Metro do Porto

ANNUAL REPORT

2010

Metro do Porto. Life in a motion.

Metro do Porto
ANNUAL REPORT
2010

Metro do Porto. Life in a motion.

INDEX

Dr. António Ricardo de Oliveira Fonseca

CHAIRMAN'S MESSAGE

When this Board of Directors was elected on March 25th, 2008, the completion of the first phase of the project, including the financial closure of the contract with the builder / operator consortium, and the launch of tenders for the Operation / Light Maintenance and Construction and Maintenance of the Second Phase of the Light Rail System in the Metropolitan Area of Oporto (SMLAMP) sub concessions were particularly important features in the subject of the mandate.

Still in late 2009 a global agreement for the closure of accounts of the Contract Normetro was signed. In February 2010, the sub-concession contract for the Operation and Maintenance of SMLAMP, which runs until December 2014, was signed with Prometro, S.A.

In December of 2010 the tender documents for the SMLAMP Construction and Maintenance sub concession were sent to the Secretary of State for Transport for verification and authorization of the tender's launch. It is only fair to highlight the work of the staff more directly involved in this process, whether from Metro do Porto, S.A., the municipalities or the companies and institutions who participated in it. The size and complexity of the project transformed an apparently comfortable term to launch the tender into a goal requiring a significant effort to be achieved. So we can say "mission accomplished".

Among the most significant events of the year one must highlight the completion of the extension from the Dragão Stadium to Fânzeres, which took its first passengers in free trial runs on December 29th and 30th. Commercial operation started on January 2nd, 2011.

The contract for the extension of the Yellow Line to St. Ovídio had completed the first phase in August with the construction of the interface and coverage of the D. João II Station. Work continued on the second phase, the construction of the tunnel, platform and track, which will be completed in mid-2011. The Tram - Train vehicles began operation in January 2010; they have proved not to belittle the high expectations created in terms of their comfort and reliability.

The Dispatch No. 510/10/SETF of June 1st, 2010, of His Excellency the Secretary of State for Treasury and Finance, which sets maximum limits for the growth of the Company's debt following the Stability and Growth Programme 2010-2013, has led to the cancellation of several tenders still related to the first phase and to the decision not to award the tender that had been launched to build the Green Line extension from ISMAI to Trofa.

The Government's strategic guidelines for 2011 set as a target for this financial year a 15% reduction in operating costs when compared to those incurred in 2009. The Business Plan and Budget presented for the year 2011 not only meets that objective but further anticipates a reduction of over 20%.

MANAGEMENT REPORT
1. METRO DO PORTO IN FIGURES

The passengers in the year grew by about 2% with revenue increasing 3.6% over the previous year. The cover ratio, which compares the tariff revenue with direct operating costs, which include costs with the operation contract, the operation inspection contract and the ticketing system's management fees, recorded a significant increase of 14.8 percentage points reaching 74.6%.

In absolute terms the financial year ended with a gross margin loss of 10.6 million which is a reduction of 47.6% on the previous year, reflecting savings of 9.6 million.

The fact is noteworthy because it expresses the results of management action on individual costs items which nearly exhaust the field of intervention of the Company's Board.

Negative financial results exceeding 100 million euros in the year reflect the inadequate funding model of the Metro do Porto's project, namely the obvious lack of grant funding for the construction of a transportation system that, despite the excellent cover ratio achieved, nevertheless has negative operating results.

The investment in infrastructure amounts to 2,555 million whereas the non-reimbursable financing obtained amounts only to 785 million euros, a gap of 1,770 million euros. To the debt incurred to pay the investment accrues the total debt to pay for the operation of the system (250 million), project management (65 million) and financial charges (365 million), a cumulative total of 2,450 million euros at the end of 2010.

We again put to the Shareholders the failure in which the Company is in relation to what article 35 of the Companies Code stipulates. It is not possible, at a time when the process to launch the tender for the sub-concession of the second phase of Metro do Porto is under analysis, to postpone any longer the solution to the funding of this project.

From Metro do Porto, S.A. comes the guarantee of the contribution and dedication of a group of professionals with proven ability and widely recognised. From the population we serve comes the recognition of the excellence of the service provided. The Shareholders will certainly not only ensure the continued operation of the Metro do Porto on the same level of quality that earned it the success reflected in its growing demand, but also, as soon as possible, fulfil the expectations created regarding its expansion.

Network (31/12)	2003	2004	2005	2006	2007	2008	2009	2010	10/09
Extension (metres)	11,826	15,649	34,505	58,877	58,877	59,593	59,593	66,195	11.1%
Stations	18	23	45	69	69	70	70	80	14.3%

Human Resources	2003	2004	2005	2006	2007	2008	2009	2010	10/09
Total Staff (end of year)	83	96	104	86	94	95	98	100	2.0%
Averege Staff	73	91	101	89	91	93	94	99	4.3%

(units: thousands)

Demand	2003	2004	2005	2006	2007	2008	2009	2010	10/09
Passengers	5,960	9,843	18,481	38,637	48,167	51,481	52,600	53,547	1.8%
Passenger kms	26,476	46,506	95,978	202,473	245,921	259,361	261,117	267,064	2.3%
Average travelling distance (metres)	4,443	4,725	5,193	5,240	5,106	5,038	4,964	4,987	0.5%

(units: thousands)

Supply	2003	2004	2005	2006	2007	2008	2009	2010	10/09
Vehicle kms	1,343	1,941	3,398	6,562	6,974	6,480	6,472	6,462	-0.2%
Seat kms	290,076	419,285	733,945	1,417,434	1,506,327	1,399,784	1,398,049	1,464,411	4.7%
Commercial Speed (km/h)	-	-	-	26.02	26.43	25.67	25.48	25.98	2.0%
Load Factor	9.1%	11.1%	13.1%	14.3%	16.3%	18.5%	18.7%	18.2%	-0.4 pp

Income	2003	2004	2005	2006	2007	2008	2009	2010	10/09
Income (€ millions)	2,766	5,271	10,326	21,263	26,678	29,418	30,065	31,141	3.6%
Income/Passenger kms (€ cents)	10.45	11.33	10.76	10.50	10.85	11.34	11.51	11.66	1.3%
Income/Seat kms (€ cents)	0.95	1.26	1.41	1.50	1.77	2.10	2.15	2.13	-1.1%
Operational Cost (€ m)	9,423	12,139	24,421	44,245	49,667	48,889	50,257	41,729	-17.0%
Cost/Passenger km (€ cents)	35.59	26.10	25.44	21.85	20.20	18.85	19.25	15.62	-18.8%
Cost/Seat km (€ cents)	3.25	2.90	3.33	3.12	3.30	3.49	3.59	2.85	-20.7%
Cover Ratio*	29.4%	43.4%	42.3%	48.1%	53.7%	60.2%	59.8%	74.6%	14.8 pp

* Ratio between tariff revenues and direct operation costs, wich include operating costs, the cost of the Inspetion of the operation team as well as the fees paid for managing the ticketing system by TIP, ACE.

(units: thousands)

Results	2003 POC	2004 POC	2005 POC	2006 POC	2007 POC	2008 POC	2009 POC	2009 SNC	2010 SNC	10/09
Operating Results	-9,674	-20,680	-46,234	-81,434	-85,418	-83,016	-87,622	-236,392	-243,965	-3.2%
Before Depreciation	6,926	-4,081	-23,575	-40,619	-34,944	-31,128	-33,936	-187,317	-191,317	-2.1%
Before Operating Subsidies	-9,674	-25,411	-48,479	-83,837	-95,777	-94,154	-99,615	-248,386	-255,832	-3.0%
Financial Results	-16,192	-18,421	-25,696	-41,457	-60,692	-66,247	-53,256	-57,683	-107,762	-86.8%
Extraordinary Results	-110	1,186	636	759	960	673	2,514			
Net Income	-26,032	-37,949	-71,335	-122,155	-145,189	-148,619	-138,411	-294,123	-351,790	-19.6%

2. 2010 EVENTS

LIGHT RAIL SYSTEM DEVELOPMENT PROGRAM

During 2010 we continued to work preparing the tender process for the SMLAMP Construction and Maintenance sub concession (C & M) pursuant to paragraph 2 of Base XXI of the Concession Bases of Light Rail System in the Metropolitan Area of Oporto (SMLAMP) issued by Decree-Law No. 192/2008 of October 1st, which includes the construction of the stretches referred to in f) to i) of paragraph 1 of the basis VI (Campo Alegre Line, S. Mamede Line, extension to Villa d'Este and the Gondomar - Campanhã via Valbom Line), a new Depot (PMO), a new Command and Control Post (PCC) and a head-office for Metro do Porto, S.A., which constitute the tender's six Construction Units, and also includes the maintenance of the network currently in operation and the lines and stretches that comprise the so-called Phase 2 of Metro do Porto's network expansion. The tender documents of this procedure were concluded and approved at a meeting of the Board of Metro do Porto S.A., having been sent on December 29th, 2010 to the Secretary of State for Transport, for the necessary verification and authorization for the procedures to launch this limited tender by previous qualification.

In compliance with instructions received and the legislation in force, the sub concession model was developed so that the infrastructure availability risk is transferred out, through reimbursement mechanisms that index a component of the fees payable by Metro Porto, S.A. to the sub concessionaire to the actual production mileage on the infrastructure provided either by construction or through maintenance. Apart from the risk of availability, the financing, design, geological, geotechnical and hydrological and environmental heritage risks will also be transferred to the sub concessionaire, while the construction costs of the new infrastructure and the maintenance costs of the current infrastructure fall onto the sub concessionaire.

To materialize the preparation of the tender documents for the C & M Sub concession it was necessary to involve different specialties and areas of knowledge, organize information, produce and process information for decision support, document and justify choices, prepare studies and models, whose ultimate result was expressed in the preparation of the Tender Documents and Specifications, together with their 62 Annexes.

As part of the above referred Construction Units, it was necessary to prepare, for the new lines to be built, reference solutions to support their routes, the configuration of their stations and their urban integration options, in close collaboration with the Municipalities, and to develop their environmental impact studies, which altogether allowed us to obtain, during 2010, the necessary Environmental Impact Declarations.

Additionally prepared was a very significant number of documents and special studies that provided rationale and decision support, amongst which stand out demand studies for the areas of intervention of the SMLAMP Phase 2 extensions, for decision support in respect of route selection and of the sizing of stations; operation and demand studies for the transport system; study of the electric traction system to implement; design criteria and functional specifications to be considered in the development of execution projects for the Construction Units; exploration plans and minimum operating programs associated with the entry into operation of each of the Phase 2 extensions; study of the needs and size of future fleet requirements; costing reports for all the design, construction, maintenance and financing components; study of externalities associated with the Phase 2 expansion, including associated network effects; cost-benefit analysis of the Phase 2 expansion; sub concession compensation model; and the model to evaluate tender proposals.

The complexity of the subject matter of this sub-concession meant that the preparation of this tender process required the participation of a large number of experts in specialised areas, including architecture and landscape architecture, civil engineering, electrical and mechanical engineering, telecommunications and railway signalling, geology and geotechnical, environmental, safety, quality, heritage and archaeology, operation and modelling of transportation systems, financial modelling, legal advice and insurance.

The actions and contacts with the European Investment Bank were continued, to prepare the participation of that financial institution in the financing model of the sub-concession, through a line of credit to be used by the Sub concessionaire.

DEMAND EVOLUTION

The growth trend of demand for the Light Rail System continued, in a context of stability of the network in operation. Compared to 2009, a growth of 2.3% was observed, to a total of 267.1 million passenger Kms. Equally important, the growing use of monthly tickets was particularly evident, as there was an increase of almost 6 percentage points in the share of those tickets in the overall validations (from 55.2% to 61.0%).

2.3%

GROWTH

Compared to 2009, a growth of 2.3% was observed, to a total of 267.1 million passenger Kms.

LIMITED TENDER BY PREVIOUS QUALIFICATION FOR THE OPERATION AND MAINTENANCE OF THE LIGHT RAIL SYSTEM FOR THE METROPOLITAN AREA OF OPORTO SUB CONCESSION

At a meeting of the Board of December 16th, 2009 it was resolved to approve the final evaluation report of the proposals received under the Limited Tender by Previous Qualification for the Operation and Maintenance of the Light Rail System for the Metropolitan Area of Oporto, which proposed the award of the tender to the consortium comprising Barraqueiro SGPS, S.A. Barraqueiro Transportes SA, Arriva Portugal, S.A., Keolis SA and Manvia - Manutenção e Exploração de Instalações e Construção, S.A. (PROMETRO, S.A.) for a five years term from April 1st, 2010.

The result of this tender process has contributed to a significant reduction in operating costs to be borne by Metro do Porto, resulting in a marked improvement in the cover ratio as discussed later in this report.

The change of operator in a contract of this size and complexity is always a critical time that needs to be properly planned, implemented and monitored so as to cause minimal disruption in the quality of service provided and perceived by customers. The collaboration and dedication of those involved ensured a transition without any break in service and in a fully transparent manner to clients, who did not perceive any change in their routine use of this means of transport due to the existence of a new operator.

The contract with PROMETRO, signed on February 26th, 2010, will be in force until December 31st, 2014, its total cost amounting to 170 million euros for the operation and light maintenance of the whole network of the Light Rail System in the configuration existing at the time of the award and assuming the materialization of the reference demand set out in the tender program.

