1 543	39 333	39 146
Águas do Centro Alentejo, S.A.	-	-	-	-	-	3 294
Águas do Norte Alentejano, S.A.	-	-	-	-	-	1 574
Águas do Oeste, S.A.	-	-	-	-	-	158
Águas do Zêzere e Côa, S.A.	-	-	-	-	-	27 675
Smarsul, S.A.	-	-	-	-	-	8 128
Águas de Lisboa e Vale do Tejo, S.A.	77 306	18 648	1 238	25 362	122 553	40 828
Águas do Noroeste, S.A.	-	-	-	-	-	8 891
Águas de Trás-os-Montes e Alto Douro, S.A.	-	-	-	-	-	19 863
Simdouro, S.A.	-	-	-	-	-	74 357
Águas do Norte, S.A.	90 432	5 201	19 420	17 362	132 414	103 112
Águas do Algarve, S.A.	1 884	-	228	4 237	6 349	6 349
Águas de Santo André, S.A.	6 703	-	479	7 183	14 365	14 365
AgdA – Águas Públicas do Alentejo, S.A.	-	1 941	-	-	1 941	14 871
Total	211 674	26 560	23 036	55 687	316 957	218 672

Baía do Tejo Group

At 31 December 2015 the off-balance commitments are as follows (amounts in thousand euro):

Nature	31-Dec-15	31-Dec-14
IMT payment regarding "Complexo da Margueira"	3 781	3 782
Employee benefits estimate regarding the workers of former Quimigal	1 575	1 628
<i>Renting Agreements</i>	92	66
Total	5 448	5 746

As above mentioned 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 is defined in the following legal acts: Decree-Law nr 39601, of 3 April 1954; Decree-Law nr 41956, of 12 November 1958 and Decree-Law nr 840/76, of December 4.

Currently the responsibility of Companhia das Lezírias amounts to 9 258,15 euro, to be paid in 15 instalments of 617,21 euro each.

ii) Employees at service

During 2015 and 2014 the average number of employees at service (of the company and of the subsidiaries) was 13 350 and 15 253, respectively.

iii) Other disclosures

PARPÚBLICA

In 2003 it was celebrated a Consortium Agreement between the companies Sagestamo SGPS/ Conset and the companies Big Temple SGPS/ Cottees for the execution of a real estate project in the land named Quinta da Falagueira. In 2015, because there was no consensus about the expiry date of the Consortium Agreement, Cottees used the arbitrary clause, and an arbitration process is currently pending. Presently Conset is preparing its defence and the Board of Directors of the company believes there are enough arguments to win the process.

AdP Group

Territorial reorganization of AdP Group

As foreseen in the respective Decree Laws published at 29 May of 2015, at 30 June 2015 were held the first general meetings of the three new regional companies responsible for the management of the multi-municipal water supply and sanitation systems of Norte de Portugal, Centro Litoral de Portugal and Lisboa e Vale do Tejo. With the beginning of these companies' activity Águas de Portugal Group (AdP Group) finished the territorial reorganization process of its water supply and sanitation operations by joining 19 companies in 5 managing entities: Águas do Norte, Águas do Centro Litoral, Águas de Lisboa e Vale do Tejo, which system will be operated by EPAL, Águas Públicas do Alentejo and Águas do Algarve (these last two without changes in their shape).

Águas do Norte, S.A. was incorporated by Decree Law nr 93/2015, of 29 May, by aggregation of the companies Águas do Douro e Paiva, S.A., Águas de Trás-os-Montes e Alto Douro, S.A., Smdouro – Saneamento do Grande Porto, S.A. and Águas do Noroeste, S.A., integrated in the Águas de Portugal Group. Subsequently the Portuguese State granted this company the exclusive concession for the operation and management of the multi-municipal water supply and sanitation systems in the North of Portugal, for a period of 30 years. The Multi-Municipal System of Water Supply and Sanitation of Portugal Centro Litoral was incorporated at 29 May by Decree Law nr 92/2015, and results from the aggregation of the multi-municipal sanitation system of Ria de Aveiro (Simria), incorporated by Decree Law nr. 101/97, of 26 April, and amended by Decree Law nr. 329/2000, of 22 December, the multi-municipal sanitation system of Lis (Simlis), incorporated by Decree Law nr. 543/99, of 13 December and multi-municipal water supply and

sanitation system of Baixo Mondego-Bairrada (Águas do Mondego), incorporated by Decree Law nr. 172/2004, of 17 July. The concession for the operation and management of the Multi-Municipal System of Water Supply and Sanitation of Portugal Centro Litoral was granted for a period of 30 years to the company Águas do Centro Litoral, S.A., which assumes the rights and obligations of three extinguished companies: SIMRIA - Saneamento Integrado dos Municípios da Ria, S.A., concessionary of the multi-municipal sanitation system of Ria de Aveiro; SIMLIS – Saneamento Integrado dos Municípios do Lis, S.A., concessionary of the multi-municipal sanitation system of Lis; and Águas do Mondego - Sistema Multimunicipal de Abastecimento de Água e de Saneamento do Baixo Mondego - Bairrada, S.A., concessionary of the multi-municipal water supply and sanitation system of Baixo Mondego - Bairrada. Águas de Lisboa e Vale do Tejo is a shares company of public capital incorporated by Decree Law nr 94/2015, of 29 May, with management delegated in EPAL, and which results from the aggregation (and their consequent extinction) of the following companies: Águas do Zêzere e Côa (AA+SAR), Água do Centro (AA+SAR), Águas do Oeste (AA+SAR), SIMTEJO (SAR), SANEST (SAR), SIMARSUL (SAR), Águas do Norte Alentejano (AA+SAR), Águas do Centro Alentejo (AA+SAR). The concession for the operation and management of the multi-municipal system of water supply and sanitation of Lisboa e Vale do Tejo was attributed to Águas de Lisboa e Vale do Tejo and to EPAL – Empresa Portuguesa das Águas Livres, S.A, its delegated management. The new companies assume the rights and obligations of the previous ones as well as their assets and liabilities.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved in the Board of Directors' meeting on 29 April 2016, 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 2015 and of its performance and cash-flows during year of 2015, according to the International Financial Reporting Standards, as adopted in European Union.

Board of Directors

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

SEPARATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

Currency: euro

	Notes	Position	
		31-12-2015	31-12-2014
ASSETS			
Non-current assets			
Property, Plant and Equipment	3	38.944,71	24.086,70
Intangible assets	4	256.521,87	3.077,97
Financial investments	5	2.878.483.479,80	2.737.073.861,27
Borrowings	5	369.481.655,95	413.715.560,75
Other receivables	6	10.948.724,16	
Other financial assets	7	4.588.830.020,29	4.588.830.020,29
		7.848.039.346,78	7.739.646.606,98
Current assets			
Trade debtors	8	344.352,14	64.059,01
Publicadministrative sector	9	844.738,47	4.075.956,16
Borrowings	5	42.474.515,72	42.230.164,93
Other receivables	6	4.346.574,97	11.793.954,28
Deferrals	10	347.900,61	1.521.957,60
Non-current assets held for sale	12		
Cash and cash deposits	13	65.062.236,00	18.375.449,62
		113.420.317,91	78.061.541,59
Total assets		7.961.459.664,69	7.817.708.148,57
EQUITY AND LIABILITIES			
Equity			
Share capital		1.322.151.031,48	1.027.151.031,48
Legal reserves		695.688.928,89	695.688.928,89
Retained earnings		845.674.041,51	1.312.243.021,24
Adjustments on financial assets		-8.575.412,54	-6.127.674,50
Other changes in equity		788.360,95	-514.122,37
		2.855.726.950,29	3.028.441.184,74
Net income for the period		595.284.925,34	-461.877.977,96
Total equity	14	3.451.011.875,63	2.566.563.206,78
Liabilities			
Non-current liabilities			
Provisions	15	498.000,00	498.000,00
Retirement benefits obligations	26		649.874,70
Borrowings	16	3.649.090.460,49	3.821.618.162,19
Other financial liabilities	11	180.426.779,07	202.470.394,34
Other payables	17	17.231,80	17.231,80
		3.830.032.471,36	4.025.253.663,03
Current liabilities			
Trade creditors	18	397.593,07	117.905,47
Publicadministrative sector	9	106.463,70	21.839,45
Borrowings	16	193.167.158,38	221.134.246,54
Other payables	17	486.744.102,55	492.757.287,30
Liabilities related with non current assets held for sale	12		511.860.000,00
		680.415.317,70	1.225.891.278,76
Total liabilities		4.510.447.789,06	5.251.144.941,79
Total liabilities and equity		7.961.459.664,69	7.817.708.148,57

INCOME STATEMENT

Currency: euro

	Notes	Period	
		2015	2014
Revenue	19	767.655,48	
Dividends	20	60.416.526,60	84.975.653,28
Gains/losses with reprivatizations	21	13.940.842,41	60.798.547,08
Materials and services consumed	22	-2.204.453,53	-2.199.172,00
Employee benefits expenses	23	-3.194.328,53	-2.135.966,11
Increases and reversals of receivables adjustments	24	4.537,50	-773.011,42
Provisions (increases/decreases)	25	511.860.000,00	-138.548.000,00
Increases and reversals of impairment of non depreciable (amortizable) assets	24	38.235.565,09	-12.119.512,59
Net changes in fair value	27	154.091.400,75	-285.472.745,21
Other operating income	28	16.697.886,91	67.093.433,65
Other operating expense	29	-753.082,89	-2.476.611,53
Profit and loss before interest, tax, depreciation and amortization		789.862.549,79	-230.857.384,85
Expense/reversals of depreciation and amortization	30	-67.525,92	-27.459,65
Operating profit and loss before funding expenses and taxes		789.795.023,87	-230.884.844,50
Interest and other financial expenses	31	-194.508.882,56	-229.375.531,44
Profit and loss before taxes		595.286.141,31	-460.260.375,94
Income tax for the period	32	-1.215,97	-1.617.602,02
Net profit or loss for the period		595.284.925,34	-461.877.977,96
Net profit and loss from discontinued operations (net of tax) included in the net profit and loss	33	525.800.842,41	-38.510.240,58

STATEMENT OF COMPREHENSIVE INCOME

Currency: euro

	NOTAS	2015	2014
Net profit and loss for the period		595.284.925,34	-461.877.977,96
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	14	-2.447.738,04	15.115.445,57
Values not afterwards reclassified in the income			
Actuarial gains/losses	14	1.302.483,32	-110.947,56
		594.139.670,62	-429.474.318,15
Comprehensive income		594.139.670,62	-429.474.318,15
Distribution of the comprehensive income			
Shareholders		594.139.670,62	-429.474.318,15
Minority interests			

STATEMENT OF CHANGES IN EQUITY

2014

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	
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
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
	2				32.514.607,37	-110.947,56		32.403.659,81
Net profit and loss for the period	3						-461.877.977,96	-461.877.977,96
Comprehensive income	4=2+3				32.514.607,37	-110.947,56	-461.877.977,96	-429.474.318,15
Operations with equity holders								
Results application				576.137.462,50			-576.137.462,50	
Dividends				-50.000.000,00				-50.000.000,00
	5			526.137.462,50			-576.137.462,50	-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	2.566.563.206,78