CONTRACT EVOLUTION AND CONCLUSION OF THE ESTÁDIO DO DRAGÃO – FÂNZERES EXTENSION

Construction works for the network extension between the Estádio do Dragão and Fânzeres stations started on November 24th, 2008, the construction of the Infrastructure and Technical Systems having been completed in the last quarter of 2010, which enabled all tests and trials to be performed before the end of the year.

On December 29th and 30th took place the first free, trial trips with passengers, allowing a first contact of the populations served by this extension with the speed, efficiency, safety and quality of service of Metro do Porto.

The opening to the commercial operation occurred on January 2nd, 2011. The new section has a length of 6.8 km served by ten new stations, four free car parks being available at the Fânzeres, Venda Nova, Baguim and Campainha stations, capable of parking 462 vehicles. With the opening of this extension the Light Rail System now has 80 stations and a length of 66.2 kms.

This section has a total of 2,241 tree species and 3,693 shrubs and a total green area of 123,722m^2, of which 74,375 m^2 of turf (including parts of the platform). The landscaping project for this section aims to improve the quality of life of the population, with the inclusion of outdoor recreation and open green space areas.

CONTRACT EVOLUTION AND CONCLUSION OF THE YELLOW LINE EXTENSION TO SANTO OVÍDIO

The proposed extension of the Yellow Line includes the construction of 670 metres of double track and of an additional station in the Rotunda de Santo Ovídio, involving the reformulation of the surrounding area for the proper insertion of the canal in the urban surroundings and for a significantly improved mobility of the pedestrian and of the road traffic itself. This project also includes the construction of an interface with the public bus transport near the D. João II station, the current end of the Yellow Line, to ensure high levels of comfort in the modal shift.

The construction contract was signed on September 26th, 2009, the consignment of the construction site having taken place on October 14th, 2009. The extension is expected to open to commercial operation in the second half of 2011.

In August 2010 the first phase of the contract, which consisted in building the interface and reformulating the D. João II station, was completed, returning the latter to the full use of clients. Work continued on the second phase to build the tunnel, the station of Santo Ovídio and the remaining platform and track.


Metro do Porto

ACCEPTANCE AND ENTRY INTO OPERATION OF THE TRAM TRAIN FLEET

The Tram Train vehicles began commercial service in the Red Line in January 2010, replacing the Eurotram vehicles in the Express services. The thirty fleet vehicles were placed in service in phases, depending on the operation needs. In February 2010, all services of the Red Line came to be carried out by 19 of these vehicles. In late April, 23 Tram Train vehicles were used in the rush hour, performing also doublle vehicles in the Green Line services. In July, given the natural decrease in demand, the transport capacity was reduced and the same 23 vehicles Tram-Train were able to perform all the services of the Red and Green Lines. In September, with the entry into force of the winter schedule, the maximum daily use of vehicles Tram Train rose to 26 vehicles, and at the end of 2010 28 vehicles are in operation in the morning peak, 18 corresponding to the Red Line service and 10 to the Green Line.

These vehicles have come to confirm existing expectations regarding comfort, reliability and availability, ensuring a larger and more comfortable transport supply, due to their greater capacity and larger number of sitting places.

IMPROVED SIGN-POSTING OF THE LOCATION OF STATIONS

With the aim of making the metro network closer to the city and to its potential users, a number of sign-posts for underground stations (porch porticos) were installed in 2010, in an effort to make them easier to identify as reference points in the city.

The installation process was developed in two phases, the first one launched in June with the installation of two prototypes at the Marquês and Bolhão stations. After validating the quality of the piece and its perception among customers, reflected in several comments, some of them obtained via Facebook, the second phase proceeded, with the installation of eight flag-type porticos at the end of 2010.

Within the scope of the preparation work for the Fânzeres extension opening, a new concept of sign-posting and public information on the Metro do Porto network was revised, tested and implemented in 10 stations of this extension, based on innovative concepts and structures and on a simpler, more comprehensible system of information, in an attempt to overcome some difficulties experienced by customers.

In terms of the new cartography, new scales were adopted for a more detailed representation of the intermodal network, in accordance with the direction of traffic and the most important origin or destination pole. A more explicit reference to the intermodal areas and a new list of possible destinations help clients choose their ticket, allowing its rapid selection when planning a trip.

The information displayed on the surface of the Andante vending machines was also the target of new treatment, introducing quickly and directly readable texts on the most important information, repositioning and segmenting targets and avoiding distraction.

CULTURAL EVENTS

Metro do Porto has maintained a strong focus on promoting cultural activities in its network, thus making it one of the cultural poles of the Metropolitan Area of Oporto. During the year 2010, such events were held at stations and vehicles in 362 days, animating public spaces of the system and providing customers with contact with highly acknowledged forms of artistic expression, as well as with emerging and alternative movements and trends.

Among the many events, to be highlighted are especially the exhibition, at S. Bento station, of a collection of tureens designed by names such as Eduardo Souto de Moura, Alvaro Siza Vieira and Pedro Cabrita Reis, the photographic exhibition "Douro Natural" at Trindade, the exhibition of photography by Luis Ferreira Alves 'Heritage in the Territory', at S. Bento, various installations during the 'Get Set' Festival, and Flash Mob dance actions at Trindade.

Deserving particular attention is the "Music in the Street" project, designed and co-produced by Metro do Porto, in partnership with the Municipality of Oporto / PortoLazer and Casa da Música. Between March and September, more than 30 bands and solo artists - selected from auditions which gathered more than 200 competitors - acted daily in the Casa da Música, Trindade and Bolhão stations. The project "Music in the Street" attracted to these stations dozens of young talents early in their careers, bringing together diverse musical styles in over 400 hours of music. The public vote chose 'Os Andantes' as the best band of this project and it represented Metro do Porto in the Metro Music Festival in Barcelona in November, which was held in cooperation with the Metropolitan Transport of Barcelona. Several bands selected by the Barcelona Metro, acted at Metro do Porto within the framework of this partnership.

The social and media exposure that musicians have gained from this initiative was a springboard for the careers of several, and some have already been invited to perform in other places and had access to new opportunities. In June, Casa da Música held a concert featuring the best of 'Music in the Street', attended by more than a thousand spectators. In December, the castings for the second edition of "Music in the Street" started.

"MUSIC IN THE STREET"
Between March and September, more than 30 bands and solo artists acted daily in the Casa da Música, Trindade and Bolhão stations.

+30

COMMERCIAL SPACES

In 2010 two new commercial spaces were opened at the Mindelo and Trindade stations, giving passengers access to more complementary services and more comfort, with projects properly aligned with the stations' architecture. In late 2010 there are twelve shops in the networks' stations, in the cafeteria and telecommunications areas.

The network of vending machines remained stable, with 45 machines spread over 14 stations. The installation of shops in three new stations is being considered, representing a pilot project for surface stations.

Four new bank ATMs were installed at the Carolina Michaelis, Póvoa de Varzim, Mindelo and Senhora da Hora stations, making up a total of 19 machines throughout the network.

The broadcasting of corporate channel Metro TV has been expanded to six more stations, comprising 61 continuous emission screens at the platforms of 9 stations, with new entertainment and advertising content, as well as with information content about the operation of Metro do Porto. Once the expansion of the Metro TV completed and after a market consultation exercise, a contract was signed in October 2010 with Global News, S.A. for the provision of entertainment and information content for this channel, as well as to explore advertising on it.

61

METRO TV

The broadcasting of corporate channel Metro TV has been expanded to six more stations, comprising 61 continuous emission screens at the platforms of 9 stations, with new entertainment and advertising content, as well as with information content about the operation of Metro do Porto.

NAVMETRO – "PERSONAL NAVIGATION AND INFORMATION SYSTEM IN THE NETWORK OF METRO DO PORTO FOR PEOPLE WITH VISUAL DISABILITIES OR DIFFICULTIES"

Navmetro, the project promoted in partnership with FEUP and ACAPO, represents an important step in improving the overall quality of service, particularly (but not exclusively) in terms of accessibility for clients with special needs.

To ensure the industrial protection of the rights of this innovative system, Metro do Porto, FEUP and ACAPO carried out the legal procedures in view of the process of patenting it in Portugal, in Europe and other countries on an intercontinental scale, the Portuguese Patent having been attributed on November 17th, 2010.

This project motivated the award of the Honorable Mention of INR - National Institute for Rehabilitation's Maria Cândida da Cunha Prize to Eng João Moutinho Neves (FEUP), for the creative merit in respect of the Sound Guidance System, in the context of the development of the Navmetro System.

STATUS OF THE INTERNATIONALLY ADVERTISED TENDERS

Limited Tender by Previous Qualification for the Construction of an Interface at Vila do Conde.

This tender was launched through the publication of its Notice in the Diário da República on February 3rd, 2009 and in the OJEU on February 6th 2009.

It was subsequently cancelled by the Board (on its meeting of November 3rd, 2010 – Meting No. 315, item 3) following the order No. 510/10-SETF of June 1st, of Secretary of State for Treasury and Finance, which determines the limits of indebtedness of the State Business Sector for the period 2010-2013.

Limited Tender by Previous Qualification for the Vila do Conde Urban Insertion's 3rd Phase.

The so called "Limited Tender by Previous Qualification for the Vila do Conde Urban Insertion's 3rd Phase" was launched through the publication of its Notice in the Diário da República on February 6th, 2009, in the OJEU on February 3rd, 2009. The contract was signed on April 22nd, 2010.

Limited Tender by Previous Qualification for the Transformation and Improvement of Via Sá Carneiro in Maia.

This tender was launched through the publication of its Notice in the Diário da República on February 10th, 2009 and in the OJEU on February 12th, 2009. The contract was signed on April 14th, 2010.

Limited Tender by Previous Qualification for the Vila do Conde Urban Insertion's 2nd Phase.

The so called "Limited Tender by Previous Qualification for the Vila do Conde Urban Insertion's 2nd Phase" was launched through the publication of its Notice in the Diário da República on February 13th, 2009 and in the OJEU on February 6th, 2009. The contract was signed on April 14th, 2010.

Limited Tender by Previous Qualification for the Installation of a Signalling System in the Gondomar Line, Estádio do Dragão – Venda Nova Stretch.

This tender was launched through the publication of its Notice in the Diário da República on May 13th, 2009 and in the OJEU on May 15th, 2009. The contract was signed on February 24th, 2010.

Public Tender for the Elimination of Pedestrian Level Crossing in Travessa da Quinta - Vila do Conde.

The so called "Public Tender for the Elimination of the Pedestrian Level Crossing in Travessa da Quinta - Vila do Conde" was launched through the publication of its Notice in the Diário da República on May 6th, 2010 and in the OJEU on May 7th, 2010.

This tender came to be annulled by resolution of the Board of Directors from November 3rd, 2010.

Public Tender for Inspection, Monitoring and Health and Safety Coordination of the Vila do Conde Urban Insertion's 2nd Phase.

This tender was launched through the publication of its Notice in the Diário da República on October 6th, 2009 and in the OJEU on October 7th, 2009. The contract was signed on June 22nd, 2010.

Limited Tender by Previous Qualification for Guindais Funicular Operation and Maintenance.

With regard to the contract of Operation & Maintenance of the Guindais Funicular, the contract with Consortium Funiporto ended on December 31st, 2010 at the end of its 5 years term, with the execution of 100% of its programmed value.

To ensure continuity of service, the "Limited Tender by Previous Qualification for Guindais Funicular Operation and Maintenance" was launched through the publication of its Notice in the Diário da República on July 21st, 2010 and in the OJEU on July 24th, 2010.

A contract was signed on January 1st, 2011 with the consortium formed by Efacec and Liftech for a period of four years, starting on January 1st, 2011.

Public Tender for Geotechnical Prospection Services for the Metropolitan Area of Oporto Light Rail System 's Second Stage lines.

The so called "Public Tender for Geotechnical Prospection Services for the Metropolitan Area of Oporto Light Rail System 's Second Stage lines" was launched through the publication of its Notice in the Diário da República on July 21st, 2010 and in the OJEU on July 24th, 2010.

On December 28th 2010 the Bid Analysis Final Report was approved and the award made.

Public Tender for the Trofa Line Alternative Transport Service.

The contract with the consortium Arriva / REDM for the operation of alternative transport in the Trofa line ended on January 2nd, 2011 at the end of its two year term.

In order to ensure continuity of service, the "Public Tender for the Trofa Line Alternative Transport Service" was launched through the publication of its Notice in the Diário da República on November 11st, 2010 and in the OJEU on November 13rd, 2010.

A contract was signed on January 3rd, 2011, with Agência de Viagens e Transportes Vale do Ave, Lda. for a period of two years for a bus connection between Trofa and the ISMAI station. The beginning of service by the new operator has also taken place within the quality parameters defined.

3. METRO AND THE ENVIRONMENT

2011 is the year of publication of the 5th Sustainability Report of Metro do Porto. Since 2006, the objective of separately publishing an annual report dealing in detail with sustainability issues is met. The recognition of the Company's good practices in this area is confirmed by the assessment of clients. In the annual survey of customer satisfaction, of the eight components evaluated that contribute to the weighted satisfaction index, the "Social Image" one (which includes the impact of the Metro in society and the environment) presents year after year the highest classification, reaching 95 points out of 100 in 2010.

This year the highlight goes again to the significant impact of ongoing works, including the network extensions to Fânzeres and Santo Ovídio, in the regional labour market. The human resources directly involved in the construction of these two extensions amounted to 400 men per day.

Should we add to this number the jobs on the remaining works in progress and on the inspection of those works and of the operation, on the operation itself, including security and safety, as well as those of Metro do Porto SA itself, we should end up with a figure of more than 1,200 jobs created and / or maintained in 2010.