2015

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	
Position at 01-01-2015	1	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	2.566.563.206,78
Changes in the period								
Changes on accounting policies (actuarial gains/losses)						1.302.483,32		1.302.483,32
Adjustments on FAHS					-2.447.738,04			-2.447.738,04
	2				-2.447.738,04	1.302.483,32		-1.145.254,72
Net profit and loss for the period	3						595.284.925,34	595.284.925,34
Comprehensive income	4=2+3				-2.447.738,04	1.302.483,32	595.284.925,34	594.139.670,62
Operations with equity holders								
Capital achievements		295.000.000,00						295.000.000,00
Sagestamo's fusion				-4.691.001,77				-4.691.001,77
Results application				-461.877.977,96			461.877.977,96	
	5			-466.568.979,73			461.877.977,96	290.308.998,23
Position at 31-12-2015	6=4+5	1.027.151.031,48	695.688.928,89	845.674.041,51	-8.575.412,54	788.360,95	595.284.925,34	3.451.011.875,63

CASH FLOW STATEMENT

Currency: euro

Rubricas	Notas	2015	2014
Operating activities			
Receipts from trade debtors		4.055.931,50	470.759,56
Payments to trade creditors		-1.571.685,61	-2.631.065,76
Payments to employees		-2.565.981,45	-1.923.044,96
Cash flows generated by operations		-81.735,56	-4.083.351,16
Receipts/Payments from income tax		2.851.360,03	16.442.967,58
Other operating activities (receipts/payments)		4.215.114,35	-1.236.826,73
Cash flows from operating activities		6.984.738,82	11.122.789,69
Atividades de Investimento:			
Receipts related to:			
Financial investments		83.820.505,99	584.818.595,47
Plant, property and equipment		8.700,00	
Interest and other financial income		18.773.349,22	39.113.919,40
Dividends		60.416.526,60	84.975.653,28
Cash and cash equivalents by way of the merger with SAGESTAMO		5.838.137,52	
		168.857.219,33	708.908.168,15
Payments related to:			
Financial investments		-15.077.241,51	-404.276.890,01
Plant, property and equipment and intangible assets		-16.371,06	-17.391,28
		-15.093.612,57	-404.294.281,29
Cash flows from investing activities		153.763.606,76	304.613.886,86
Financing activities			
Receipts related to:			
Capital achievements		295.000.000,00	
Borrowings			1.350.000.000,00
		295.000.000,00	1.350.000.000,00
Payments related to:			
Borrowings		-221.725.909,68	-1.534.512.954,84
Interest and other financial income		-187.335.649,52	-208.859.353,08
Dividends			-50.000.000,00
		-409.061.559,20	-1.793.372.307,92
Cash flows from financing activities		-114.061.559,20	-443.372.307,92
Changes in cash and cash equivalents		46.686.786,38	-127.635.631,37
Cash and cash equivalent at the beginning of the period (with SAGESTAMO)		18.375.449,62	146.011.080,99
Cash and cash equivalent at the end of the period	14	65.062.236,00	18.375.449,62
Cash flows from discontinued operations	33	7.873.180,60	360.878.378,09

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.

During the first half of 2015, under Order nr 567/15, of April 22, from the Secretary of State of Treasury, the restructuring of the Group Real Estate Area was approved. Accordingly, at the end of the first half of the year, the first stage of the above mentioned restructuring was carried out through the merger by incorporation of the entirely assets of SAGESTAMO – Sociedade Gestora de Participações Sociais Imobiliárias, SGPS, S.A. into PARPÚBLICA, with accounting effects from 1 January 2015.

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 has investments in subsidiaries, it 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 included PARPÚBLICA consolidated financial statements.

These separate financial statements respect to the annual period ended at 31 December 2015, 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 EU as from or after 01-01-2015

2.b1 New standards, interpretations and amendments effective from 1 of January 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 do not concern the costs accounting relating the recognition of a liability concerning the payment of a tax. Entities should apply other rules in order to determine the recognition of a liability concerning the payment of a tax originating 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 to break the law. This interpretation enlightens that an entity recognizes a liability to a tax when the activity originating payment occurs, as identified by related legislation. Concerning a tax when reaching a lowest limit, 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 19 December)** > The improvements include the three international accounting rules, as follows:
 - **IFRS 3 Business Combinations – Scope Exceptions for joint agreements** > The amendments clarify that IFRS 3 is not applicable in the accounting of the joint agreements in the related financial statements.
 - **IFRS 13 Fair Value Measurements – 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 whether a specific transaction implies: (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.

2.b2 New standards, interpretations and amendments effective from or after 1 of January of 2016

- **Annual Improvements: cycle 2010-2012 (Regulation nr 28/2015, 17 December 2014)** > 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 conditions of performance from vesting 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 should be a financial instrument recorded as share capital 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 reconciliation assets of reportable segments and of the company.
 - **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 Parties Disclosure – 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, 17 December 2014)** > 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 application guidance 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.

- **Agriculture – Bearer plants: Amendments to IAS 16 and IAS 41 (Regulation nr 2015/2113, of November 23 of 2015)** - Amendments to IAS 16 and IAS 41 clarify that plants used solely to grow produce during several periods, known as bearer plants, shall be accounted for as property, plant and equipment according to IAS 16 Property, Plant and Equipment, since its manufacture is similar to manufacturing.
- **Amendments to IFRS 11 Joint Arrangements (Regulation nr 2015/2173, 24 November 2015)**
 - The amendments clarify the new guidelines for the accounting of acquisition of an interest in joint arrangements when the operation constitutes a business, such as the acquirer of an interest in a joint arrangement in which the activity constitutes a business as defined in IFRS 3, is required to apply all principles on business combinations accounting in IFRS 3 and other IFRS, with the exception of those principles that conflict with the guidance in IFRS 11. Furthermore it shall disclose all required information relating business combinations. The amendment applies both to the acquisition of the formation interest and to further interests on a joint operation in which the activity constitutes a business.
- **Clarification of acceptable methods of depreciation and amortisation: Amendments to IAS 16 and IAS 38 (Regulation nr 2015/2231, 2 December 2015)**
 - The amendment to IAS 16 clarifies that a revenue-based depreciation method of property, plant and equipment is inappropriate. On the other hand, the amendment to IAS 38 clarifies that only in very limited circumstances the presumption that a revenue-based amortisation method of intangible assets is inappropriate can be overcome.
- **Annual Improvements: cycle of 2012-2014 (Regulation nr 2015/2343, of December 15 of 2015)**

The improvements include amendments to five international accounting standards, as follows:

 - **IFRS 5 Non-current assets held for sale and discontinued operations** – The amendments clarify that if an entity reclassifies an asset or disposal group from being held for sale to being held for distribution to owners and vice-versa, then the reclassification is considered a directly continuation of the original plan of disposal.
 - **IFRS 7 Financial Instruments: Disclosures** – It clarifies that the amendments established by the document *Disclosures – Offsetting Compensation between Financial Assets and Financial Liabilities (Amendments to IFRS 7)*, shall be annually applied as from or after 1st of January of 2013. The entities shall provide the disclosures required by the present amendments retrospectively.

It also clarifies that when an entity transfers a financial asset it may retain the right to service that financial asset for a fee that is included in, for example, a servicing contract. The entity assesses the servicing contract in order to evaluate whether the entity has continuing involvement as a result the servicing contract for the purposes of the disclosure requirements.

 - **IFRS 1 First time Adoption of International Financial Reporting Standards** – Amendments to this Standard are directly related to the previous referred amendments to IFRS 7.

- **IAS 19 Employees Benefits** – Amendments clarifies that for currencies (regardless the country) for which there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency shall be used.
 - **IAS 34 Interim Financial Reporting** – Amendments clarifies that disclosures referred in paragraph 16-A of IAS 34 should be disclosure in the interim financial statements or elsewhere in the interim financial report. The following disclosures shall be given either in the interim financial statements or incorporated by cross-reference from the interim statements to some other statement that is available to users of the financial statements on the same terms as the interim financial statements and at the same time. If the users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete.
- **Disclosure initiative: Amendments to IAS 1 (Regulation nr 2015/ 2406, 18 December 2015)**
 - Amendments to IAS 1 Presentation of Financial Statements aim to improve the disclosure efficiency and to encourage entities to apply their professional judgment when choosing the information to be disclosure in their financial statements according to IAS 1.
 - **Equity Method in Separate Financial Statements: Amendments to IAS 27 (Regulation nr 2015/ 2441, 19 December 2015)**
 - Amendments to IAS27 Separate Financial Statements allow entities to use the equity method, as described in IAS28 – Investments in Associates and Joint Ventures, to record their investments in subsidiaries, joint ventures and associates in their separate 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 depreciations 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 de-recognition 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 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 IAS36 – 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 are non-derivative financial assets that: (i) the company wants to keep for an indefinite term; (ii) are classified as available for sale at their initial recognition; or (iii) do not comply with the requirements to be classified in other category. After their initial recognition, the assets available for sale are recorded at fair value and the related value variations are directly recognized in equity in "Adjustments to financial assets", until the de-recognition of the assets. At that moment the accumulated amount of eventual gains and losses in reserves is transferred to profit and loss.

Among the financial assets at fair value through profit or loss are, in the end of 2015, by designation, the GALP shares underlying to an option 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.

The derivative instruments to risks hedging do not comply with all the requirements according to hedging accounting and therefore they are 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 realized 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 16).

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 re-measurement 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.

21- 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 they incur, 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.

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 management judgment and complexity, or where assumptions and significant estimates are used in preparing the consolidated financial statements are the following:

- 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 – Property, plant and equipment

Throughout the years ended 31 December 2015 and 2014 the changes occurred in property, plant and equipment, and related accumulated depreciations, being worth mentioned the changes caused by the incorporation of Sagestamo SGPS by PARPÚBLICA, were as follows:

2015				
	Transport Equipment	Administrative Equipment	Other tangible Fixed Assets	Total
Gross value				
Opening balance	109.432,66	941.973,96	4.429,90	1.055.836,52
Aditions		6.819,84		6.819,84
Sagestamo Fusion	121.216,86	542.975,70	3.105,84	667.298,40
Other transfers/ Write-off	-49.960,92		-89,90	-50.050,82
Closing balance	180.688,60	1.491.769,50	7.445,84	1.679.903,94
Accumulated depreciation				
Opening balance	109.432,66	917.887,26	4.429,90	1.031.749,82
Aditions	0,00	56.330,49	1.005,22	57.335,71
Sagestamo Fusion	121.216,86	480.617,76	1.702,73	603.537,35
Disposals	-49.960,92		-1.702,73	-51.663,65
Closing balance	180.688,60	1.454.835,51	5.435,12	1.640.959,23
Book value	0,00	36.933,99	2.010,72	38.944,71

2014				
	Transport Equipment	Administrative Equipment	Other tangible Fixed Assets	Total
Gross value				
Opening balance	109.432,66	933.816,60	4.250,82	1.047.500,08
Aditions		8.157,36	250,00	8.407,36
Disposals			-70,92	-70,92
Closing balance	109.432,66	941.973,96	4.429,90	1.055.836,52
Accumulated depreciation				
Opening balance	109.432,66	899.182,63	4.250,82	1.012.866,11
Aditions		18.704,63	250,00	18.954,63
Disposals			-70,92	-70,92
Closing balance	109.432,66	917.887,26	4.429,90	1.031.749,82
Book value	0,00	24.086,70	0,00	24.086,70

4 – Intangible assets

Throughout the years ended 31 December 2015 and 2014 the changes occurred in intangible assets and related accumulated depreciations, being worth mentioned the changes caused by the incorporation of Sagestamo SGPS by PARPÚBLICA, were as follows:

2015			
	Computer Software	Other Intangible Assets	Total
Gross asset			
Opening balance	37.583,90	2.599,07	40.182,97
Additions	8.265,60		8.265,60
Sagestamo fusion	199.807,64	87.969,60	287.777,24
Closing balance	245.657,14	90.568,67	336.225,81
Accumulated depreciations			
Opening balance	37.105,00	0,00	37.105,00
Additions	10.190,21	0,00	10.190,21
Sagestamo fusion	32.408,73		32.408,73
Closing balance	79.703,94	0,00	79.703,94
Book value	165.953,20	90.568,67	256.521,87

2014			
	Computer Software	Other Intangible Assets	Total
Gross asset			
Opening balance	28.599,98	2.599,07	31.199,05
Additions	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
Additions	8.505,02		8.505,02
Closing balance	37.105,00	0,00	37.105,00
Book value	478,90	2.599,07	3.077,97

Other intangible assets have indefinite useful life, and were not submitted to impairment tests given the immateriality of the carrying amount.

5 – 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 12) - are the following:

Company	Head Office	Main Activity	% share capital held in 2015	% share capital held in 2014
Adp - Águas 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 Lezírias, SA	Samora Correia	Agriculture and livestock breeding	100,00%	100,00%
CONSEST - Promoção Imobiliária, SA	Lisboa	Real estate	100,00%	Sagestamo (100%)
ESTAMO - Participações Imobiliárias, SA	Lisboa	Real estate	100,00%	Sagestamo (100%)
FUNDIESTAMO-Soc. Gestora Fundos Mob e Imob, SA	Lisboa	Real estate funds management	100,00%	Sagestamo (100%)
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 agro-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	Public investment management and services rendering	(a)	100,00%
SIMAB - Soc Instaladora de Mercados Abastecedores, SA	Loures	Development building, installation and management of wholesale markets	100,00%	100,00%
SPE - Sociedade Portuguesa de Empreendimentos, SA.	Lisboa	Mining / ore	81,13%	81,13%

(a) Result of SAGESTAMO's merger in PARPÚBLICA (effects from 1jan15).

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 12) - are the following:

Company	Head Office	Main Activity	% Share capital held in 2015	% Share capital held in 2014
CVP - Sociedade de Gestão Hospitalar, SA	Lisboa	Health care management	45,00%	45,00%
ISOTAL - Imobiliário do Sotavento Algarvio, SA	Faro	Tourism development	31,05%	31,05%
PARCAIXA, SA.	Lisboa	Public investment management	49,00%	49,00%
PROPNER - Propriedade e Equipamentos, SA	Castelo Branco	Real estate management	41,82%	41,82%
TAP, SGPS, SA (*)	Lisboa	Public investment management	39,00%	100,00%

(*) At 31 December 2014 it was classified as a non-current asset held for sale - nota 12

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:

Companies	Head Office	% Share capital held	Financial Statements Data							
			Year	Equity 2015	Net income 2015	Interest in equity	Assets		Liabilities	
							Current	Non-current	Current	Non-current
Adp - Aguas de Portugal, SA.	Rua Visconde Seabra n.º 3 Lisboa	81,00%	2015	1.428.256	165.968	1.156.887	626.522	5.780.478	533.978	4.444.767
Baia do Tejo, SA	Largo Alexandre Herculano, Barreiro	100,00%	2015	235.110	-348	235.110	23.874	244.137	6.605	26.295
CE - Circuito do Estoril, SA.	E.N. 9, Km 6 Alcabideche	100,00%	2015	8.538	953	8.538	2.569	8.964	2.995	0
CL - Companhia das Lezírias, SA	Largo 25 de Abril, 17 Samora Correia	100,00%	2015	99.353	9.432	99.353	13.712	107.092	2.298	19.153
Consest, SA	Av. Defensores de Chaves, 6, Lisboa	100,00%	2015	58.771	-207	58.771	228	63.979	498	4.939
CVP - Sociedade de Gestão Hospitalar, SA	Rua Duarte Galvão, 54 Lisboa	45,00%	2015	11.686	392	5.259	24.522	14.830	14.947	12.719
Estamo, SA	Av. Defensores de Chaves, 6, Lisboa	100,00%	2015	762.963	784	762.963	995.830	172.708	101.169	304.406
Fundiastamo, SA	Av. Defensores de Chaves, 6, Lisboa	100,00%	2015	1.766	399	1.766	2.153	4	391	0
INCM - Imprensa Nacional Casa da Moeda, SA.	Av. António José Almeida Lisboa	100,00%	2015	92.874	19.992	92.874	72.879	56.430	11.448	24.988
ISOTAL - Imobiliária do Sotavento do Algarve, SA	Rua Rebelo da Silva, 3 - 2º Lisboa	31,05%	2015	181	-8	56	135	48	3	0
Lazer e Floresta, SA.	Av. Defensores de Chaves, 6, Lisboa	100,00%	2015	80.701	-17.684	80.701	31.911	50.025	254	981
MARGUEIRA - Sociedade Gestora Fundos Investimento Imobiliário, SA	Avenida Aliança Povo-MFA Almada	51,00%	2015	1.205	205	615	1.296	2	93	0
PARCAIXA, SGPS, SA.	Av. João XXI, 63 Lisboa	49,00%	2015	1.009.518	57.624	494.664	1.023.642		14.124	
PROPNER - Propriedade e Equipamentos, SA	R Prof Hugo Correia Pardal, 3 - Castelo Branco	41,82%	2015	2.363	-257	988	387	2.747	471	301
SAGESECUR - Sociedade de Estudos, Desenvolvimento e Participação em Projectos, SA.	Av. Defensores de Chaves, 6, Lisboa	80,50%	2015	32.687	857	26.313	12.576	85.038	2.487	62.440
SIMAB - Sociedade Instaladora de Mercados Abastecedores, SA	MARL - São Julião do Tojal	100,00%	2015	37.844	11.185	37.844	2.478	148.499	10.384	102.750
SPE - Sociedade Portuguesa de Empreendimentos, SA.	Rua dos Fanqueiros, 12-2º Lisboa	81,13%	2015	1.299	11.567	1.054	37.650	24	12.709	23.666
TAP- SGPS,SA	Aeroporto Lisboa- Ed 25, 8º Lisboa	39,00%	2015	-530.315	-151.777	-206.823	460.050	913.979	976.524	927.820

Changes in assets related to financial investments due from acquisitions or due to the classification as assets or groups 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 Lezírias, 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	34.483.078,61	4.824.445,00	0,32
CONSEST - Promoção Imobiliária, SA	11.000.000	55.000.000,00		55.000.000,00	5,00
ESTAMO - Participações Imobiliárias, SA	170.000.000	857.511.600,13	83.157.837,90	774.353.762,23	4,56
FUNDIESTAMO - Sociedade Gestora de Fundos Imobiliários e Mobiliários, SA	200.000	1.000.000,00		1.000.000,00	5,00
INCM - Imprensa Nacional Casa da Moeda, SA.	6.000.000	68.072.266,00		68.072.266,00	11,35
LAZER e FLORESTA - Empresa de desenvolvimento agro-florestal, imobiliário, turístico e cinagético, 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
SIMAB - Sociedade Instaladora de Mercados Abastecedores, SA	8.045.267	17.560.225,00		17.560.225,00	2,18
SPE - Sociedade Portuguesa de Empreendimentos, SA.	8.113.881	28.187.883,58	28.187.883,58	0,00	0,00
		1.874.413.673,74	145.828.800,09	1.728.584.873,65	
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		490.000.000,00	1,00
PROPNER - Propriedade e Equipamento, SA	424.500	1.254.600,00		1.254.600,00	2,96
TAP, SGPS, SA	585.000	6.394.050,00		6.394.050,00	10,93
		505.793.025,00	2.186.000,00	503.607.025,00	
Other financial investments					
EFACEC International Financing, SGPS, SA	7.650	18.000,00		18.000,00	2,35
GALP Energia SGPS, SA.	4.105	44.005,60		44.005,60	10,72
GALP Energia SGPS, SA. - Acções subjacentes	59.518.509	638.038.416,48		638.038.416,48	10,72
IHRU - Instituto da Habitação e da Reabilitação Urbana, IP	377.590.008	11.467.500,00	11.467.500,00	0,00	0,00
INAPA - Investimentos, Participações e Gestão, SA.	49.084.738	5.153.897,49		5.153.897,49	0,11
Lisnave Infraestruturas Navais, SA.	106.000	54.091.758,86	54.091.758,86	0,00	0,00
Lisnave - Estaleiros Navais, SA	29.666	2.000.000,00		2.000.000,00	67,42
Pharol, SGPS, SA	801.332	217.160,70		217.160,70	0,27
NOS, SGPS, SA	112.870	817.856,02		817.856,02	7,25
Outras		216.512,70	214.268,11	2.244,59	
		712.065.107,85	65.773.526,97	646.291.580,88	
Granted loans					
CE - Circuito do Estoril, SA.		2.037.359,29		2.037.359,29	
CONSEST - Promoção Imobiliária, SA		4.938.528,63		4.938.528,63	
ESTAMO - Participações Imobiliárias, SA		336.426.681,62		336.426.681,62	
SAGESECUR - Sociedade de Estudos, Desenvolvimento e Participação em Projectos, SA.		51.551.974,55		51.551.974,55	
SPE - Sociedade Portuguesa de Empreendimentos, SA.		17.001.627,58		17.001.627,58	
		411.956.171,67	0,00	411.956.171,67	
Total financial investments		3.092.271.806,59	213.788.327,06	2.878.483.479,53	
Total loans		411.956.171,67	0,00	411.956.171,67	

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.

31-12-2014	Increase	Decrease	31-12-2015
27.500,00			27.500,00
18.000,00			18.000,00
12.500,00			12.500,00
1.903.658,88			1.903.658,88
1.961.658,88	0,00	0,00	1.961.658,88

Investment: CONSEST, SA.

31-12-2014	Increase	Decrease	31-12-2015
4.705.525,67			4.705.525,67
	50.000,00		50.000,00
4.705.525,67	50.000,00	0,00	4.755.525,67

Investment: ESTAMO, SA.

31-12-2014	Increase	Decrease	31-12-2015
322.248.924,77		44.913.248,12	277.335.676,65
7.690.380,35			7.690.380,35
146.213,86			146.213,86
15.210.129,27			15.210.129,27
55.100.983,48		25.687.257,87	29.413.725,61
400.396.631,73	0,00	70.600.505,99	329.796.125,74

Investment: SAGESECUR, SA.

31-12-2014	Increase	Decrease	31-12-2015
1.546.000,00			1.546.000,00
26.242.379,22		3.220.000,00	23.022.379,22
24.509.120,78			24.509.120,78
500.000,00			500.000,00
52.797.500,00	0,00	3.220.000,00	49.577.500,00

Investment: SPE, SA.

31-12-2014	Increase	Decrease	31-12-2015
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
8.900.973,71	Subtotal (1)		8.900.973,71

31-12-2014	Increase	Decrease	31-12-2015
8.900.973,71	Subtotal (1)		8.900.973,71
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
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
14.365.973,71	Subtotal (2)		14.365.973,71

Investment: SPE, SA.