With regard to energy efficiency, in the Fânzeres extension more efficient street lighting and signalling equipment was used, leading to lower electrical consumption, equipment which is also more compact, leading to smaller substations than in the rest of the installed network.

In terms of heritage, maintenance and preservation work was carried out at the memory of the "Mãe de Água" at the Campo 24 de Agosto station. Still within the scope of the works in connection with the network already in operation, archaeological monitoring of the urban integration works in Vila do Conde and Póvoa de Varzim was carried out, its highlight being the discovery of a zoomorphic sculpture, made of wood, apparently of an eastern affinity. As part of the construction of the Dragão – Fânzeres stretch, the final report on the archaeological site of Paço (Bronze Age), discovered in Baguim do Monte, was issued. Also noteworthy in 2010 is the publication in the Company's website of the results of the archaeology work carried out in respect of the network in operation.

400

JOBS CREATED

The human resources directly involved in the construction of these two extensions amounted to 400 men per day. Should we add to this number the jobs on the remaining works in progress and on the inspection of those works and of the operation, on the operation itself, including security and safety, as well as those of Metro do Porto SA itself, we should end up with a figure of more than 1,200 jobs created and / or maintained in 2010.

1,200

With regard to landscaping, the landscape integration policy of Metro is based on principles of sustainable intervention, promotion of biodiversity, high suitability for the sites and optimization of the activities of construction, management and maintenance of green spaces so that they meet the needs of multiple use, integration in the environment and ecological and aesthetic qualification of the new space and its surroundings. In 2010, the highlights are the 4,229 trees planted as well as the implementation of new green areas totalling 150,962 m^2. Whenever possible, the existing vegetation was preserved, the removal of 574 trees having been inevitable, however. Of all the vegetal material applied during the year 2010, 80% was in the Estádio do Dragão – Fânzeres extension, with a view to better integrate the Metro in the landscape, focusing on feasible, easily maintained solutions.

In order to comply with the provisions of Dispatch No. 9409/2009 of the Ministério da Agricultura, do Desenvolvimento Rural e das Pescas and of the Ministério das Obras Públicas, Transportes e Comunicações of March 17th, Metro do Porto undertook the afforestation of 1.55 ha in Arouca with 1,988 oaks, as compensation for the removal, during the Estádio do Dragão – Fânzeres extension works, of 185 oak trees, which constituted a settlement and were established on a 1.24 ha area.

As the Metro's fleet of vehicles (Eurotram and Tram Train) is electricity-powered, there are no direct emissions associated with traction, but there are indirect emissions resulting from the fact that some of the electricity consumed is coming from the combustion of fossil fuels. Emissions from energy consumption by vehicles amounted to 12,554 metric tons of CO_2e (carbon dioxide equivalent), about 2% higher than in 2009 (the traction energy consumption increased between 2009 and 2010, although the emission factor for electricity has been reduced due to a mix of more sustainable sources of energy).

With regard to savings of emissions to the atmosphere, these are calculated taking into account what the alternative to use the Metro would be, i.e. the level of emissions resulting from travelling on an alternative transport (individual, collective or non-motorised transportation) is estimated. An estimated saving of 56 000 tons of CO_2e in 2010 was calculated which, deducting the emissions associated with traction, generates a net benefit to the atmosphere of 44,000 tons of CO_2e. Thus, for each kilometre travelled by a passenger, the emission of 164 grams of CO_2e is spared. In economic terms, the environmental benefits correspond to a value of approximately 240 thousand euros. On the other hand, the social benefits of time savings and reduced car parking pressure amount to over 150 million euros.

-56,000t

CO_2e

An estimated saving of 56 000 tons of CO_2e in 2010 was calculated which, deducting the emissions associated with traction, generates a net benefit to the atmosphere of 44,000 tons of CO_2e.

4. METRO AND ITS CLIENTS

4.1 CLIENTS

MP CLIENT PROFILE AND 2010 SATISFACTION LEVEL

Overall Satisfaction Level of passengers above 80%
Loyalty of Metro do Porto passengers exceeds 90%
Comfort, cleanliness and helpfulness of the staff satisfaction on the rise
The typical Metro do Porto client is a woman (62.7%) and has higher degree
More than half of Metro do Porto clients (52.7%) are between 15 and 35 years old

Quick, punctual, frequent, convenient, and affordable are the primary valences praised by Metro do Porto passengers in the Client Profile and User Satisfaction Study.

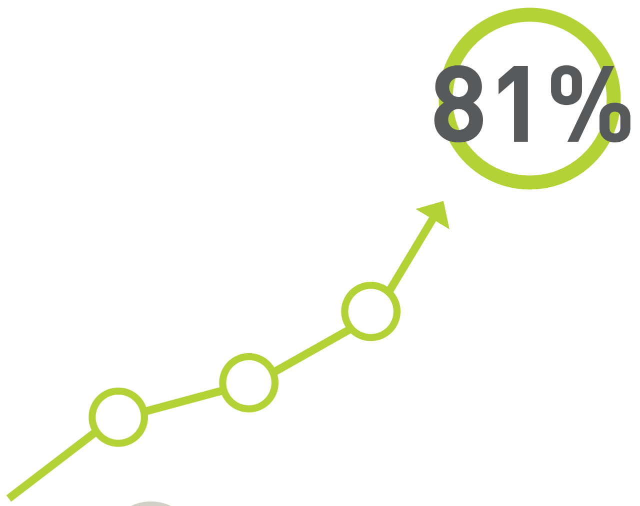
This study took place between November 17th and 23rd, 1611 individuals were interviewed. The results continue to show high levels of overall satisfaction (81%).

The overall satisfaction level achieved in 2010 is particularly relevant in the context of a change in the operator of the system. The results confirm the high evaluation of the service offered, reflected in the levels of loyalty surveyed - 94.3% of users assume that they will return to using the Metro to make their journeys in Oporto, and recommend it to friends and family.

The results let an increased satisfaction and preference of Metro do Porto users be perceive in relation not only to comfort and cleanliness of vehicles and stations, but also to the availability, education and friendliness of its staff, factors which met 78.9% and 79.7% respondent satisfaction, respectively,.

To be noted are also the high levels of Metro do Porto passenger satisfaction with the corporate social responsibility initiatives of the Company, which is considered by over 90% of respondents (94.5%) as beneficial for society, good for the environment and likely to make transport available in the future to a growing number of people.

Most indicators which have undergone the evaluation of clients maintained or improved the values recorded in the previous Satisfaction Survey. Nevertheless, there was a deterioration in the item "Information on departures and arrivals in degraded situation". Metro do Porto has already taken steps to correct the factors behind this deterioration.



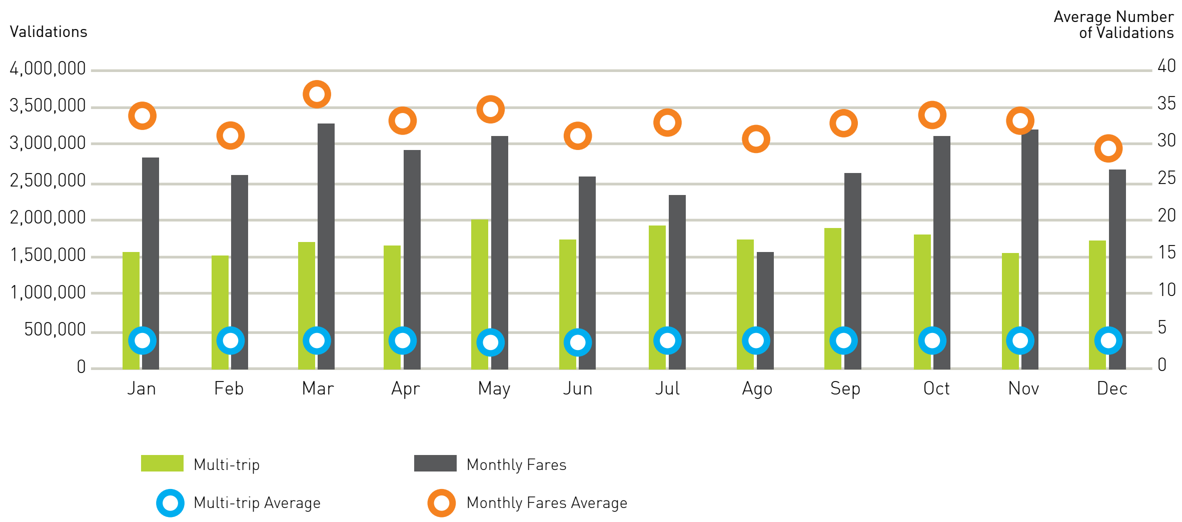
Quick, punctual, frequent, convenient, and affordable are the primary valences praised by Metro do Porto passengers in the Client Profile and User Satisfaction Study.

LIGHT RAIL SYSTEM

The number of customers who often use the metro continues to grow. Defining as number of regular clients the total number of cards which, in a given month, were validated twenty times or more, and as number of frequent clients the total number of cards which were validated at least twice the number of week days in that month, one obtains the following averages:

Monthly Average	Regular Clients			Frequent Clients		
	2008	2009	2010	2008	2009	2010
Metro do Porto	58,542	60,590	63,141	25,755	26,932	28,536
Andante System	86,674	97,681	107,330	51,637	59,490	63,903

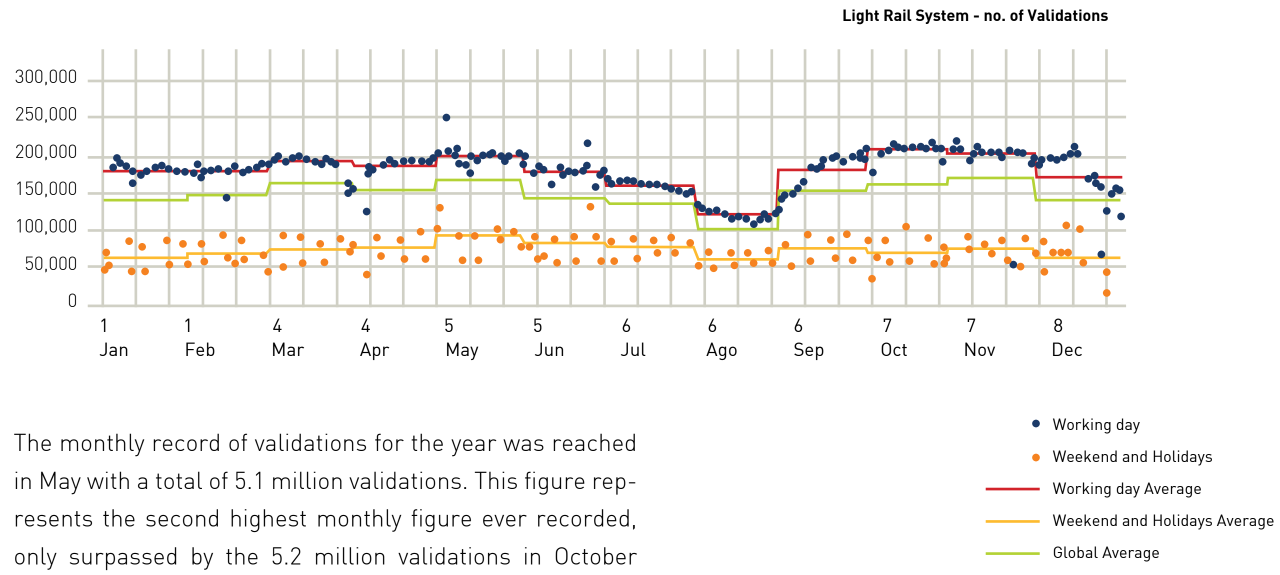
In parallel, an increase of 5.8 percentage points in the weight of the monthly tickets was found in 2010, amounting in 2010 to 61.0% of the total validations in the Light Rail System. On average, there is in 2010 an average of 4.2 metro validations per multitrip card used (4.8 validations on average in 2009) and an average of 33.0 per monthly card used (32, 2 last year).



There were in 2010 a total of 53.5 million passengers, representing a growth rate of 1.8% in total validations, below the 2.2% growth seen between 2008 and 2009.

The last significant increase in network size occurred in 2006 (24.2 km and 24 new stations), so it is very important to see that in 2010 946.8 thousand more passengers were transported than in 2009, over 2.1 million passengers more than in 2008 and 5.4 million more than in 2007.

A total of 267.1 million passenger kms was recorded, 2.3% higher than the figure for 2009, due to the increase of 1.8% of passenger numbers and a 0.5% increase in average trip length, which amounted to 4,987 metres in 2010.



The monthly record of validations for the year was reached in May with a total of 5.1 million validations. This figure represents the second highest monthly figure ever recorded, only surpassed by the 5.2 million validations in October 2008, the podium completed by the 5.0 million validations recorded in October 2009.

The following table shows the evolution of the average daily validations between 2006 and 2010 and its quarterly growth over 2010, reflecting the seasonal decline in the number of trips in the third quarter:

Average no. of Validations	2006	2007	2008	2009	2010	1st Quarter 2010	2nd Quarter 2010	3rd Quarter 2010	4th Quarter 2010
Working Days	128,547	160,085	172,319	176,754	180,261	186,048	189,696	142,921	188,698
Weekends and Holidays	57,150	70,046	72,422	72,947	72,822	68,380	79,779	69,435	72,206
Monthly	105,856	131,963	140,658	143,867	146,705	149,440	153,460	121,586	152,413

The Ministério das Obras Públicas, Transportes e Comunicações has promoted, in 2008, the launch at a national scale of a ticket for non-higher education students between the ages of 4 and 18 years (the 4_18@escola.tp ticket) and, in 2009, the sub23@superior.tp ticket, intended for students of higher education with aged below 23. These tickets provide a 50% discount on the tariff in force for regular use of public transport between home and school, the discount to be borne by the State and by the operators.