31-12-2014	Increase	Decrease	31-12-2015
14.365.973,71	Subtotal (2)		14.365.973,71
	197.000,00		197.000,00
	74.000,00		74.000,00
	74.000,00		74.000,00
	175.000,00		175.000,00
	300.000,00		300.000,00
	85.000,00		85.000,00
	93.000,00		93.000,00
	180.000,00		180.000,00
	65.000,00		65.000,00
	62.000,00		62.000,00
	166.500,00		166.500,00
	60.000,00		60.000,00
	455.430,17		455.430,17
	60.000,00		60.000,00
14.365.973,71	2.046.930,17	0,00	16.412.903,88

474.227.289,99	2.096.930,17	73.820.505,99	550.144.726,15
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The movements in financial investments in 2015 were as follows:

Subsidiaries	Acquisitions	Disposals	Impairment	Changes at fair value
CE - Circuito do Estoril, SA.			-2.905.555,00	
CONSEST - Promoção Imobiliária, SA. a)	55.000.000,00			
ESTAMO - Particip Imobiliárias, SA. a)				
Gross Assets	857.511.600,13			
Impairment	-88.305.810,13		5.147.972,28	
FUNDIESTAMO - Sociedade Gestora Fundos Mob e Imob, SA. a)	1.000.000,00			
SAGESTAMO - Sociedade Gestora Participações Sociais Imobiliárias, SA. a)				
Gross Assets		-934.000.000,00		
Impairment		80.852.600,82		
Sub-Total subsidiaries	825.205.790,00	-853.147.399,18	2.242.417,28	0,00
PARCAIXA, SGPS, SA.			19.659.815,77	
TAP, SGPS, SA	6.394.050,00			
Sub-Total associated companies	6.394.050,00	0,00	19.659.815,77	0,00
GALP Energia SGPS (associadas a emp. obrigacionista)	8.978.157,27			134.524.525,48
GALP Energia SGPS				9.396,35
INAPA - Investimentos, Participações e Gestão, SA.				-2.208.813,21
Pharol, SGPS, SA				-475.189,88
NOS, SGPS, SA				226.868,70
Sub-Total other companies	8.978.157,27	0,00	0,00	132.076.787,44
TOTAL FINANCIAL INVESTMENTS	840.577.997,27	-853.147.399,18	21.902.233,05	132.076.787,44
TAP, SGPS, SA				
Gross Assets		15.000.000,00		
Impairment		-15.000.000,00		
TOTAL DOS ANCDV	0,00	0,00	0,00	0,00

(a) Result from the fusion of Sagestamo, SGPS in PARPÚBLICA

The impairment losses for the year are recognized in the income statement as “Increases and reversals of impairment of non depreciable / amortizable assets” (see Note 24).

In the scope of the re-privatisation of TAP Group, the “Direct Sale Agreement” of TAP SGPS was signed on June 24 of 2015 and concluded on 12 November 2015, establishing the transfer to Atlantic Gateway of 915 000 subscribed and nominative shares representing 61% of the TAP SGPS share capital, by the amount of 10 million euro and the remaining 39% were held in the portfolio.

Besides the “Direct Sales Agreement, among other contract instruments signed at 24 June 2015, it should be mentioned the “Strategic Commitment Agreement” between the Portuguese State, PARPÚBLICA, TAP SGPS, TAP, S.A., DGN, HPGB and Atlantic Gateway, establishing the standard terms and conditions for the implementation of the Strategic Project, presented together with the technical binding offer which includes the measures contributing to the re-privatisation purposes. Under this Agreement, all parties also agreed to certain strategic commitments among which should be mentioned the promoting of the national hub and the ensuring of the maintenance in Portugal of the headquarters of TAP S.A and Portugália – Companhia Portuguesa de Transportes Aéreos, S.A. (“Portugália”) (see Notes 12 and 36).

The adjustments related to incomes and expenses and cash flows of SAGESTAMO since 01-01-2015 until the date of the effective accounting incorporation date related to its incorporation in PARPÚBLICA, are recorded in adjustments in PARPÚBLICA, under the residual application of paragraphs D8-D14 of SFAS 141.

6 – Other receivables

The detail of the amounts presented in current and non-current assets mainly due to the merger of Sagestamo is as follows:

	31-12-2015		31-12-2014	
	Current	Non-current	Current	Non-current
Accrued income			967,33	
Assigned dividends		10.948.724,16		
DGTF	1.179.857,76			
Interest from loans	2.327.034,74		11.788.243,43	
Share expenses - Management fees	767.655,48			
Other receivables	72.026,99		4.743,52	
	4.346.574,97	10.948.724,16	11.793.954,28	0,00

7 – Other financial assets

The balance respects to privatization receipts as the result of the application of Law 11/90 of April 14, compensating according to article 9 of Decree-Law 209/2000 of September 2 and to amounts not to be compensated by the State as a result of the intervention of PARPÚBLICA in the liquidation of former IPE in the total amount of 4 588 830 020,29 euro.

8 – Trade debtors

The detail of trade debtors balances is as follows:

	31-12-2015	31-12-2014
Provision of services to third parties	344.352,14	64.059,01
Trade debtors from extincted companies (FMGe SGA)	211.211,49	211.211,49
	555.563,63	275.270,50
Accumulated impairment losses (FMGe SGA)	211.211,49	211.211,49
Total	344.352,14	64.059,01

At 31 of December 2015, most of the outstanding debt is related to companies of the group- see Note 35.

9 – Public administrative sector

The detail of captions in assets and liabilities, with no overdue debts in liabilities, is as follows:

	31-12-2015	31-12-2014
Assets		
Income tax	836.691,90	4.075.956,16
Other tax	8.046,57	
	844.738,47	4.075.956,16
Liabilities		
Withholding tax	106.463,70	5.830,80
VAT to be paid		14.652,82
Social security and other complementary regimes		1.355,83
	106.463,70	21.839,45

10- Deferrals

The expenses not to be recognized in the current year are:

	31-12-2015	31-12-2014
Rents	22.413,27	-
Insurances	32.783,61	41.812,12
Expenses with ongoing reprivatizations	-	1.393.414,25
Cover surplus from retirement benefit obligations (Nota 26)	216.552,57	-
Other	76.151,16	86.731,23
	347.900,61	1.521.957,60

This segment includes the ongoing reprivatization expenses at 31-12-2014 (TAP, SGPS and EGF, SA).

11 – Other financial liabilities

At 31 of December 2015 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 *swaps* was 133 647 554,37 euro being at 31 December 2015 of 180 426 779,07 euro.

12 - Non-current assets held for sale and related liabilities

At 31 December 2014, 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	Head office	Main Activity	Shareholders	% Share capital held in 2014
TAP-Transportes Aéreos Portugueses, SGPS, SA	Lisboa	Public investment management	Parpublica, SGPS, SA	100%

The re-privatisation of the share capital of TAP – SGPS, S.A. was approved by DL nr 181-A/2014, of December 24. The process consisted of the direct sale of the 61% of the shares of TAP — SGPS, S. A. and in an offer to workers it also included an additional block of till 5% of the shares of TAP — SGPS, S.A.

Under the Resolution of the Council of Ministers nr 38-A/2015, of June 12, the Agrupamento Gateway was chosen to acquire the 61% of the shares of TAP - SGPS, S.A. At June 24 of 2015, the “Direct Sale Agreement” of TAP SGPS was signed and was accomplished at November 12 of 2015 through the transfer to Atlantic Gateway of 915 000 subscribed and nominative shares representing 61% of the TAP SGPS share capital.

The issued shares, outside the offer for workers, will be subject to a direct sale under the requirements to be established by a Resolution of the Council of Ministers and in a maximum total amount of 819 750 euro. This sale will be carried out at a date to be set after the closing of the offer for workers.

The investment of 39% in the TAP, SGPS, S.A. share capital was classified as associate (see Note 5).

During 2015 and under the Framework Agreement for cooperation and delegation of powers from the State to the Municipality of Cascais, the management of Autódromo do Estoril, an infrastructure held by Circuito Estoril, S.A. (a company of PARPÚBLICA Group) became responsibility of the referred Municipality. As a result, the study and preparation of the selling of the shares representing the whole share capital of CE to the Municipality was carried out. The sale contract of the shares was signed at 6 August 2015. The referred contract should only be in force after the prior approval of the Court of Auditors to the municipality what in fact did not happened and therefore the selling operation was cancelled.

At 31 December 2015, there were no investments under that classification.

The non-current assets held for sale de-recognitions were as follows:

Subsidiaries	De-recognitions
TAP, SGPS, SA	
Gross Asset	15.000.000,00
Impairment	-15.000.000,00
Total	0,00

Liabilities related to non-current assets held for sale were as follows:

Rubricas	31-12-2014	Diminuições	31-12-2015
Responsability under art. 491º, 501º and 502º of the trade companies code (TAP)	511.860.000,00	-511.860.000,00	0,00
TOTAL	511.860.000,00	-511.860.000,00	0,00

PARPÚBLICA owned the entire 100% of TAP, SGPS, S.A. share capital. According to art. 491 of the TCC, the provisions foreseen in art. 501 and 504 of TCC are also applicable to groups under total domain and that is why PARPÚBLICA recognized a provision in the amount of TAP negative equity in its separate accounts. This provision was adjusted at the end of each report period according to the evolution of TAP equity.

The TCC foresees that the total domain relation will end if more than 10% of the share capital of the dependent company was no longer owned by the dominant company. This situation was verified when 61% of the TAP, SGPS, S.A. share capital was sold.

13 – Cash and cash equivalents

The detail is the following, being all amounts immediately available:

	31-12-2015	31-12-2014
Cash	878,23	358,80
Bank deposits	65.061.357,77	18.375.090,82
	65.062.236,00	18.375.449,62

14 – Equity

The balances and adjustments in equity were as follows:

	Opening balance	Increases	Decreases	Closing balance
Equity	1.027.151.031,48	295.000.000,00		1.322.151.031,48
Legal reserves	695.688.928,89			695.688.928,89
Retained earnings	1.312.243.021,24		466.568.979,73	845.674.041,51
Financial asset adjustments	-6.127.674,50	236.265,05	2.684.003,09	-8.575.412,54
Other changes in equity	-514.122,37	1.302.483,32		788.360,95
Net profit for the year 2014	-461.877.977,96	461.877.977,96		0,00
Net profit for the year 2015		595.284.925,34		595.284.925,34
Total	2.566.563.206,78	1.353.701.651,67	469.252.982,82	3.451.011.875,63

The equity of PARPÚBLICA of 2 000 000 000,00 euro, 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 1 322 151 031,48 euro.

Under Order nr 915/15-SET, the State (DGTF) made a partial realization of capital of 295 million euro (200 million euro at June and 95 million euro at September 2015).

Legal reserves represent the reserves set up in compliance with art 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. These reserves are 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 carried income were due to the merger of Sagestamo and to the addition and appropriation of the 2014 net result. The adjustment concerning the merger of Sagestamo results from the difference between the investment held by PARPÚBLICA (853 147 399,18 euro) and the share capital at the date of the merger report (848 456 397,41 euro), in the amount of 4 691 001,77 euro.

This adjustment from the merger is not included in the situations foreseen in IAS 8 and therefore there was no restatement in comparing data.

Other adjustments in share capital record Gains/losses of “re-measurement” of the benefit plans, under IAS 19.

Adjustments in financial assets include the adjustments at fair value of the Financial Assets Available for Sale, see Note 2e.

15 – Provisions

The accumulated provisions presented the following detail and adjustments in the year ended at 31-12-2015:

	31-12-2014	Repositions	Increases	31-12-2015
Contested payments of stamp tax of ex-PORTUGEL, SGPS	498.000,00			498.000,00
Total	498.000,00	0,00	0,00	498.000,00

16 – Borrowings

The carrying amounts of the borrowings measured at amortized cost, are as follows:

	31-12-2015		31-12-2014	
	Current	Non-current	Current	Non-current
Bonds				
500 000 m€ 2005-2020		504.411.810,26		504.321.078,75
150 000 m€ 2005-2020		152.633.822,93		152.320.930,47
250 000 m€ 2006-2026		251.294.520,55		251.294.520,55
200 000 m€ 2013-2015			200.108.336,86	
170 000 m€ 2013-2016	172.141.248,70			171.641.407,09
750 000 m€ 2014-2019		749.129.144,88		748.234.229,44
600 000 m€ 2014-2021		606.623.639,97		606.017.953,06
Changeable Bonds				
885 650 m€ 2010-2017		887.970.183,75		879.392.647,60
Mutual Contracts				
599 238 m€ 2013-2042	21.025.909,68	497.027.338,15	21.025.909,68	508.395.395,23
Total	193.167.158,38	3.649.090.460,49	221.134.246,54	3.821.618.162,19

Maturity and interest rate are the following (in millions euro):

	31-12-2015	31-12-2014
Total loans		
Up to 1 year	191.025.910	221.025.910
From 1 year to 2 years	905.975.910	191.025.910
From 2 years to 3 years	21.025.910	906.675.910
From 3 years to 4 years	771.025.910	21.025.910
From 4 years to 5 years	671.025.910	771.025.910
Over 5 years	1.312.570.013	1.983.595.923
	3.872.649.562	4.094.375.471
Fixed Interest Loans		
Up to 1 year		
From 1 year to 2 years	884.950.000	
From 2 years to 3 years		885.650.000
Over 3 years	1.350.000.000	1.350.000.000
	2.234.950.000	2.235.650.000

The evolution of the 885,65 M€ borrowing with embedded option is as follows:

885.650 m€ borrowing	31-12-2015	31-12-2014	31-12-2013	31-12-2012	31-12-2011	31-12-2010
Bonds in liabilities	887.970.184	879.392.648	884.286.445	979.634.661	859.431.397	978.568.115
Bond (interest paid included)	884.076.404	877.975.608	871.180.205	865.385.811	859.431.397	854.071.018
Option	3.893.780	1.417.040	13.106.240	114.248.850	0	124.497.097
Share in assets	638.038.416	494.535.734	694.228.011	682.966.810	660.898.154	832.801.365
Liabilities-Assets	249.931.767	384.856.914	190.058.434	296.667.851	198.533.243	145.766.750

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 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 2013-2015 PARPÚBLICA's bonds of 200 M€, 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 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 19. 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 Galp's shares, which are the underlying asset, after 28 March 2013. At 28 September 2015, a bondholder claimed his right to reimbursement for the nominal value of the bonds in a total of 14 equivalents to 700 thousand euro. The total bond issue became of 884,95 million euro. 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 issue, 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 440,592 million euro has a variable tax rate term and the amount 134 169 thousand euro and has a fixed tax rate term of 7,82% for the amount of 127,108 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 million 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 180 426 779,09 euro at 31 December of 2015.

17 – Other payables

Balances and adjustments in Other payables are as follows:

	31-12-2015		31-12-2014	
	Current	Non-current	Current	Non-current
Bond subscribers (ex: Portucel)		17.231,80		17.231,80
Interest accrued	1.000.083,71		7.318.136,02	
Suppliers from financial investments	481.456.321,59		481.456.321,59	
Payroll accruals	305.141,23		265.046,86	
Other spending accruals	768.801,73		545.275,78	
Payables from share capital not paid in	3.171.494,00		3.171.494,00	
Other accruals	42.260,29		1.013,05	
	486.744.102,55	17.231,80	492.757.287,30	17.231,80

The value of "interest accrued" is related to contracts signed with CGD. With the 5th advance payment of these contracts, the debt amount of trade creditors of financial investments became due at 31 January 2017.

Creditors for unpaid investment subscription at 31 December 2015 concerns to Baía do Tejo's equity.

18 – Trade creditors

The balances of Trade Creditors come from commercial transactions, mainly from consulting services and re privatization expenses.

19 - Sales and services consumed

The balance of Sales and services consumed shows the estimate of expenses to charge other companies of the group for shared services consumed. This reality resulted from the merger of Sagestamo, at 1 January 2015.

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 2015 and its proportion considering the carrying amount of the respective subsidiaries and associates are:

	Book value at 01-01-2015	Dividends	
		Amount	Return rate
	(1)	(2)	(2)/(1)
ADP - Aguas de Portugal	540.132.915,39	19.432.137,33	3,6%
CL-Companhia das Lezírias	33.443.379,47	460.000,00	1,4%
Fundiestamo *	1.000.000,00	350.000,00	35,0%
Galp Energia	494.570.342,98	22.469.828,92	4,5%
INCM	68.072.266,00	17.510.762,55	25,7%
LISNAVE E.N.	2.000.000,00	177.996,00	8,9%
NOS SGPS SA	590.987,32	15.801,80	2,7%
		60.416.526,60	

* After the merger of SAGESTAMO, It became directly held.

21 – Shares sale profits

The shares sale profits were as follows (see Note 12):

	TAP, SGPS, S.A. (61%)
Sale profit	10.000.000,00
Fair value of the remainin interest	6.394.050,00
Share cost	0,00
Sale expenses	-2.453.207,59
Sale value profit	13.940.842,41
	13.940.842,41

22 – Materials and services consumed

The detail of materials and services consumed regarding consulting services needed to the current activities is the following, showing 2015 already the incorporation of Sagestamo in PARPÚBLICA:

	2015	2014
Materials and services consumed	1.151.438,67	1.569.656,31
Fees	63.837,00	107.977,34
Rents and leases	310.159,50	229.241,04
Commissions	240.527,03	
Repair and maintenance	70.994,94	53.327,81
Communication	65.812,36	34.012,08
Electricity/water/security	102.668,31	29.063,31
Insurance	46.672,04	34.629,49
Stationary	12.402,82	12.392,62
Cleaning and comfort	30.047,14	23.686,28
Fuel	21.188,32	19.514,43
Travel expenses	9.601,93	13.123,16
Sundry	79.103,47	72.548,13
	2.204.453,53	2.199.172,00

23 – Employee benefit expenses

The detail of social bodies and employees expenses is as follows:

	2015	2014
Wages and salaries	2.182.813,62	1.561.119,82
Post employment benefits	467.797,50	197.391,84
Social security charges	440.377,57	321.503,85
Insurance	62.957,32	37.214,02
Other payroll expenses	40.382,52	18.736,58
	3.194.328,53	2.135.966,11

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 436 056,05 euro; the remaining amount of 31 741,45€ is related to retirement expenses paid to former workers of former Portucel, SGPS.

PARPÚBLICA social bodies' gross remunerations were, as follows:

	2015	2014
Board of Directors	376.647,17	307.189,21
General Assembly	2.323,00	1.386,00
Statutory Auditor (ROC)	67.500,00	67.500,00

The 2015 Employee benefit expenses cannot be compared as they are affected by the former Sagestamo workers integrated in PARPÚBLICA, as result of the merger by incorporation of the former in the latter at 1 January 2015.

The remuneration expenses were also affected by the partial repayment of the remuneration reductions in force.

24 – Impairment losses and reversals

As a result of the impairment tests performed, the following adjustments in losses and reversals occurred (see Notes 5 and 6).

	2015		2014	
	Losses	Reversals	Losses	Reversals
Reveivable debts:	0,00	4.537,50	773.011,42	0,00
Trade debtors	0,00	4.537,50	13.067,87	
Other trade debtors	0,00		759.943,55	
	4.537,50		-773.011,42	
Financial investments	2.905.555,00	41.141.120,09	16.736.717,82	4.617.205,23
Investments				
CE ESTORIL	2.905.555,00			
ESTAMO		5.147.972,28		
PARCAIXA		19.659.815,77		4.617.205,23
SAGESTAMO			15.109.717,82	
Loans				
SPE		16.333.332,04	1.627.000,00	
	38.235.565,09		-12.119.512,59	

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 (PARCAIXA and ESTAMO);
- (ii) independent evaluations or internal analysis based mainly in discounted cash flows (AdP and SIMAB); and
- (iii) the Agreement signed with Endiama E.P. (comprehensive reversal of the impairment of shareholders loans to SPE).

25 – Provisions

Reversal of TAP total provision related to the amount of negative equity underlined in TAP Group's financial statements at 31 December 2014.

26 - Post-employment benefit obligations

The post-employment obligations and the amount of the supporting Fund assets were as follows, in thousands euro:

	<u>2015</u>	<u>2014</u>
Present value of responsibilities	11.027	12.541
Fund assets	11.243	11.891
Coverage surplus/ shortfall	216	(650)

The decomposition of assets at fair value (pension fund) attributable to PARPÚBLICA' obligations are the following, in thousands euro:

	31-12-2015	31-12-2014
Equity instruments	724	775
Debt instruments	9.398	9.787
Real estate and hedge funds	721	660
Other assets	400	669
	11.243	11.891

The change and coverage of the obligations is due to, in thousands euro:

Obligations:	2015	2014
Past service obligations at beginning period	12.541	12.597
Interest cost	455	457
Cost of current service	5	4
Actuarial gains (-) and losses (+)	-1.146	320
Benefits paid	-828	-837
Past service obligations at end period (A)	11.027	12.541
Asset values:		
Fund assets value at beginning period	11.891	12.224
Return/income from fund assets	180	505
Benefits paid	-828	-838
Fund assets value at end period (B)	11.243	11.891
Coverage surplus/ (shortfall) C=B-A	216	-650

Obligations were determined by an independent entity, based on the following main assumptions:

	31-12-2015	31-12-2014
Mortality table	TV 88/ 90	TV 88/ 90
Invalidity table	---	---
Rate of growth - wages (2014/ 15; remaining years)	---	0,00%; 1,50%
Rate of growth - pensions (2014/ 15; remaining years)	0,25%	0,00%; 1,00%
Income rate	2,75%	2,75%
Discount rate	2,75%	2,75%

The evolution of the obligations and of the fund assets throughout the years was the following (in thousands euro):

	31-12-2015	31-12-2014	31-12-2013	31-12-2012	31-12-2011	31-12-2010
Current obligations	11.027	12.541	12.597	12.443	12.312	12.930
Fund assets	11.243	11.891	12.224	12.750	12.764	13.604
Coverage surplus/ (shortfall)	216	-650	-373	307	452	674

The sense for the responsibility for the benefits defined against the variations of the main assumption is the following:

Responsability for defined benefits	Taxa de desconto	
	3,25%	2,25%
Change of responsibilities (em €)	-505.197,72	550.664,13
Change of responsibilities (%)	-5%	5%

The increase of 5% in obligations would correspond to a variation of about 551 thousand euro in obligations and so they would amount to about 11 578 thousand euro. The study of the presented sense was estimated by changing the assumption (discount rate) and keeping all other assumptions constant.

27 – Net changes at fair value

Gains and losses on financial instruments at fair value through profit or loss were the following:

	2015		2014	
	Gains	Losses	Gains	Losses
Options and underlying assets				
Option		2.476.740,00	11.689.199,52	
Galp shares	134.524.525,48			204.813.202,42
Swaps related to a 599,238M€ lone	22.043.615,27			92.348.742,31
	156.568.140,75	2.476.740,00	11.689.199,52	297.161.944,73
Net gains/losses	154.091.400,75		-285.472.745,21	

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

28 – Other operating income

Other operating incomes are:

	2015	2014
Supplementary income	41.648,16	187.360,29
Interest income	16.520.618,25	24.264.939,17
INCM equity release		39.091.879,55
INAPA (AFDV) Profit		2.945.084,64
Other	135.620,50	604.170,00
	16.697.886,91	67.093.433,65

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 (2015: 16 499.080, 02 euro; 2014: 22 426 414, 74 euro).