Altogether, there were 8.6 million Light Rail System validations with these tickets in 2010 (4.9 million in 2009), plus 4.6 million validations with other social tickets (7.2 million in 2009). In aggregate terms, the validations with reduced tariff tickets represent 24.7% of the 2010 validations (23.1% in 2009).

8.6

MILLION
Light Rail System validations with 4_18@escola.tp and sub23@superior.tp tickets.

The loads by stretch, shown in the following chart represent the number of passengers who travelled between each pair of stations. The urban sections present values over ten times higher than those at the extremities of the network.

On average, for all the days and hours of operation, peak load occurs in the Trindade - Lapa section, where there is an average of 8.5 million passengers per direction. The sections Lapa – Casa da Música (between 8.0 and 8.4 million) and Casa da Música - Viso and Trindade – Bolhão sections (between 6.3 and 7.1 million). In the Yellow line the highest load occurs in the section S. Bento - Marquês, with values between 4.9 and 5.6 million passengers, close to the levels in the section Viso - Senhora da Hora, where loads between 5.5 and 6.0 million passengers are observed.

The sections Brito Capelo - Senhor de Matosinhos, Portas Fronhas - Póvoa de Varzim and Maia Forum - ISMAI did not reach 600,000 passengers per year and direction (values significantly below this threshold having been recorded at the end of the Blue line and in the last part of the Green line).

Assuming that a trip begun more than 70 minutes after the start of the previous trip represents the start of a journey, it is possible to split the validations at the different stations of the Light Metro System between those which start a journey within the Andante system and those corresponding to a transfer (between operators or between vehicles of the same operator) within a journey. The table below presents the top ten stations with the greatest number of journey starting validations, as well as the share of that type of validation in the total number of validations at that station.

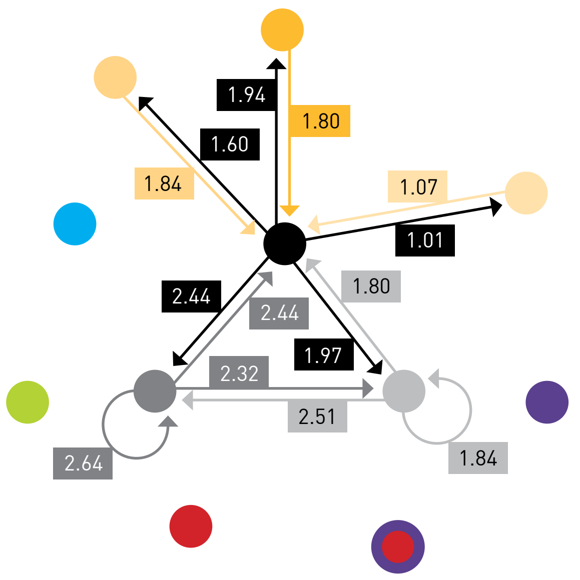
Station	Entries into the System	Entries/ Validations
Trindade	2,433,778	23.5%
Casa da Música	1,924,207	60.3%
Bolhão	1,696,885	72.9%
São Bento	1,635,509	69.6%
João de Deus	1,532,588	81.0%
Campanhã	1,453,526	58.8%
D. João II	1,209,484	80.3%
Estádio do Dragão	1,183,759	74.7%
Sr.ª da Hora	1,149,600	55.0%
Marquês	1,080,775	78.3%

The station of Trindade, at the crossroads of five lines of the Light Rail System, presents itself as the centre of the system. Considering the two platforms at this station, the Yellow line one and the one for the common section of the remaining lines of the system, it recorded a total of 10.3 million validations (growth of 2.7%). Of the total recorded validations at Trindade, about 76.5% are transfers. Excluding the transfers, i.e., only considering the use of stations as points of entry into the Andante system, the three main stations are, besides Trindade (2.4 million trips), Casa da Música (1.9 million) and Bolhão (1.7 million).

From a more detailed analysis of the origin / destination matrix of Light Rail System validations one also concludes recognizing Trindade's central role in LRT system trips, 38.7% of validations having it as origin or destination.

Aggregating the origins and destinations by sections, it is concluded that 73.7% of the validations have as their origin and destination stations in the common trunk (between Senhora da Hora and Estádio do Dragão) or in the Yellow line (between D. João II and Hospital S. João) - i.e., they take place entirely in the core network, which represents 29.7% of its total length in km. The first 69 origin - destination pairs are exclusively made up of common trunk and Yellow line stations. The first pair where a station that is not part of this set appears is in 70th place: Póvoa de Varzim - Trindade, with about 142,000 trips in 2010.

If we analyze the main origin / destination flows, we see that the "antenna" of the Blue, Green, Red and Violet lines, with a total of 42 stations, cannot be found between them. The sections of the Yellow Line (14 stations) appear through their links with Trindade. The various sections of the common trunk appear not only in their connections with Trindade but also through links between them and within each section itself:



Sections	Stations
Trindade	1
Sr.ª Hora - Lapa	8
Bolhão - Dragão	5
S. Bento - Salgueiros	6
D. João II - Jardim do Morro	5
Pólo Universitário - Hospital S. João	3
Blue line antenna	9
Green line antenna	11
Red line antenna	16
Red and Violet lines common trunk	5
Airport extension	2
	71

Note: the numbers in the boxes refer to millions of trips in 2010 between stations of the origin section and stations of the destination section; the image represents only the links where the average number of trips per station is larger.

2010
Origin/destination aggregated matrix
OD pairs with more than 160 000 trips per station (O+D) per year
(unit: million trips)

73.7%

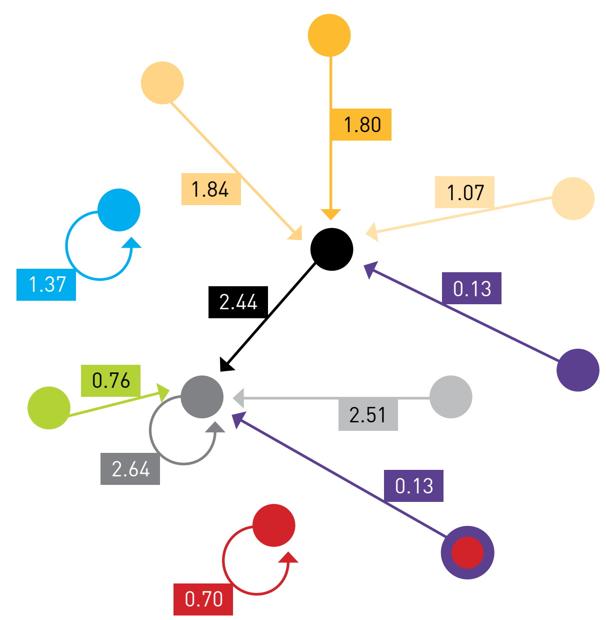
ORIGIN/DESTINATION MATRIX

Aggregating the origins and destinations by sections, it is concluded that 73.7% of the validations have as their origin and destination stations in the common trunk (between Senhora da Hora and Estádio do Dragão) or in the Yellow line (between D. João II and Hospital S. João).

Trindade

Trindade was the main destination of the various sections of the Yellow Line and of the Airport Extension.

The Red and Blue lines "antenna" were the main destination of journeys undertaken from each "antenna" itself. The section Senhora da Hora - Lapa was the main destination for the set of journeys undertaken from that same section as well as from Trindade, from the section Bolhão – Estádio do Dragão, from the "antenna" of the Green line and from the Red and Violet lines to the common trunk. Trindade was the main destination of the various sections of the Yellow Line and of the Airport Extension.



Sections	Stations
Trindade	1
Sr.ª Hora - Lapa	8
Bolhão - Dragão	5
S. Bento - Salgueiros	6
D. João II - Jardim do Morro	5
Pólo Universitário - Hospital S. João	3
Blue line antenna	9
Green line antenna	11
Red line antenna	16
Red and Violet lines common trunk	5
Airport extension	2
	71

2010
Origin/destination aggregated matrix
Main destination for each source
(unit: million trips)

PARK & RIDE

In late 2010, Metro do Porto offered over 25 car parks in actual operation with a total capacity of 2,788 parking spaces, thereby ensuring conditions for the interface between private transport and the metro and greater accessibility to the collective transport system.

These figures include the new park at the Pedras Rubras station, opened in 2010, which provides about 170 parking spaces. Already in January 2011 with the opening of the Orange line, four more free parks were available, with a total of 462 places.

The charged but low cost Park & Ride solution is in use just at the ParqueMetro, at the Estádio do Dragão station, the remaining parks being used for free. Also available is a low-fare Park & Ride service holders of the Andante Park & Ride monthly tickets at the underground park adjacent to the Forum Maia station.

ParqueMetro recorded 102,378 entries in 2010 (3% less than in 2009) corresponding to an average occupancy, weekdays, of 390 vehicles. The paid load factor ranged between 31% in August and 52% in January and March.

With regard to the parks for free use, load factors differ by location and season. Observations show total occupation is common on working days in the parks at the Boticas and Senhora da Hora stations and exceeding 85% at Parque Maia.

FUNICULAR DOS GUINDAIS

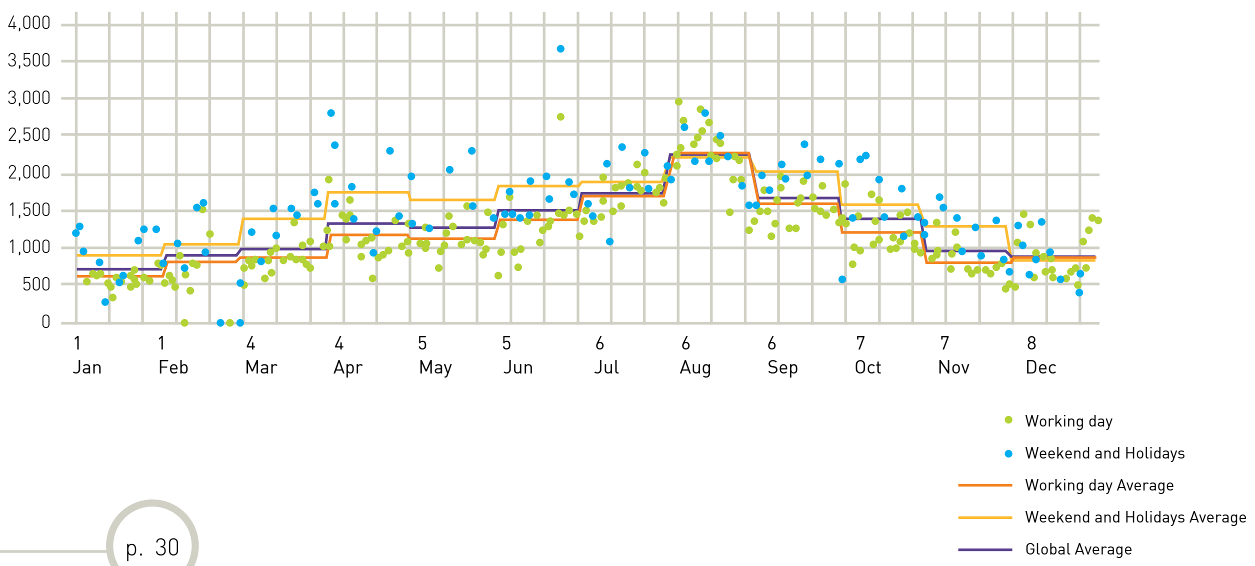
There were a total of 467,195 validations at Funicular dos Guindais, representing an increase of 4.1% over 2009. Given the distance of 280 metres per trip, this represents a total of 130,815 passenger kms, the facility's predominant use in non-working days having been observed again. In these days 36.6% of total validations occurred, a marginally lower percentage than in the previous year. The peak monthly use remained in August, with 69,104 validations, representing 14.8% of the annual validations.

467,195

VALIDATIONS

There were a total of 467,195 validations at Funicular dos Guindais, representing an increase of 4.1% over 2009.

Light Rail System - no. of Validations



4.2 SERVICE

LIGHT RAIL SYSTEM

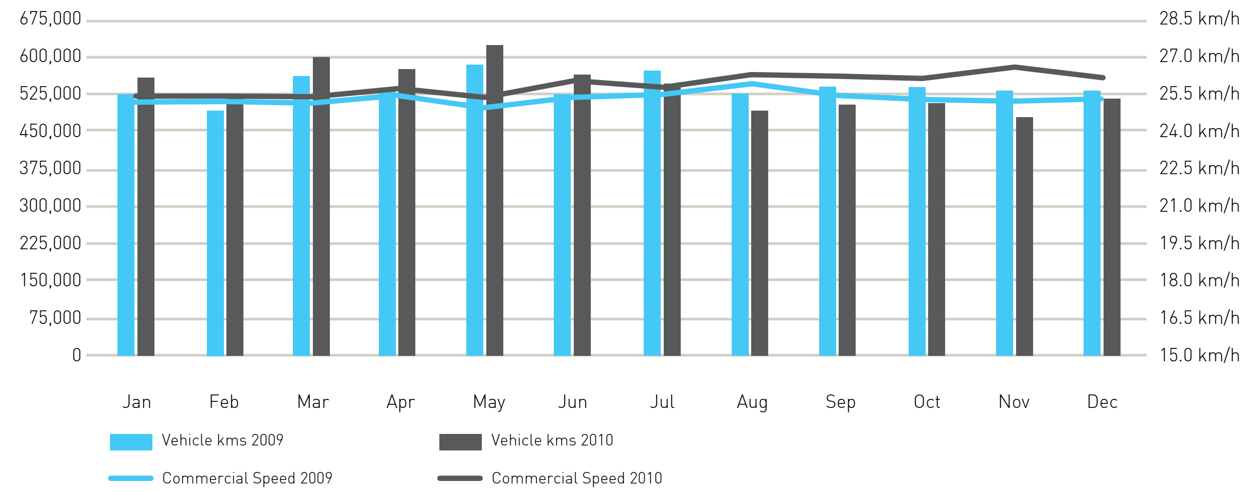
There was a marginal reduction in 2010 of 0.2% in total miles travelled in commercial service, 6,462 thousands of (equivalent to simple) vehicle- kms having been offered.