29 – Other operating expenses

Other operating expenses are:

	2015	2014
Taxes	23.247,70	9.097,88
Changes on previous years	211.262,43	493.494,16
Taxes insufficient estimates (IRC)	510.941,80	1.971.795,78
Sundry	7.630,96	2.223,71
	753.082,89	2.476.611,53

30 – Expenses/ reversals of depreciation and amortization

Expenses with depreciation and amortization were:

	2015	2014
Property, plant and equipment		
Administrative Equipment	56.330,49	18.704,63
Other	1.005,22	250,00
	57.335,71	18.954,63
Other intangible assets		
Computer software	10.190,21	8.505,02
	10.190,21	8.505,02
	67.525,92	27.459,65

31 – Interest and other financial expenses

Interest and other financial expenses with issued debt instruments were:

	2015	2014
Interest expense	177.741.852,19	214.217.122,84
Other expense and losses	16.767.030,37	15.158.408,60
	194.508.882,56	229.375.531,44

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 Holding Companies, PARPÚBLICA is not covered by the recognition of deferred taxes.

Income tax expenses are exclusively current income tax expenses respecting in full to autonomous taxation briefly calculated as follows:

	2015	2014
Earnings before taxes	595.286.141,31	-460.260.375,94
Non deductible expenses/ income	-716.697.633,03	475.488.668,75
Taxable results (profit/loss)	-121.411.491,72	15.228.292,81
Use of tax losses	0,00	10.659.804,97
Tax expense before autonomous taxation	0,00	-1.616.166,84
Tax expense from autonomous taxation	-1.215,97	-1.617.602,02
Tax expense after autonomous taxation	-1.215,97	-1.617.602,02

33 – Incomes and cash flow of discontinued operations

The incomes from discontinued operations in 2015 and 2014 were as follows:

	2015	2014
Dividends yied CTT - Correios de Portugal		18.901.533,60
Earnings on disposals CTT - Correios de Portugal TAP, SGPS, SA	13.940.842,41	81.136.225,82
Provisions TAP, SGPS, SA	511.860.000,00	-138.548.000,00
	525.800.842,41	-38.510.240,58

The cash flows from discontinued operations in 2015 and 2014 before and after restatements were as follows:

	2015	2014
Dividends CTT - Correios de Portugal		18.901.533,60
	0,00	18.901.533,60
Earnings na losses from disposals CTT - Correios de Portugal TAP, SGPS, S.A.	7.873.180,60	341.976.844,49
	7.873.180,60	341.976.844,49
Total of DOU	7.873.180,60	360.878.378,09

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):

Financial assets and liabilities	31-12-2015				
	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		638.038			638.038
Other financial assets	4.958.312				4.958.312
Other receivables	10.949				10.949
	4.969.261	638.038	-	-	5.607.299
Current assets					
Trade debtors	344				344
Other receivables	4.347				4.347
Other financial assets	42.475				42.475
Cash and bank deposits	65.062				65.062
	112.228				112.228
Total assets	5.081.489	638.038			5.719.527
LIABILITIES					
Non-current liabilities					
Borrowings			3.894	3.645.197	3.649.091
Other payables				17	17
Other financial liabilities			180.427		180.427
			184.321	3.645.214	3.829.535
Current liabilities					
Trade creditors				398	398
Borrowings				193.167	193.167
Other payables				486.744	486.744
				680.309	680.309
Total liabilities			184.321	4.325.523	4.509.844
Net value	5.081.489	638.038	(184.321)	(4.325.523)	1.209.683

Financial assets and liabilities	31-12-2014				
	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

The financial assets and liabilities amounts by management levels in determining the fair value are as follows at 31-12-2015 and 31-12-2014, in thousands euro:

	31-12-2015		
	Level 1	Level 2	Total
Financial assets at fair value through profit and loss	638.038	-	638.038
Financial assets at fair value - hedging derivatives	-	-	-
Financial assets available for sale - Fair value	-	-	-
	638.038	-	638.038
Financial liabilities at fair value through profit and loss	-	184.321	184.321
Financial liabilities at fair value - hedging derivatives	-	-	-
	-	184.321	184.321

	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

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 interests.

(ii) Liquidity Risk

The liquidity risk is 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):

31-12-2015

	1-3 months	4-12 months	1-2 years	2-5 years	> 5 years	Total
Borrowings						3.872,7
Commercial paper						0,0
<i>Eurobonds</i>				650,0	850,0	1.500,0
GALP convertible bonds			885,0			885,0
Other bonds		170,0		750,0		920,0
Funding		21,0	21,0	63,1	462,6	567,7

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
<i>Eurobonds</i>					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

Covenant clauses existing in debt instruments are as follows as already described in Not 16):

Borrowings	Covenants
<i>Eurobonds</i> Bonds 500M € - 2005, due 2020 Bonds 150M € - 2005, due 2020 Bonds 250M € - 2006, due 2026 Bonds 600M € - 2014, due 2021 GALP Convertible Bonds 885,65M € – 2010, due 2017 PARPÚBLICA floating rate bonds 170M € - 2013/ 2016 PARPÚBLICA floating rate bonds 750M € - 2014/ 2019 Funding 599,2M €	<i>Cross Default / Force Majeure</i> <i>Cross Default</i> <i>Cross Default</i> <i>Cross Default / Negative Pledge / Pari Passu</i> <i>Cross Default / Negative Pledge / Restrictions on Activity</i> <i>Cross Default / Negative Pledge / Pari Passu</i> <i>Cross Default / Negative Pledge / Pari Passu</i> <i>Cross Default / Negative Pledge / Pari Passu</i>

(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, 61,0% has a fixed interest rate and only 39,0% 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 440,6 million euro. The set of the three structures had the following impacts, with effects in profit or loss (thousands euro):

	2015	2014
Net cash flows	-16.622	-12.055
Fair value change profits after initial recognition	22.044	-92.349

The forecast interests' flows of the medium and long term debt and of *swaps* were as follows, at 31/12/2015:

	31-12-2015			
	<1 year	1 a 5 years	>5 years	Total
Interest from medium/long term debt	-149.470,1	-404.273,9	-417.965,3	-971.709,3
Flows from swaps	-20.482,9	-66.699,0	-106.343,6	-193.525,5

	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

Price risk

Price Risk is the possibility of the value of a financial instrument to float as 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 the 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. At that time, some investors (*Investor Put*) exercised the option in a total of 14 bonds, i.e. at a total amount of 700 thousands euro paid by PARPÚBLICA. As a result, the total amount to be due at 28 September 2017 will amount to 884,95 million euro.

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 basis component (*bond floor*) and the embedded option of these loans are separately recorded being measured according to what is referred in 2e e 2i. The value of the first component is mainly

established by the market interest rates and the second one by the underlying price of the shares, its volatility, interest rates and the remaining time till maturity.

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 millions euro):

	2015	2014
Changes in options' value	-2,5	+11,7
Changes in underlying asset's value	+143,5	-199,7
Net gain/ loss	+141,0	-188,0

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 31-12-2015, would be the following:

Convertible bonds to GALP shares						
GALP shares			Option			Net variation (M€)
Price	Value (M€)	Variation	Value %	Value (M€)	Variation	
10,72	638,0	-	0,44%	3,9	-	-
12,33	733,7	15,0%	3,74%	33,1	750,0%	66,5
9,11	542,3	-15,0%	0,00%	0,0	-100,0%	-91,8

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
36,20%	0,44%	3,9	-
41,20%	1,78%	15,8	304,5%
31,20%	0,00%	0,0	-100,0%

The effects in the *swaps* related to the 599,2 M€ loan with the debt amount of 567,7 million euro at 31 December 2015 through 1% positive and negative variations in the floating interest rate (Euribor 6M) were as follows:

Rate	Value	Variation
Euribor 6M	180,4	
Euribor 6M + 1%	117,7	-34,8%
Euribor 6M - 1%	254,6	41,1%

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 31-12-2015 and 31-12-2014, were as follows:

2015	Balance Sheet					Income Statements			
Company	Creditors for shares not liberated	Trade Debtors/ other receivables	Trade creditors/ Other payable	Dividends	Shareholders loans	Incurred costs	Other Income and gains	Interest of shareholders loans	Dividends
Adp - Águas de Portugal, SA.									19.432.137,33
BAIA DO TEJO, SA	3.171.494,00								
CL - Companhia das Lezírias, SA									460.000,00
CE - Circuito do Estoril, SA		251.099,77			2.037.359,29			75.700,41	
CONSEST - Promoção Imobiliária, SA		467.875,14			4.938.528,63		16.595,83	183.002,96	
ESTAMO - Participações Imobiliárias, SA		612.294,86	15.900,61	10.948.724,16	336.426.681,62	360.626,17	612.294,86	13.677.178,40	
FUNDISTAMO - Sociedade Gestora de Fundos Imobiliários e Mobiliários, SA		138.764,79	5.482,45			4.968,46	138.764,79		350.000,00
GALP Energia SGPS, SA									22.469.828,92
INCM - Imprensa Nacional Casa da Moeda, SA.									17.510.762,56
LAZERE FLORESTA - Empresa de desenvolvimento agro-florestal, imobiliário, turístico e cinagético, SA						7.291,68			
Lisnave Estaleiros Navais, SA.									177.996,00
NOS, SGPS, SA.									13.544,40
SAGESECUR - Sociedade de Estudos, Desenvolvimento e Participação em Projectos, SA.					51.551.974,55			1.974.474,55	
SPE - Sociedade Portuguesa de Empreendimentos, SA.		1.967.358,33			17.001.627,58			588.723,70	

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 - Águas de Portugal, SA.								25.515.000,00
BAIA DO TEJO, SA	3.171.494,00							
CL - Companhia das Lezírias, 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
CVP - Sociedade de Gestão Hospitalar, SA								
EDP - Energias de Portugal, SA								
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
Lisnave Estaleiros Navais, SA.								177.996,00
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	
NOS, SGPS, SA.								13.544,40

The effects of transactions and balances with other related parties were as follows:

ANO DE 2015

	Year movements	Saldo em 31-12-2015	
		Receivable	Payable
Advances to the State (art. 9º DL 209/2000)		4.588.830.020,29	
Services rendered to the State	41.648,16		
Services rendered to Estamo (DGTF) *		1.179.857,76	
Shares acquisition to CGD (interests included)	1.621.624,03		482.456.405,30

* Balance with origin in ex-Sagestamo

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

36 – Contingent assets and liabilities and subsequent events

Contingent assets and liabilities

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€) 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€. The legal procedure is waiting for Court's decision.

In 2005, an administrative legal action was filled against the Portuguese State and PARPÚBLICA (the latter as successor in the rights and obligations of the terminated PORTUCEL, SGPS, S.A.), requesting the payment of a 46 765 399,62 euro minimum indemnity, plus interest counted since the date of service until full payment, claiming the violation by the State and former PORTUCEL, SGPS, S.A. of its right to buy 25% of GESCARTÃO shares. On the latest developments, the process was transferred to the TAC. Developments are awaited.

As from 2015, PARPÚBLICA became part of the Public Management Sector being therefore subject to the related regulations, namely being unable to acquire any financing in the market.

During 2016, the remuneration reductions concerning the public sector workers are expected to be fully reverted.

Option

Under the re-privatisation of TAP Group, a sale option was established in favour of the State which can sale until 34% of the remaining equity of TAP — SGPS, S.A. to Atlantic Gateway. This option is valid in part or totally, one or more times, until two years after the signature of the direct sale agreement. If the State does not profit from the mentioned sale option, Atlantic Gateway will benefit, within 6 months as from the end of the sale option, form a purchase option of the whole remaining shares relating TAP — SGPS, S. A. share capital, subject to the prompt fulfilment of the responsibilities accepted in the direct sale agreement.

After the foreseen deductions, the price used in the sale and purchase options will be around 5 574 300 euro, i.e. the same 10,93 euro per share.

PARPÚBLICA has the right to receive a price increase until 90 million euro if one of the option should be carried out and an OPV (Public Sale Offer) be made within the 4 years following the transfer.

Responsibilities

In case of a serious and final breach of the strategic commitments, the Portuguese State and PARPÚBLICA have the right to purchase 100% of TAP SGPS share capital.

At 12 November 2015, with the acquisition by Atlantic Gateway of the nominative shares representing 61% of the TAP SGPS share capital, between other contract instruments signed, it should be worth mentioned the “Agreement Related to Economic-Financial Stability of TAP”, signed between PARPÚBLICA, Atlantic Gateway, TAP SGPS, a TAP S.A. and Portugália, according to which Atlantic Gateway, as buyer, and TAP S.A. and Portugália, as borrowers, aim to reinforce some monitoring mechanisms of the company business evolution and at the same time the assumption by the buyer of a certain type of responsibilities concerning the financial debt and debt service of TAP Group.

In case of final breach by any borrower of TAP Group, regarding the monetary obligations under the financing contracts, PARPÚBLICA has committed, to the related banks, to exercise its purchase right, i.e., to buy all TAP, SGPS, S.A shares. If this possibility occurred, PARPÚBLICA has to create more favourable contract and economic. This subsidiary responsibility represents a contingent liability.

Under the Direct Sale Agreement and further contract instruments signed, eventual responsibilities are foreseen which can be charged PARPÚBLICA (ongoing and future lawsuits), representing also a contingent liability.

At 31 December 2015 and relating the re-privatisation of TAP Group, three special Administrative procedures and an Injunction were underway, taken against PARPÚBLICA (or in which it is an affected party) and other entities related to the process. The final procedures are awaited.

Subsequent events

At 6 February 2016 a memorandum of understanding was signed between Atlantic Gateway (private shareholders) and the Portuguese State, mainly related to the sale to PARPÚBLICA on behalf of Atlantic Gateway of shares of TAP, SGPS SA share capital so that Atlantic Gateway become the owner of 50% of TAP SGPS SA share capital at a price of 10,93 euro per share. The sale should be subject to certain previous conditions such as the related approval of third parties and the financial restructuring of TAP Group. It should be also worth mentioned the foreseen change in the structure of the Board of Directors , i.e. it should be composed by 12 members, 6 appointed by the State and 6 by the private shareholders, being the BD Chairman appointed by the State after prior consultation with Atlantic Gateway and having a casting vote.

At the accounts approval date, the adjustments in the position of the State/ PARPÚBLICA in TAP, SGPS, S.A. share capital is still only formalised in a memorandum of understanding whose final provisions are still unknown.

At 19 February 2016, the National Civil Aviation Authority (ANAC) approved a set of precautionary measures to be applied to Transportes Aéreos Portugueses, S.A. (TAP, S.A.) and to Portugalia – Companhia Portuguesa de Transportes Aéreos, S.A. (PGA, S.A.), in order to ensure a normal and current management until the final decision is taken under the EU Regulation nr 1008/2008.

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 October);
- 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 397^º 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 2015 and 67,5 thousand euro in 2014, complying exclusively with statutory audit services .

Throughout 2015 and 2014, the average number of employees was 29 and 23 respectively. The number of employees at 31-12-2015 was 34, being all affected to *corporate* activities.

In 2003, a Consortium Contract was signed between Sagestamo SGPS/Consest and Big Temple SGPS/Cottees concerning the construction of a real state structure in a building called Quinta da Falagueira. In 2015, as there was no consensus regarding the expiring date of the Consortium Contract, Cottees used the related arbitration clause currently and the arbitration proceedings are pending. At the current date, a reply is been prepared by Consest and the Board believes that there are sufficient grounds to win the lawsuit.

FINANCIAL STATEMENTS APPROVAL

These financial statements were approved for in the Board of Directors' meeting of 29 April 2016, 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

Carlos Durães da Conceição

José Manuel Barros

Fernanda Mouro Pereira

Pedro Nascimento Ventura

Maria João Dias Pessoa Araújo

CERTIFIATION AND AUDITING DOCUMENTS

**STATUTORY AUDIT
CERTIFICATION
AND AUDITOR' REPORT
ON THE
SEPARATE FINANCIAL
STATEMENTS**

Statutory Audit Certification And Auditors' Report On The Separate Financial Statements

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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, 2015 of **PARPÚBLICA – PARTICIPAÇÕES PÚBLICAS (SGPS), S.A.** comprising the Statement of Financial Position (showing total net assets of 7.961.459.665 euro and a shareholder's equity of 3.451.011.876 euro, including a net profit for the year of 595.284.925 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 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, 2015, 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”.

Emphasis

9. Without affecting the opinion expressed in paragraph 7 above, we draw attention to the following:

- 9.1 As mentioned in note 21 to the financial statements, the privatization of TAP - Transportes Aéreos Portugueses, SGPS, S.A. (TAP SGPS) share capital was approved by Decree No. 181-A / 2014 of 24 December. On June 24, 2015, it was signed the “Direct Sales Agreement” of TAP SGPS, which was accomplished on November 12, 2015, with the transfer of 915.000 nominative entry shares in favour of Atlantic Gateway, representing 61% of TAP SGPS share capital.

In addition, we should mention that in February 19, 2016, the National Civil Aviation Authority (ANAC) approved the imposition of a set of precautionary measures to TAP - Transportes Aéreos Portugueses, SA and Portugalia - Portuguese Company Transportes Aéreos, SA, to ensure that, until it is given a final decision under Community Regulation no 1008/2008 on common rules for the operation of air services in the European Union, management is limited to acts and transactions not exceeding the normal and day-to-day management.

As disclosed in note 57 to the financial statements, at February 6, 2016 a memorandum of understanding was signed between Atlantic Gateway and the Portuguese State, wherein stands out the sale by Atlantic Gateway to PARPÚBLICA of shares representing TAP, SGPS, SA share capital, in a way that the latter becomes owner of a number of shares representing 50% of TAP, SGPS, SA share capital, at a price of 10,93 euro per share. At this date, the reconfiguration of the State/PARPÚBLICA position in TAP, SGPS, S.A. share capital is not yet formalized, is still dependent of the necessary authorizations, and the definite terms in which the transaction will be materialized (promissory contract of purchase and sale should be celebrated until April 30, 2016) are still unknown.

- 9.2 At Parpública, SA's level there is an ongoing restructuring operation in the real estate business. It is anticipated that this operation, which began in 2015 with the merger of SAGESTAMO, SA in Parpública SA will be completed in 2016, with the merger in Estamo - Participações Imobiliárias, S.A. of Consest - Promoção Imobiliária, S.A. and Lazer & Floresta – Empresa de Desenvolvimento Agro-Florestal Imobiliários, Turísticos e Cinagético, S.A. companies.

- 9.3 As mentioned in the management's report, there is a dispute that relates with a consortium celebrated in 2003 to develop a real estate property wherein a subsidiary company is involved. Parpública's management is convinced that this dispute will not have any impact on the presented financial statements.

Lisboa, April 29, 2016

Grant Thornton & Associados – SROC, Lda.
Represented by Carlos Lisboa Nunes

Statutory Auditor's Report

Separate Financial Statements

Grant Thornton & Associados – SROC, Lda.

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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 2015.
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, 2015, with three 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), S.A. should approve:
 - a) the management's report and separate financial statements for the annual period ended on December 31, 2015.
 - b) the proposal for the application of the results that is included on the management's report.

April 29, 2016

Grant Thornton & Associados – SROC, Lda.
Represented by Carlos Lisboa Nunes

**STATUTORY AUDIT
CERTIFICATION
AND AUDITOR' REPORT
ON THE
CONSOLIDATED FINANCIAL
STATEMENTS**

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, 2015 of **PARPÚBLICA – PARTICIPAÇÕES PÚBLICAS (SGPS)**, S.A. comprising the Consolidated Statement of Financial Position (showing total net assets of 14.429.516 thousand euro and a shareholders' equity of 4.649.024 thousand euro, including a net profit for the year of 721.646 thousand euro), the related consolidated statements of income, comprehensive income, changes in equity, cash flows and the corresponding notes to the financial statements.

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”.
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, 2015, 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 paragraph 7 above, we draw attention to the following matters:
 - 9.1 As mentioned on AdP – Águas de Portugal, SGPS, S.A.’s Audit Report on consolidated financial information for the purpose of consolidated accounts of PARPÚBLICA – PARTICIPAÇÕES PÚBLICAS (SGPS), S.A., with effect from 1 July 2015, in compliance with the provisions of Decree Law No. 92/2015, Decree-Law No 93/2015 and Decree-Law No. 94 / 2015, all of 29 May, were created three new multi-municipal systems to replace the fifteen existing multi-municipal systems until 30 June 2015. Under the above, assets and liabilities of the closed companies were transferred to the new entity formed by their respective book values, with recovery expenses’ deviations, which were already recognized in the consolidated financial statements at the date of termination of the concession companies, been recognized in the balance sheets of the new companies, according to the provisions of the aforementioned Decrees.
 - 9.2 As mentioned on AdP – Águas de Portugal, SGPS, S.A.’s Audit Report on consolidated financial information for the purpose of consolidated accounts of PARPÚBLICA – PARTICIPAÇÕES PÚBLICAS (SGPS), S.A., during the year it was recognized an impairment loss in the amount of 19,6 million euro as a result of the agreement between the Águas de Portugal SGPS, SA, the Águas do Zêzere e Coa, S.A. (aggregate company in the Águas de Lisboa e Vale do Tejo, S.A.) and municipalities that made up this former system. Given that the realization of the agreement in principle depends on the approval by the Minister of Environment, the existing uncertainty is likely to determine

future changes on how to regulate this balance that was fully provided for in the current year.

- 9.3 As mentioned in note 21 to the financial statements, the privatization of TAP - Transportes Aéreos Portugueses, SGPS, S.A. (TAP SGPS) share capital was approved by Decree No. 181-A / 2014 of 24 December. On 24 June 2015, it was signed the "Direct Sales Agreement" of TAP SGPS, which was accomplished on November 12, 2015, with the transfer of 915.000 nominative entry shares in favour of Atlantic Gateway, representing 61% of TAP SGPS share capital.

In addition, we should mention that in February 19, 2016, the National Civil Aviation Authority (ANAC) approved the imposition of a set of precautionary measures to TAP - Transportes Aéreos Portugueses, SA and Portugalia - Portuguese Company Transportes Aéreos, SA, to ensure that, until it is given a final decision under Community Regulation no 1008/2008 on common rules for the operation of air services in the European Union, management is limited to acts and transactions not exceeding the normal and day-to-day management.

As disclosed in note 57 to the financial statements, at February 6, 2016 a memorandum of understanding was signed between Atlantic Gateway and the Portuguese State, wherein stands out the sale by Atlantic Gateway to PARPÚBLICA of shares representing TAP, SGPS, SA share capital, in a way that the latter becomes owner of a number of shares representing 50% of TAP, SGPS, SA share capital, at a price of 10,93 euro per share. At this date, the reconfiguration of the State/PARPÚBLICA position in TAP, SGPS, S.A. share capital is not yet formalized, is still dependent of the necessary authorizations, and the definite terms in which the transaction will be materialized (promissory contract of purchase and sale should be celebrated until April 30, 2016) are still unknown.

- 9.4 At Parpública, SA's level there is an ongoing restructuring operation in the real estate business. It is anticipated that this operation, which began in 2015 with the merger of SAGESTAMO, SA in Parpública SA will be completed in 2016, with the merger in Estamo - Participações Imobiliárias, S.A. of Consest - Promoção Imobiliária, S.A. and Lazer & Floresta – Empresa de Desenvolvimento Agro-Florestal Imobiliários, Turísticos e Cinegético, S.A. companies.
- 9.5 As mentioned in the management's report, there is a dispute that relates with a consortium celebrated in 2003 to develop a real estate property wherein a subsidiary company is involved. Parpública's management is convinced that this dispute will not have any impact on the presented financial statements.