With the entry into service of Tram Train vehicles, whose capacity is 248 passengers (32 more than Eurotram vehicles), there was an increase in the average capacity per vehicle, which amounted in 2010 to 227 passengers, resulting in a total of 1,464 seat kilometres offered, 4.7% more than in 2009.

This penalizes the system's load factors, generating the first ever annual decline in the overall load factor, despite the higher number of passenger-kms and the stability of the vehicle-kms offered.

About 36% of the supply is concentrated in the common trunk of the network (between the Estádio do Dragão and Senhora da Hora stations, a length of 9.6 kms) and 21% in the Yellow line (length of 8.0 kms). Together, the common section of the Red Line and Airport, between the Os Verdes and Senhora da Hora, and the Red line antenna, among the first of those stations and the Póvoa de Varzim station, 24.0 kms in length, absorb 24% of the annual supply.

Vehicle kms by Stretch	2007	2008	2009	2010	% 10
Common Stretch	2,567,256	2,420,513	2,395,573	2,348,725	36.3%
Blue Line Antenna	496,133	539,613	590,572	568,518	8.8%
Red/Airport Common Stretch	619,304	527,215	515,272	540,094	8.4%
Red Line Antenna	1,225,687	937,037	903,749	993,984	15.4%
Green Line Antenna	737,965	627,777	595,109	627,306	9.7%
Yellow Line	1,268,807	1,369,219	1,413,829	1,333,928	20.6%
Airport Stretch	58,586	59,109	58,345	49,136	0.8%
TOTAL	6,973,738	6,480,483	6,472,450	6,461,692	100.0%



There has been a change in the methodology for calculating the overall average commercial speed, implying the need to revise the figures published for previous years. The speed now published is obtained by dividing the total vehicle-kms by the total vehicle-hours (the latter without the time during which vehicles are stopped at terminal stations). There has been no change in the calculation of average speeds by line, which is based on the travel time between stations and the time during which vehicles are stopped at stations (with the exception of the termini).

The overall average commercial speed, calculated from sensor records, amounted in 2010 to 26.0 km/h and the average speed of passengers (commercial speed weighted by each stretch's load) to 27.7 km/h.

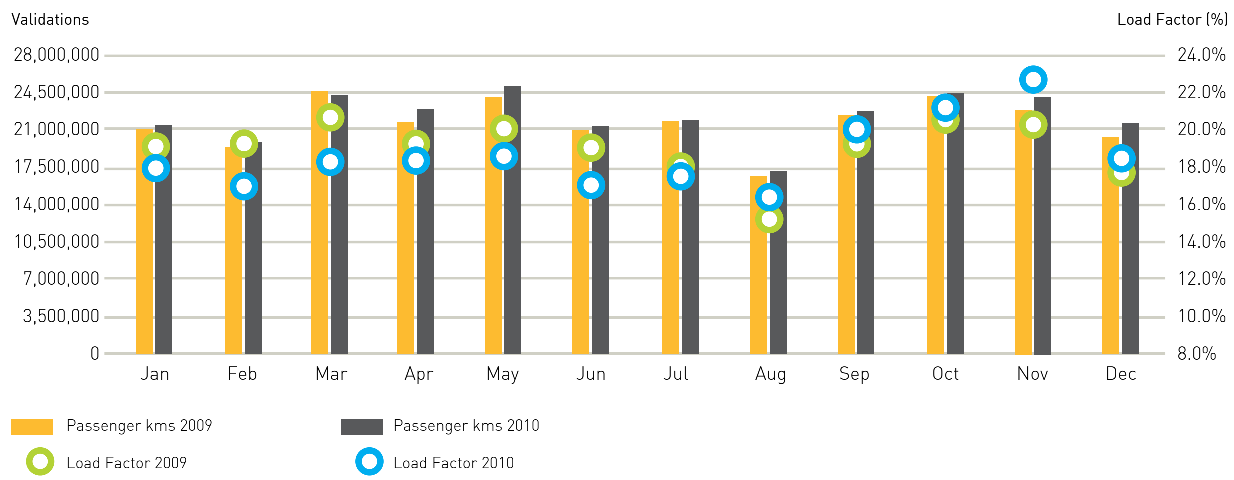
The following table shows the evolution of these values for each of the connections offered by Metro do Porto:

Commercial Speed (km/h)	2006	2007	2008	2009	2010
Blue Line	23.5	23.2	22.8	22.7	22.5
Red Line	31.2	32.2	32.0	32.3	32.4
Green Line	27.5	27.3	27.7	27.7	27.8
Yellow Line	21.6	21.5	20.5	19.5	20.8
Violet Line[1]	27.0	27.3	27.3	28.0	28.2
OVERALL	26.0	26.4	25.7	25.5	26.0
PASSENGERS	28.0	28.0	27.9	27.2	27.7

[1] The figures for 2010 do not include the Verdes - Aeroporto stretch information.

As a result of the increased average capacity of transport due to the use of Tram Train vehicles, the overall Light Rail System load factor was reduced by 0.44 percentage points as compared to 2009, to 18.2% in 2010. Should the effect of the increased transport capacity be eliminated, the load factor would rise to 19.1% - which would represent an increase of 0.46 percentage points.

The occupation record was beaten in November with a load factor of 22.1%, a fact even more significant if we take into account the increase in transport capacity after the entry into operation of Tram Train vehicles.



Looking at peak occupancies per hourly slot, we find that in the first half of the year they were in the morning rush hour, alternating in the second half between this time slot, the evening rush hour and, for the first time since the start of the operation of the System, the 13h - 14h slot in the months of October and December - a sign that this unexpected change in popular mobility habits is not random, rather a lasting one.

Note that these load factors represent monthly averages, considering week days, weekends and holidays, as well as all sections of the network in both directions. Analyzing the peak occupancy per hourly slot / stretch / direction, load factors consistently above 70% (reported to all seven days of the week, and not just working days) are achieved, with peaks above 90%.

At the opposite extreme, the average number of passengers per vehicle does not reach ten between Brito Capelo and Senhor de Matosinhos (and is even considerably lower most of the time).

Load Factor	Month	Average Peak	Time
January	17.4%	26.6%	8h - 9h
February	16.6%	24.3%	8h - 9h
March	18.0%	26.7%	8h - 9h
April	17.8%	25.5%	8h - 9h
May	18.0%	25.4%	8h - 9h
June	17.0%	23.5%	8h - 9h
July	17.7%	25.0%	18h - 19h
August	15.8%	21.7%	18h - 19h
September	19.5%	26.1%	8h - 9h
October	21.4%	30.2%	13h - 14h
November	22.1%	32.8%	8h - 9h
December	18.1%	25.1%	13h - 14h

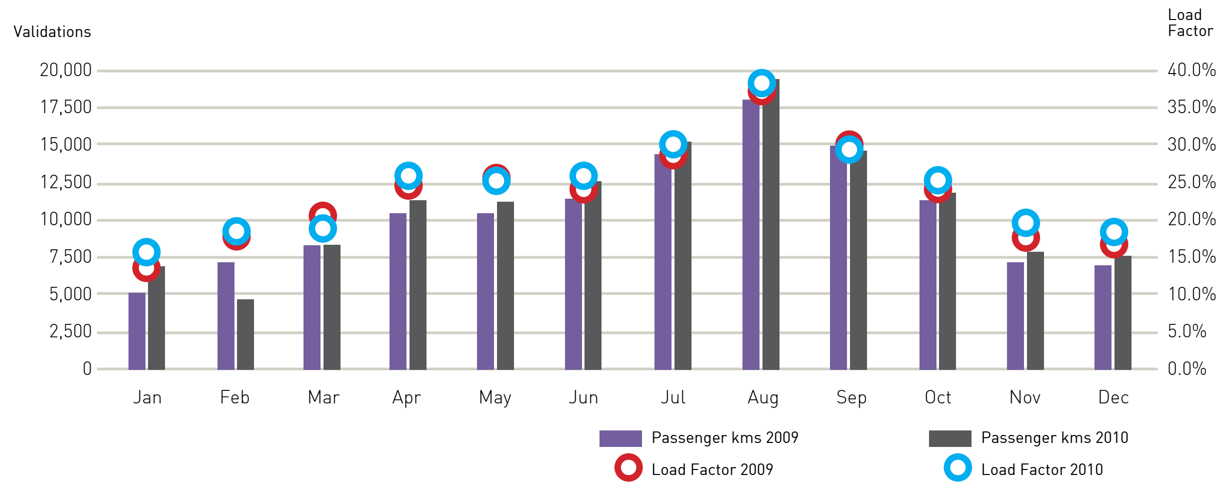
Reversing the trend of growth of these occurrences, there were in 2010 thirty-three less circulation accidents, a total of fifty-four. Pondering these occurrences by the level of supply, there is in 2010 a rate of 0.08 accidents per 10,000 kms, compared with a rate of 0.13 accidents per 10,000 km last year.

FUNICULAR DOS GUINDAIS

The new operator of his infrastructure took office on January 1st, 2011.

A total of 37,946 trips were offered in 2010, corresponding to 531,244 seat kms, 1.4% less than in 2009. To this offer corresponds an average load factor of 24.6%, 1.31 percentage points up on 2009's.

Reflecting Funicular dos Guindais' load factor patterns, on weekends and holidays load factors amount to 27.4%, which is 4.1 percentage points higher than the load factor on weekdays.



4.3 METRO DO PORTO'S COMMUNICATION AND IMAGE

Metro do Porto has been focusing in greater proximity to customers through the use of tools for fast and direct communication, searching in parallel for greater and better evaluation of the return of the service provided. To that effect, there was in 2010 an expansion of digital communication channels and of the use of social networks. The official website of the Company achieved record levels of consultation with over 600,000 visits in 2010, boosted by the presence on social networking sites Facebook (more than 13,000 followers, more than double the whole of the other Portuguese operators and industry leader in the Iberian Peninsula), Twitter (over a thousand followers) and YouTube.

600,000

www.metrodoporto.pt
The official website of the Company achieved record levels of consultation with over 600,000 visits in 2010.

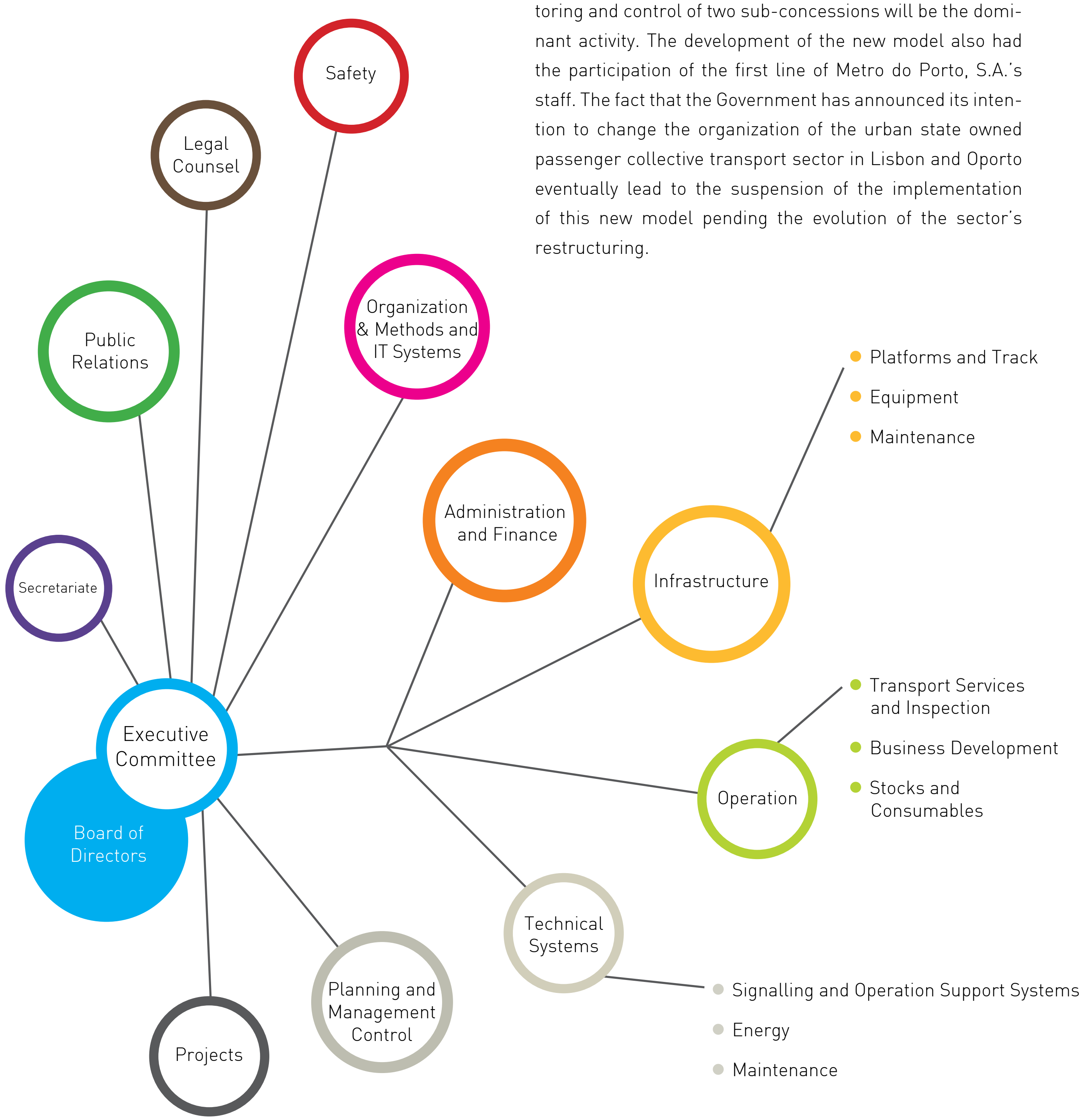
The international image and prestige of Metro do Porto were reinforced throughout the year with the completion of a series of visits to the network by authorities and companies (mostly European), to assess and know the work carried out here. Also relevant were Oporto hosting a session of the UITP Training Program in March, and the active participation in the Madrid Conference of the Light Rail Committee.

In 2010, the partnership established with the TV channel Porto Canal had public expression through the emission of the 'Metro a Metro' program - 37 sessions of 25 minutes - between March and October. This series of programs addressed a wide range of issues and significant advantages of the system by involving a public figure in the city in each session, invited to perform "his" journey in the light rail network.

5. METRO AND ITS STAFF

5.1 ORGANISATIONAL STRUCTURE

The current organizational model was the subject of an analysis conducted with the assistance of an outside consultant (Hay Group, S.A.), the first step for the development and deployment of a new organizational model where monitoring and control of two sub-concessions will be the dominant activity. The development of the new model also had the participation of the first line of Metro do Porto, S.A.'s staff. The fact that the Government has announced its intention to change the organization of the urban state owned passenger collective transport sector in Lisbon and Oporto eventually lead to the suspension of the implementation of this new model pending the evolution of the sector's restructuring.



5.2 STAFF

In late 2010, staff in service amounted to 100 employees, two more than last year (as a result of integration of two elements previously serving Metro do Porto through external service providers). About 70% of employees are technical staff and have higher education.

	2007	2008	2009	2010
Total Staff	122	122	121	120
Excluding CP/REFER (not part of MP teams)	106	106	108	110
Excluding CP/REFER (not part of MP teams), seconded to TIP, ACE or other State owned companies	94	95	98	100
Average Total Staff	**91**	**93**	**94**	**99**
Quadros Técnicos	80%	78%	80%	71%

6. METRO AND ITS SHAREHOLDERS

6.1 SHAREHOLDING STRUCTURE

There were no alterations in the shareholding structure of Metro do Porto, S.A., where the Portuguese State maintains its 40% share, to which accrues the indirectly held participation of 20% through the shares of Sociedade de Transportes Colectivos do Porto (16.7% of the share capital) and Caminhos de Ferro Portugueses (3.3%), these Companies being fully owned by the State, in addition to being strategic partners of Metro do Porto in the Oporto Metropolitan Area intermodal project.

The share capital is represented by 1,500,000 shares with a nominal value of 5 euros, allocated as follows:

Shareholder	Shares	% Shareholding
Portuguese State	600.000	40.0%
Oporto Metropolitan Area[1]	600.000	40.0%
STCP	250.000	16.7%
CP	50.000	3.3%

1 - Including the Municipalities of de Gondomar, Maia, Matosinhos, Oporto, Póvoa de Varzim, Vila do Conde, Vila Nova de Gaia, with one share each.

6.2 COMPOSITION OF GOVERNING BODIES

In the General Shareholders Meeting held on March 25th 2008 the governance bodies for the period 2008 to 2010 were elected, mirroring the new governance model. This model determines the accumulation in the same person of the functions of Chairman of the Board and of Chairman of the Executive Committee, the appointment by the State of the majority of the Board and the existence of an Audit Committee.

The Board of Directors of Metro do Porto SA decided to co-opt Mr. Gonçalo Nuno de Sousa Gonçalves Mayan to integrate the Board as a non-executive member to replace Mr. Rui Rio, who resigned through a letter dated of May 5th, 2010. The decision will be ratified at the next Shareholders Meeting of the Company.

General Meeting Board:
President: Major Valentim dos Santos de Loureiro
Vice-President: Alberto João Coraceiro de Castro
Secretary: Luís Artur Miranda Guedes Bianchi de Aguiar

Board of Management:
President: António Ricardo de Oliveira Fonseca
Executive Member: Maria Gorete Gonçalves Fernandes Rato
Executive Member: Jorge Moreno Delgado
Non Executive Member: Fernanda Pereira Noronha Meneses Mendes Gomes
Non Executive Member: Gonçalo Nuno de Sousa Mayan Gonçalves
Non Executive Member: Mário Hermenegildo Moreira de Almeida
Non Executive Member: Marco António Ribeiro dos Santos Costa

Audit Committee:
President: Maria Fernanda Joanaz Silva Martins
Effective Member: Guilherme Manuel Lopes Pinto
Effective Member: "António Magalhães & Carlos Santos – SROC" represented by Carlos Alberto Freitas dos Santos
Substitute Member: José Rodrigues de Jesus

Remuneration Committee:
President: Filomena Maria Amaro Vieira Martinho Bacelar
Effective Member: Sara Alexandra Ribeiro Pereira Simões Duarte Ambrósio
Effective Member: Manuel Castro de Almeida

External auditing of the 2008 accounts is the responsibility of PriceWaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.

CURRICULUM VITAE - GOVERNING BODIES

CHAIRMAN:
António Ricardo de Oliveira Fonseca

Chairman of the Board
Chairman of the Executive Committee

Departments overseen:
- Legal
- Planning & Management Control
- Safety
- Organization & IT Systems
- Communications

Positions in companies where Metro do Porto participates:
- Chairman of the Board of TIP – Transportes Intermodais do Porto, ACE;
- Board Member of Nortrem – Aluguer de Material Ferroviário, ACE
- Manager of Metro do Porto Consultoria – Consultoria em Transportes Urbanos e Participações, Unipessoal, Lda.

1st Degree in Economics, Faculdade de Economia da Universidade do Porto

Professional Experience:
- Chairman of the Board of, APDL – Administração dos Portos do Douro e Leixões, SA
- President of APP – Associação dos Portos de Portugal
- Managing Director, STCP
- Vice-president, TDM – Televisão de Macau
- Board Member of STCP
- Internal Auditing Coordinator, Grupo ITT – Oliva/Rabor

BOARD MEMBER:
Maria Gorete Gonçalves Fernandes Rato

Board Member
Executive Committee Member
Replaces the Chairman when absent or impeded

Departments overseen:
- Operations
- Finance & Administration

Positions in companies where Metro do Porto participates:
- Chairman of the Board of Transpublicidade, S.A.
- Board Member da TIP – Transportes Intermodais do Porto, ACE

1st Degree in Economics, Faculdade de Economia da Universidade do Porto

Executive MBA, Instituto de Estudos Superiores Financeiros e Fiscais

Post-Graduation in Ciências Jurídico – Empresariais, Universidade Católica do Porto

Professional Experience:
- Commercial Director of the Northern Region, Caixa Leasing e Factoring, SA
- Commercial Vice-Director, Locapor, SA
- Head of Oporto delegation, Locapor, SA
- Sales staff, Euroleasing, SA
- Assistant Sales staff, Renault Gest, SA.

BOARD MEMBER:
Jorge Moreno Delgado, Ph.D.

Board Member
Executive Committee Member

Departments overseen:
- Infra-structure
- Technical Systems
- Projects

1st Degree in Civil Engineering, Faculdade de Engenharia da Universidade do Porto

Master of Science in Civil Engineering, Faculdade de Engenharia da Universidade do Porto

Ph. D. in Civil Engineering, Faculdade de Engenharia da Universidade do Porto

Professional Experience:
- Assistant Lecturer, ESTG/Instituto Politécnico de Viana
- Vice-President of Escola Superior de Tecnologia e Gestão do Instituto Politécnico de Viana
- Member of Management Committee of Escola Superior de Tecnologia e Gestão do Instituto Politécnico de Viana
- Coordinator of 1st Degree Course in Engenharia Civil e do Ambiente of Escola Superior de Tecnologia e Gestão do Instituto Politécnico de Viana
- Consultant, NEWTON – Consultores de Engenharia Lda.

BOARD MEMBER:
Fernanda Pereira Noronha Meneses Mendes Gomes

Board Member
Chairman of the Board, STCP

1st Degree in Law

Post-graduation in Ciências Político Económicas, Faculdade de Direito da Universidade de Coimbra

National Professional Certificate for Passenger Bus Driving, 2002

Professional Experience:
- Metro do Porto, SA - Director – not in active service at the moment
- Metro do Porto, SA - Consultant
- STCP, SA - Board member
- Coelima, SA – Non executive Board Member
- Norcrédito, SA – Chairman of the Board
- Parvir, SA – Chairman of the Board
- Socifa Investimento,SA – Board member
- Crédito Predial Português – Director
- Banco da Agricultura – Management Committee
- Banco Borges & Irmão – Technical Staff
- Gabinete de Estudos do Comissariado de Turismo – Technical Staff

BOARD MEMBER (non-executive)
Rui Fernando da Silva Rio

Board Member
President of the Municipality of Oporto
President of Junta Metropolitana do Porto

1st Degree in Economics, Faculdade de Economia da Universidade do Porto

Professional Experience:
- Vice-President of Partido Social Democrata
- President of Eixo Atlântico do Noroeste Peninsular
- General Secretary of Social Democratic Party
- President of CIN's Audit Committee
- Board member of Conselho Fiscal da CGD
- Member of Parliament
- Finance Director at CIN, Corporação Industrial do Norte, S.A.
- Economist, Banco Comercial Português
- Consultant, textile and metallurgic companies

BOARD MEMBER (non-executive)
Marco António Ribeiro dos Santos Costa

Board Member
Vice-President of the Municipality of Vila Nova de Gaia

1st Degree in Law, Universidade Católica do Porto

Professional Experience:
- Vice-President of of the Municipality of Valongo
- Member of Board of Agência de Desenvolvimento Regional - PRIMUS S.A;
- Member of IXth Parliament, Vice-President of the Social Democratic Party Group in Parliament
- Vice-Secretary of State of the Ministério da Segurança Social da Família e da Criança of the XVIth Constitutional Government;
- Member of Xth Parliament (not active);
- Board member of Empresa Águas do Douro e Paiva

BOARD MEMBER (non-executive)
Mário Hermenegildo Moreira de Almeida

Board Member
President of the Municipality of Vila de Conde

1st Degree in Civil Engineering

Professional Experience:
- President of Associação Nacional de Municípios Portugueses
- Vice-President of the Conselho de Municípios e Regiões da Europa
- Vice-President of Organização Ibero-Americana para a Cooperação Intermunicipal

BOARD MEMBER (non-executive)
Gonçalo Nuno de Sousa Mayan Gonçalves

Board Member
Municipality of Oporto Council member, responsible for Urbanisation and Mobilityaffairs

Board Member of Porto Vivo, Sociedade de Reabilitação Urbana;
Manager of "Porto e Norte de Portugal - Entidade Regional de Turismo";
Member of "Lipor - Serviço Intermunicipalizado de Gestão de Resíduos do Grande Porto"' Intermunicipal Assembly.

1st Degree in Administration and Management, Faculdade de Ciências Económicas e Empresarias da Universidade Católica Portuguesa

Experiência Profissional:
- Municipality of Oporto Council member, responsible for Education, Sport, Youth and Innovation affairs and Tourism and Cultural affairs
- Chairman of the Board of "Porto Lazer, EEM"
- Chairman of the Board of "Associação de Turismo do Porto"
- Chairman of the Board of "Fundação Ciência e Desenvolvimento"
- Chairman of the Board of "Associação Gabinete Desporto do Porto"

6.3 REPORTING OBLIGATIONS AS A MEMBER OF THE STATE-OWNED SECTOR

With the change in ownership structure occurred on March 25th, 2008, Metro do Porto, S.A. became a state-owned company. Metro do Porto, S.A. thus integrates the business sector of the State, so its management reports are to include the information set out in Decree-Law 558/99, in the wording of article 13 as established by article 2 of Decree-Law 300/2007, as interpreted in Letter No. 1057/2011 of Direcção Geral do Tesouro e das Finanças.

6.3.1 GOOD GOVERNANCE PRINCIPLES

The Council of Ministers Resolution 49/2007, of March 28th, 2007, defines the Good Governance Principles for the State owned sector.

That Resolution sets a number of principles aimed at encouraging the adoption of high performance governance models, including the adoption of coordinated sustainability strategies in the economic, social and environmental domains. Principles regarding the provision of information by State owned companies to the citizens and taxpayers are also prescribed.