Lisboa, April 29, 2016

Grant Thornton & Associados – SROC, Lda.
Represented by Carlos Lisboa Nunes

Statutory Auditor's Report

Consolidated Financial Statements

Grant Thornton & Associados – SROC, Lda.

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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, 2015.
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, 2015, with five 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, 2015.

April 29, 2015

Grant Thornton & Associados – SROC, Lda.
Represented by Carlos Lisboa Nunes

STATEMENT BY THE BOARD OF DIRECTORS

**(IN ACCORDANCE WITH ART.º
245 OF THE SECURITIES CODE)**

PARPÚBLICA – Participações Públicas, SGPS, SA

Head office: Av. Defensor 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 31 December 2015, 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 29, 2016

The Board of Directors

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

REPORT AND OPINION OF THE AUDIT COMISSION

Report and Opinion of the Audit Commission

Separate Financial Statements

▪ INTRODUCTION

The Audit Commission carries out its activity according to the competences foresaw in art 423-F of the Trade Companies Code and in the legislation applicable to State Business Sector namely nr. 3 of article 33 of Decree-Law nr 133/2013 of October 3rd.

In carrying out its responsibilities, the Audit Commission has followed the evolution of the activity of Parpública, Participações Públicas, SGPS, SA and subsidiaries, has attended with zeal the observance of the law, regulations and statutes of the company, oversaw the implementation of policies and accounting practices and oversaw the preparation and dissemination of financial information, statutory accounts, the effectiveness of internal controls and risk management as well as the independence and activity of the Statutory Auditor (ROC).

The activities undertaken by the Commission during 2015, in discharging its responsibilities, are described in the Activity's Report attached to this opinion.

▪ OPINION

According to Trade Companies Code, article 423-F, paragraph g), the Parpública-Participações Públicas (SGPS), S.A. Audit Commission presents a report about the separate financial statements and related notes attached related to 2015.

The Commission examined the statutory audit certification and audit report prepared by the Statutory Auditor and has noted the emphasis expressed therein, and the document deserved their agreement.

Pursuant to and for the purposes of paragraph c) of paragraph 1 of Article 245 of the “Código dos Valores Mobiliários” (Portuguese Securities Market Code), the members of the Audit Committee of Parpública-Participações Públicas, SGPS, SA, identified below, declare, in the quality and scope of functions with which they compete, that to the best of their knowledge and based on the information they had access under the Audit Commission, in exercising their functions, the separate financial statements related to 2015 were prepared in accordance with the applicable accounting standards giving a true and fair view of assets and liabilities, financial position and results of Parpública-Participações Públicas, SGPS, SA. and therefore they should be approved by the Shareholders’ General Meeting.

Lisboa, April 29 of 2016

Fernanda Maria Mouro Pereira, Chairman

Maria João Dias Pessoa de Araújo, Member

Pedro Miguel Nascimento Ventura, Member

Report and Opinion of the Audit Commission

Consolidated Financial Statements

▪ INTRODUCTION

The Audit Commission carries out its activity according to the competences foresaw in art 423-F of the Trade Companies Code and in the legislation applicable to State Business Sector namely nr. 3 of article 33 of Decree-Law nr 133/2013 of October 3rd.

In carrying out its responsibilities, the Audit Commission has followed the evolution of the activity of Parpública, Participações Públicas, SGPS, SA and subsidiaries, has attended with zeal the observance of the law, regulations and statutes of the company, oversaw the implementation of policies and accounting practices and oversaw the preparation and dissemination of financial information, statutory accounts, the effectiveness of internal controls and risk management as well as the independence and activity of the Statutory Auditor (ROC).

The activities undertaken by the Commission during 2015, in discharging its responsibilities, are described in the Activity's Report attached to this opinion.

▪ OPINION

According to Trade Companies Code, article 423-F, paragraph g), the Parpública-Participações Públicas (SGPS), S.A. Audit Commission presents a report about the consolidated financial statements and related notes attached, and the management report and proposal of appropriation of results related to 2015.

The Commission examined the management report and the proposal of appropriation of results, the consolidated financial statements and related notes attached, the certification and audit report of the external auditor prepared by the Statutory Auditor

and has noted the emphasis expressed therein, and the document deserved their agreement.

Pursuant to and for the purposes of paragraph c) of paragraph 1 of Article 245 of the “Código dos Valores Mobiliários” (Portuguese Securities Market Code), the members of the Audit Committee of Parpública-Participações Públicas, SGPS, SA, identified below, declare, in the quality and scope of functions with which they compete, that to the best of their knowledge and based on the information they had access under the Audit Commission, in exercising their functions:

- i) The management’s report sets out faithfully the evolution of business performance and position of Parpública, Participações Públicas, SGPS, SA, and the companies included in the corresponding consolidation perimeter, and contains a description of the principal risks and uncertainties it faces;
- ii) The financial statements for the year ended December 31, 2015 were prepared in accordance with the law and applicable accounting standards, giving a true and fair view of assets and liabilities, financial position and results of Parpública, Participações Públicas, SGPS, SA. and the companies included in the corresponding consolidation perimeter. Therefore they should be approved by the Shareholders’ General Meeting.

Lisboa, April 29, 2016

Fernanda Maria Mouro Pereira, Chairman

Maria João Dias Pessoa de Araújo, Member

Pedro Miguel Nascimento Ventura, Member

Activity report of the Audit Committee

Annual Period 2015

▪ INTRODUCTION

The Audit Committee 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 Committee, composed by three non-executive members of the Board of Directors, appointed by the General Assembly of May 29th 2013, is to supervise the company under the Law and the Company Statutes.

▪ ACTIVITY DURING 2015

According to the Regulation, the Audit Committee should meet every two months and during 2015 it held twelve meetings and related minutes. All the members were present except at one meeting where one member was absent duly justified. Whenever convenient, the Committee invited to attend the meetings the Supervisory Auditor, the managers of the company or of the Group’s companies,

As intrinsic part of their duties as non-executive Members of the Board of Directors, the Audit Committee members took part in every Board of Directors meetings. Thus, the Committee followed the discussion of the most significant strategic issues of the company, mainly concerning the privatization of the invested companies, the acquisition and sale of other investments, the review of PARPÚBLICA’s Mission as from 2015, the restructure of the real estate sector of the Group, the integration of PARPÚBLICA in the Public Management Sector, in National Accounts, as well as the main decisions taken in the performance of the shareholder function taking into consideration the Group financing restraints as result of the *rating* changes of the Portuguese Republic and of PARPÚBLICA itself.

In the performance of its duties, the Committee 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, mainly the Internal Audit Department led by Dr. João Miguel Mendes Gomes

During 2015 and within its competence the Audit Committee acted mainly in the following areas:

1. Ensure compliance with the law, the articles of association and the rules of supervisory authorities

The Audit Committee watched the observance of the applicable law and the supervisory authorities rules, the articles of association and the internal regulations namely the duty of information to the Court of Auditors, Securities and Exchange Commission, Bank of Portugal, Directorate General for the Treasury and Finance and General Inspectorate of Finance.

The Audit Committee kept informed about the evolution of the legal and regulatory requirements concerning PARPÚBLICA and its subsidiary companies.

The Commission followed the observance by PARPÚBLICA of the principles of good governance under nr 1 of article 54 of Decree-Law nr 133/2013 of October 3, reinforced by measures of good governance, transparency and rationalization of corporate structures, foreseen in the Portuguese Parliament Resolution nr. 53/2011, March 22 and by the observance of the measures foreseen at the Public Sector Administrators Statute, whose second alteration to Decree-Law nr. 71/2007, of March 27, 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 3.

The Audit Committee is responsible for the management of reporting of any irregular practice, according to PARPÚBLICA'S Prevention Plan of Risk of Fraud, Corruption and

Related Infractions and Code of Ethics in force. In this context and during 2015, no irregularity was informed.

2. Appraisal of the quality and regularity of the financial information, the accounting records and supporting documents; supervision of compliance with the accounting policies and practices and the valuation criteria

The Audit Committee analyzed, together with the ROC and the responsible persons 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 the financial statement and related disclosure. Throughout all the procedures, the Committee assessed the compliance with the regulations relating the report of accounts closing.

The Audit Committee 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 efficiency of the risk management system and the internal control and audit system

The Audit Committee followed the integration of PARPÚBLICA in the Public Management Sector, in National Accounts, analyzing the legal, regulatory and operational impact in the Company.

The Committee gave special attention to the evaluation, monitoring and supervision of the efficiency, quality and integrity of the internal control systems and of risks of business management. The Committee monitored compliance with the internal rules and procedures, as well as with the risk management principles of PARPÚBLICA. In that sense, the Committee gave its opinion, support and monitoring through the Internal Audit Department (AAI):

- According to the version reviewed in the beginning of 2014 of the Company's Manual of Procedures, to introduce 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. However, neither of the reviewed versions was approved by the Executive Committee

During 2015 new events occurred with a significant impact in PARPÚBLICA, such as the integration of the company in the Public Management Sector in January of 2015 and the restructuring process of the real estate activity of PARPÚBLICA Group during 2015 – merger through the incorporation of Sagestamo in PARPÚBLICA (concluded) and the merger through the incorporation of Lazer e Floresta and Consest in Estamo (still to be concluded at the date of this report) –, which had significant impact in the procedures of the engaged companies.

In this context, the Audit Committee continued to pursue the drafting and approval of a Manual of Procedures that reflects the current situation of PARPÚBLICA. It should be finished till the end of 2016, after the conclusion of the ongoing Internal Audit in PARPÚBLICA, also supervised by this Committee.

- 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 Committee followed the ongoing review of the Prevention Plan of Risk of Fraud, Corruption and Related Infractions, as well as the ongoing drafting of the Annual Implementation Report of 2014 and 2015 and the ongoing Internal Audit to PARPÚBLICA.

The Audit Committee continued to follow the invested companies, examining with detail the most significant businesses of PARPÚBLICA' Group, supporting the upgrading of their internal control related to the exposure to several risks and also to better judge their impact in the overall results and risks of the Group. For this purpose, the Committee was mainly supported by the Internal Audit Department, functionally

reporting to the Committee, 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 Committee and by the Board of Directors.

The 2015 Activity Report of the AAI was approved in 2016 by the Audit Committee. Among the AAI activities, it is worth mentioned, the conclusion of the Internal Audit to Companhia das Lezírias and the reviews of the Code of Ethics and Risk of Fraud Management Policy of PARPÚBLICA, the conclusion at the beginning of July of the Internal Audit to Baía do Tejo as well as the auditing to Ambisider and during the last quarter the beginning of the follow-up auditing to Estamo and Lazer e Floresta which are in being concluded at the date of the current report.

4. Legal review and annual approval of the separated and consolidated accounts

The Audit Committee must also supervise the execution of statutory audits by the Statutory Auditor (SA) Prof. Dr. Carlos António Lisboa Nunes. Accordingly the Audit Committee evaluated and discussed with the Statutory Auditor the legal certifications for separated and consolidated accounts related to 2015, and it has given its approval

Also this year and within its competences, the Committee took part in the Board of Directors' meeting where the accounting annual documents of 2015 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 29, 2016

Fernanda Maria Mouro Pereira, Chairman

Maria João Dias Pessoa de Araújo, Member

Pedro Miguel Nascimento Ventura, Member