The following table shows the location of the published information, in accordance with the above referred Resolution of the Council of Ministers 49/2007, of March 28th, 2007:

Information concerning the Governance of the Company to be published in the Annual Report	Location
Mission, Objectives and Policies	
Explanation of mission and of how it is carried out	Sustainability Report Chapter: Presentation of Metro do Porto
Explanation of objectives and of their degree of achievement	Along the Sustainability Report This Point of the Annual Report
Governance model and identification of Governing Bodies	
Identification of all members of the Governing Bodies	Point 6.2. of the Annual Report
Identification of their functions and areas of responsibility within the Company	Point 6.2. of the Annual Report
Identification of specialised committees (if any) integrating members of the Board	Point 6.2. of the Annual Report
Identification of the external auditor, if one exists	Point 6.2. of the Annual Report
Compensation of members of the Governing Bodies	
Individual reference to the (executive and non-executive) members of the Board, the audit Committee and of the General Meeting Board who have been in function within the year, specifying the details of the period if it less than the full year	Point 6.2. of the Annual Report
Indication of the overall compensation received by each member and of the remaining benefits provided by the Company, as well as discounts under Article 12 of Law no. 12-A/2010, of June 30th.	Point 23 of the Annex to the Annual Report
Internal and External Regulations	
Summary reference to these regulations, presenting the most important and relevant points	This Point of the Annual Report
Information on relevant transactions with related entities	
Information on related transactions with related entities.	This Point of the Annual Report
Information on Other Transactions	
Procedures followed for the purchasing of goods and services	This Point of the Annual Report
Universe of transactions occurred outside market conditions.	This Point of the Annual Report
List of suppliers representing more than 5% of goods and services purchased (should that percentage exceed 1 M€)	Point 27 of the Annex to the Annual Report
Sustainability Analysis	
Strategies followed	Sustainability Report Chapter: Strategy and Sustainability This Point of the Annual Report
Degree of achievement of set goals	Along the Sustainability Report
Policies followed to ensure the economic, financial, social and environmental efficiencies and to safeguard quality norms	Sustainability Report Chapter: What we achieved...
Identification of the main risks for the Company's future	Annex to the Annual Report and Sustainability Report Chapter: Corporate Governance
Guarantees regarding the promotion of equal opportunities, respect for human rights and non discrimination	Sustainability Report Chapters: Corporate Governance Social Responsibility
Adequate management of the Company's human capital, promoting individual enrichment, setting up systems that guarantee welfare and compensate the merit of staff	Sustainability Report Chapter: Social Responsibility
Adoption of environmentally correct practices	Sustainability Report Chapter: Environment
Creation of shareholder value (increased productivity, client focus, reduction of risks stemming from the environmental, economic and social impact of the activities carried out, etc.)	Sustainability Report Chapter: What we achieved...
Promotion of environmental protection	Sustainability Report Chapter: Environment
Contribution to social inclusion (employability)	Sustainability Report Chapter: Social Responsibility
Public service and satisfaction of community needs	Sustainability Report Chapter: Economic Perspective
Ways in which the Company's competitiveness was safeguarded, namely through research, development and integration of new Technologies in the productive process	Sustainability Report Chapter: Social Responsibility
Action plans for the future	Along the Sustainability Report and Point 9 of the Annual Report

Information concerning the Governance of the Company to be published in the Annual Report	Location
Evaluation of the degree to which the Good Governance Principles are respected (Information about whether the Company is unable to meet some of the Principles indicating the reasons why)	This Point of the Annual Report
Ethics Code	
Reference to the existence or adherence to a Code of Ethics	This Point of the Annual Report
Indication of where it is available for consultation	This Point of the Annual Report
Others	
Information on the existence of a control system compatible with the size and complexity of the company in order to protect their assets and investments, which should cover all relevant risks to the company	This Point of the Annual Report
Identification of the mechanisms adopted for the prevention conflicts of interest	This Point of the Annual Report
Explanation of the disclosure of all updated information predicted in Resolution of the Council of Ministers No. 46/2007 of March 28th	This Point of the Annual Report

The Company has a code of ethics, available at www.metrodoporto.pt.

In 2011, the Company will publish an equality plan. Under AMP's Metropolitan Transportation Authority, an AMP's transport ombudsman will be appointed in 2011 - accessible and free, through whom the clients' and the general public's right of complaint can be exercised, as well as suggestions can be made.

The day to day management of the Company is delegated by the Board to a full time Executive Committee, which meets weekly. Subjects in need to be approved by the Board, according to the statutes of the Company, are deliberated in biweekly meetings. Besides the Audit Committee, the monitoring of the Company's activity is carried out by several isolated entities (as set out in Basis XVII of the Concession Bases) and by a Steering Committee (created through the Resolution of the Council of Ministers 45/99, of April 1st 1999). The entities involved in the activities of the Company to fulfil its obligations in connection with the concession are: Agência Portuguesa do Ambiente, for environmental matters; Inspecção – Geral de Finanças, for economic and financial matters; Laboratório Nacional de Engenharia Civil, Autoridade para as Condições no Trabalho and Autoridade Nacional de Protecção Civil, for matters connected to construction and related quality and safety issues; Instituto da Mobilidade e dos Transportes Terrestres, I. P., for quality levels, levels of service and operation safety matters and Inspecção–Geral de Finanças and Instituto da Mobilidade e dos Transportes Terrestres, I. P., for tariff matters. Internally, the company's organisational structure has few hierarchical levels: four departments and six staff offices, which favours a relationship of openness and proximity.

Regarding the procedures to avoid conflicts of interest, and as provided in the Principles of Good Governance, members of the governing bodies refrain from participating in decisions involving their own interests, including the approval of expenditures they have made. Annually, and whenever appropriate, members of the governing bodies declare to the Board and to the Audit Committee, as well as the to the Constitutional Court, any equity shares in the company and relevant relationships they maintain with suppliers, customers, financial institutions or other business partners which are likely to generate conflicts of interest.

Metro do Porto publishes all the relevant information set in Resolution of the Council of Ministers 49/2007 on its website (www.metrodoporto.pt) and the portal of the State owned companies (www.dgtf.pt).

6.3.1.1 INTERNAL AND EXTERNAL REGULATIONS THE COMPANY IS SUBJECTED TO

- Decree-Law n.º 148/2003, of July 11th – (transposing into internal law the Commission Directive 2000/52/CE, of July 26th, in respect of transparency in the financial relationships between member States and State owned companies);
- Directive 2004/17/CE of the European Parliament and Council, of March 31st 2004, in respect of the coordination of the awarding of contracts in the water, power supply, transportation and postal service sectors;
- Law n.º 28/2006, of July 4th (sanctions regimen for transgressions occurred in public transportation);
- Resolution of the Council of Ministers n.º 49/2007, of February 1st (Good Governance Principles for State Owned Companies);
- Decree-Law n.º 69/2007, of March 26th – (transposing into internal law the Commission Directive 2005/81/CE, of November 28th, in respect of transparency in the financial relationships between member States and State owned companies);
- Decree-Law n.º 71/2007, of March 27th (State Owned Company Manager Status);
- Decree-Law n.º 231/2007, of July 14th (Rail Safety);
- Decree-Law n.º 300/2007, of August 23rd – (Decree-Law n.º 558/99 with the text which results from the alterations introduced by Decree-Law n.º 300/2007, on the Legal Regimen of State owned companies);
- Decree-Law n.º 371/2007, of November 6th 2007 (available Complaints Book compulsory;
- Decree-Law n.º 192/2008, of October 1st (Concession Bases and Metro do Porto's By-Laws);
- Decree-Law nº 18/2008 which approved the Código da Contratação Pública and associated regulations;
- General ERDF and Cohesion Fund Regulations.

6.3.1.2 INFORMATION ON RELATED TRANSACTIONS WITH RELATED ENTITIES.

The relevant transactions made with the State in 2010 were as follows:

	(euros)
Receipts	
Concedent Instalments - P.I.D.D.A.C.	7,000,000
Operating subsidies – public service	11,860,442
Operating subsidies – andante social tariff	2,681,806
Payments	
Guarantee fees	1,419,081

Transactions made with the related companies (over 20%owned), in 2010, were as follows:

	(euros)
TIP, ACE	
Sales or/and Services Rendered	28,287,819
Third-party supplies & services	810,333
Transpublicidade, S.A.	
Sales or/and Services Rendered	257,964
Metro Consultoria, Lda.	
Loans to associated companies	1,085

6.3.1.3 INFORMATION ON OTHER TRANSACTIONS

Metro do Porto, S.A. follows the procedures set by the law in connection with the purchase of goods and services. Exceptionally, given the complexity and urgency in the execution of some works, in 2010 some contracts were awarded whose amounts exceed what is normally applicable for the form of awarding that was used. The exceptional adoption of these procedures was due to at least one of the following reasons:

- Urgency in the execution of the work, due to reasons beyond the control of the Company;
- There being significant economical benefits in the selection of that counterparty in the contract;
- No other party could possibly be selected, for technical or artistic reasons.

The contracts awarded in these circumstances were the following:

Contracts	Partie	(euros)
Closing of Accounts Agreement with ACE Normetro 2010	NORMETRO	15,016,653
General Maintenance Contract of 480,000 kms Eurotram vehicles - Third Batch of 22 Vehicles	Consórcio Bombardier / EMEF	6,104,318
6th Amendment to EGF Contract (16/06/2010 to 30/06/2011)	CONSULGAL-Consultores de Engenharia e Gestão, S.A.	4,871,092
5th Amendment to EGF Contract (Operation and Maintenance Surveillance) - 01/04/09 to 31/03/10) and extension from 01/04/10 to 31/08/10	CONSULGAL-Consultores de Engenharia e Gestão, S.A.	2,330,884
Gondomar Line Signalling System (Estádio do Dragão - Fânzeres) - Award of Interfaces	Bombardier Transportation Portugal, S.A.	1,840,456
General Maintenance Contract of 480,000 kms Eurotram vehicles – Second Batch of 25 Vehicles - Amendment to Contract	Bombardier Transportation Portugal, S.A.	1,062,550
Gondomar Line Signalling System (Estádio do Dragão – Fânzeres): ATP - Automatic Train Protection	Bombardier Transportation Portugal, S.A.	785,816
Restructuring process of the back-to-back component of the swap with Goldman Sachs and Nomura	ETHOS ADVISORY SERVICES Ltd.	500,000
Restructuring of the hedging interest rate contract with JP Morgan	ETHOS ADVISORY SERVICES Ltd.	500,000
Rolling Stock Vandalism - 4th Quarter 2009 and 1st Quarter 2010	NORMETRO	471,552
Green Line Extension Project Change	IDOM Engenharia - Serv. de Eng. e Consultoria, Lda	414,822

6.3.2 GUIDELINES AND MANAGEMENT OBJECTIVES

By a Joint Dispatch of July 30th, 2009, the Secretaries of State for Finance and Treasury and Transport established the guidelines for the Company's management for the biennium 2009-2010.

Metro do Porto did fulfil its missions of:

- Establishing the basic line of the urban collective passenger transport network of the Oporto Metropolitan Area,
- Offering to clients a high quality service, promoting the value of the company for its shareholders and ensuring high levels of professional qualification and motivation of its employees.

The Company has complied with the principles of:

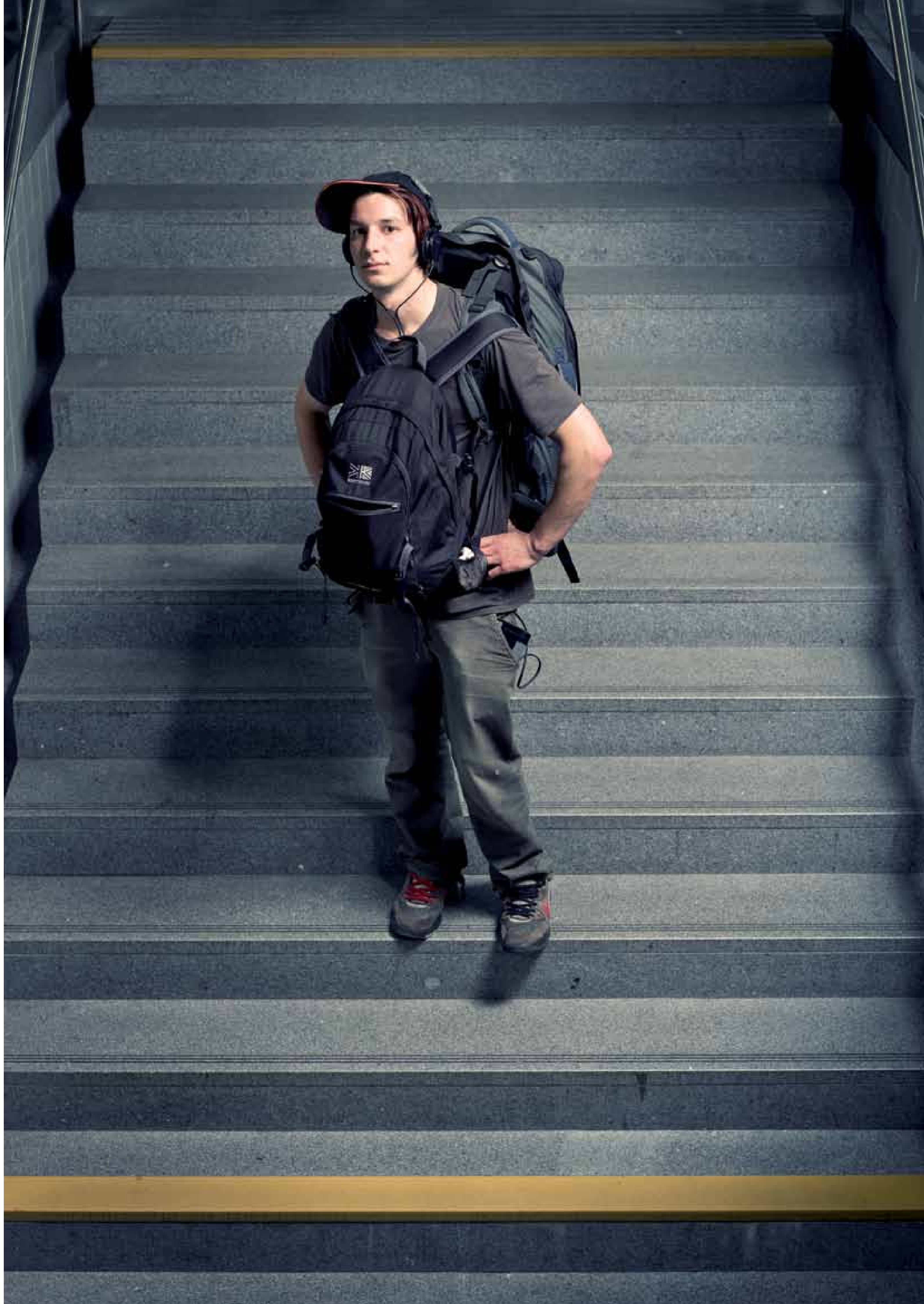
- Orienting its service towards clients;
- Contributing decisively to reverse the continued loss of passengers of collective transportation in the Metropolitan Area of Oporto
- Contributing to the improvement of the practice of intermodality
- Continuing to plan the expansion of its network
- Continuing the implementation of innovation activities that contribute to environmental sustainability
- Keeping the operating deficit at the relatively low level already reached
- Maintaining the social component of Collective Transportation.

The targets set for 2010 and the results are as follows:

	Target 2010 Objective	Actual 2010 Execution
1 - EBITDA without subsidies, capitalised charges, operational leasing/turnover	-1.60	**See note 1**
2 - Operational costs	90,583,307.78	**See note 1**
3 - Availability of Service	96%	**See note 3**
4 - Delays	0.25%	**N.D.**
5 - Satisfaction Index	76%	**81%**
6 - Load factor	18.0%	**18.2%**
7 - Conclusion of the Dragão-Fânzeres extension contract	Sim	**Sim**
8 - Conclusion of the D. João II interface contract	Sim	**Sim**
11 - Average settlement time	78.20 days	**148 days**
12 - Passenger kms	280,000,000.00	**267,063,673.37**
13 - Turnover without operational leasing	32,500,000.00	**31,594,378.55**
14 - Investment	214,375,581.06	**122,043,946.61**

1 - Operational Results before subsidies, operational leasing vehicles' maintenance, Capitalised charges+Depreciation+Provisions (+adjustments should there be any) + Operational Leasing rental costs / Turnover. Given the change of the accounting framework (POC to SNC) for 2010 there are no figures that are comparable to the objectives. Should such change not have occurred, the objectives 1 and 2 would have been comfortably reached.
2 - Operational Costs without specialised services costs and depreciation.
3 - Service Availability Indicators, as calculated using the RGQSS (Quality of Service Report) issued by the operator of the Light Rail System, annualised based on the monthly commercial operation kms. Due to the change of operator, the indicator of service availability in accordance with the terms set for management objectives is no longer calculated. Should such change not have occurred, the objectives 1 and 2 would have been comfortably reached.
4 - Delay Indicators, as calculated using the RGQSS issued by the operator of the Light Rail System, annualised based on the monthly commercial operation kms.
5 - Global satisfaction index, from the "User Profile and Satisfaction Level" report.
6 - Ratio between the number of passenger kms and seat kms offered.
11 - Calculation formula as set out in RCM 34/2008, excluding acquisitions and debts in connection with capital assets.
13 - Services rendered net of income from the operational leasing vehicle maintenance.

RGQSS: System's Service Quality Report



6.3.3 FINANCIAL RISK MANAGEMENT

The company maintains a policy of actively managing its portfolio of debt and of the financial risk associated to it, as shown in detail in notes 17 and 26 to the financial statements.

6.3.4 AVERAGE SETTLEMENT TIME EVOLUTION

See point 7.3 of this Report.

6.3.5 SPECIAL INFORMATION DUTIES COMPLIANCE

The special information duties defined in the Dispatch 14277/2008 have been met. To that effect all the required information was made available to Direcção-Geral do Tesouro e Finanças (DGTF) and Inspecção Geral de Finanças (IGF), through the Sistema de Recolha de Informação Económica e Financeira (SIRIEF).

6.3.6 SHAREHOLDERS RECOMMENDATIONS AT THE TIME OF THE APPROVAL OF THE 2009 ACCOUNTS

No recommendations were made by the shareholders at the time of the approval of the 2009 accounts.

6.3.7 NOMINAL WAGES UPDATE

Nominal wages were not updated in 2010.

6.3.8 MANAGEMENT BONUSES

No management bonuses are proposed to Shareholders Meeting for approval for 2010.

6.3.9 PUBLIC PROCUREMENT PROCEDURES

The instructions from Direcção-Geral do Tesouro e Finanças - Circular Letter No. 6132 of August 6th, 2010 on the hiring of services by the Metro do Porto exceeding EUR 125,000.00 have been complied with. According to this Circular Letter the adoption of any procedure to procure services should explicitly contain the following: justification of the need to purchase the service from an economic point of view, absence of internal solutions to ensure the service in question; clarification of the objectives to be attained; at the end of contracts arising from awards exceeding that amount, there should be a report with the results obtained, their evaluation and the deviations in execution both from a temporal and financial perspective and their justification.

6.3.10 MAXIMUM GROWTH OF DEBT

The Government guidelines for 2011 set as goals for the year:

- Reduced operating costs - 15% reduction in operating costs in 2011 compared to those incurred in 2009;
- Less debt - further slowing the growth of the stock of debt to 6% in 2011

The Company's budget meets these objectives.

6.3.10.1 OPERATING COSTS REDUCTION

To determine the relevant costs, depreciation costs and costs related to financial transactions (including Eurotrams lease rentals - an operation included as debt in the assessment of debt evolution; the costs of financial advisory services for swap restructuring and stamp duty on interest payments) must be excluded from the total costs:

(thousand euros)

Total Costs	2009	2011	11 v 09
TOTAL COSTS	206,979	250,904	21.2%
(-) Financial Charges	54,026	102,842	90.4%
(-) Depreciation	53,685	57,231	6.6%
(-) Eurotram leasing rents	14,087	22,533	60.0%
(-) Stamp duty	2,610	2,584	-1.0%
(-) Swap restructuring costs		400	-
TOTAL	**82,571**	**65,314**	**-20.9%**
(+) 480 thousand Kms revision costs deferral	8,403		-100.0%
TOTAL without 480k revision costs deferral	**90,974**	**65,314**	**-28.2%**

The relevant costs thus decrease 20.9% (more than 17 million euros) from 2009 to 2011 (28.2% disregarding the deferral in 2009 of 80% of the invoiced costs of the 480 000 kms revision of Eurotram vehicles, deferral which is not present in the 2011 figures). The items that explain the essence of this evolution are:

(thousand euros)

Items	2009	2011	11 v 09
Operation Contract	48,885	38,885	-20.5%
Specialised Services	12,755	6,016	-52.8%
Security and Surveillance	4,206	1,897	-54.9%
Eurotram Vehicles Revision (without costs deferral)	10,610	3,885	-63.4%
Staff costs	6,168	5,321	-13.7%

In the reduction in operating costs predominates the effect of the award in 2010 of the new operating contract, with impact also on the line "Surveillance and Security", through the responsibilities that were transferred to the new operator. But also visible are the effects of the reduced reliance on external consulting and of the lengthening of the time allowed for carrying out the 480 000 km revision of Eurotram vehicles.

The reduction in staff costs is due to the reduction of salaries and additional charges, in terms equivalent to those set for Public Administration, according to guidance provided in Circular Letter No. 7688 of the Direcção Geral do Tesouro e das Finanças of October 7th, 2010, as well as to some staff turnover that has occurred.

6.3.10.2 VARIATION OF DEBT

Regarding debt reduction, says the Secretário de Estado do Tesouro e das Finanças' Dispatch 510/10: "The nonfinancial State-owned enterprises should observe the following limits of indebtedness provided for in the Stability of Growth Plan, if lower limits are not set in their investment plans:

i) 2010 – 7%;
ii) 2011 – 6%;
iii) 2012 – 5%;
iv) 2013 - 4%."

Since there is no indication in that Dispatch of the object to which are to be applied the percentages that define the "maximum indebtedness limits", it seems reasonable to assume that it was in fact intended to set ceilings for the growth of indebtedness, which, according to guidance received, relates, we assume, to financial (and not total) debts, Medium and Long-Term and Short-term, including besides the debt to Financial Institutions, the operating lease contract of the Eurotram fleet. Thus, the following maximum limits (in euros) for Metro do Porto, S.A. indebtedness follow from the Dispatch, given the existing value on December 31st, 2009 which is 2,177,182,046 euros:

(thousand euros)

Financial debt	2010	2011	2012	2013
Limit	2,329,585	2,469,360	2,592,828	2,696,541

In the projected debt subject to the referred variation limits, the bank debt mobilised to cover the component not financed by QREN (European Community funds) of the projects for which grants were requested - João de Deus-D. João II, D. João II-Santo Ovídio and Dragão-Fânzeres - are not to be included.

The following table compares the limit of indebtedness with the debt subject to variation limits (referred to in the preceding paragraph), detailing the debt associated with co-funded projects:

(thousand euros)

Financial debt	2009	2010	2011	2012	2013
Projections (gross debt)	2,177,182	2,320,900	2,464,963	2,596,234	2,754,223
Debt ass. to co-funding	76,684	161,593	123,202	87,296	87,296
Projections (net debt) *	2,100,498	2,159,308	2,341,761	2,508,938	2,666,927
Debt limit		2,329,585	2,469,360	2,592,828	2,696,541
Maximum variation limit		7.0%	6.0%	5.0%	4.0%
Limit - Net Debt		**170,277**	**127,599**	**83,890**	**29,614**

* Funding at year-end net of amounts incurred to cover the amount not co-funded by QREN of the João de Deus - D. João II, D. João II - Santo Ovídio e Dragão - Fânzeres projects

In practical terms all investments not yet awarded were suspended, only those already under way (or even close to completion) continuing: essentially, the extensions to Fânzeres and Santo Ovídio. The table above shows that, with investment sharply reduced in 2011 and 2012 and virtually zero in 2013, assuming interest rates stay below 4% and exempting from the limit the debt associated with the co-funded projects, it will be possible to contain the stock of debt at the end of each year below the limits set out in Dispatch 510/10, as (the value of the operational deficit being of little significance) the tolerated growth of debt is sufficient to finance interest payments.

Underlying the above projected debt is the assumed compliance by the State with its financial obligations to the Company, including the delivery in 2011 of the funds set out in the Joint Dispatch of the Ministers of Finance and of Infrastructure on June 28th, 2001 and in the Protocol signed In September 1998 between the Portuguese State, the Metropolitan Area of Oporto, CP and REFER for transferring CP / REFER employees to Metro do Porto.

6.3.11 NATIONAL SYSTEM OF STATE PURCHASES

Metro do Porto, S.A. has adhered on October 27th, 2010, to Sistema Nacional de Compras Públicas (National System of State Purchases), by signing a contract Agência Nacional de Compras Públicas, E.P.E. (ANCP).

6.3.12 ARTICLE 12 OF LAW 12-A/2010

Article 12 of Law 12-A/2010 was complied with. It stipulates that "The fixed monthly gross remuneration of executive and non executive Board members of central and local Government owned companies is reduced, exceptionally, by 5%".

6.3.13 ARTICLE 17 OF LAW 12-A/2010

The stipulations of Article 17 of Law 12-A/2010 are regarded as having been complied with, as there are no financial assets and the liquidity as shown in the Balance Sheet results from occasional surplus uses of short term credit lines contracted to meet current needs of the Company.

6.3.14 PARAGRAPH G) OF ARTICLE 13.º-A OF DECREE-LAW 300/2007

In accordance to what is set out in paragraph g) of article 13.º-A of Decree-Law 300/2007 of August 23rd, Metro do Porto, S.A. effectively used the powers set out in article 14.º of that Decree-Law as conferred upon it within the scope of the concession awarded by the State, through the Concession Bases, determined and approved through Decree-Law n.º 394-A/98, of December 15th, as defined by Decree-Law n.º 192/2008, of October 1st.

Basis XI, in its n.º 1, states that it is Metro do Porto, S.A.´s prerogative, as an expropriating entity, acting on behalf of the State, and using its powers of authority, to carry out the expropriations and to constitute the servitudes needed for the construction of the system, in the terms of the law underlying the Concession, and of the Expropriations Code as well.

Therefore, whenever Metro do Porto, S.A. undertakes expropriation action for the construction of parts of the System whose construction and operation was assigned to it, all the elements and documents necessary for the declaration of public utility, according to the law in force, are presented in due time to the State. Metro do Porto also provides the administration of the procedure up to its end.

In the exercise of that power several buildings were expropriated for the construction of Gondomar Line, the Yellow Line extension, until Santo Ovídio, and completion of the works of urban integration in Vila do Conde.

In respect of the railway public domain, Basis VIII assigned to Metro do Porto, S.A. all the existing infrastructures from Trindade to Póvoa de Varzim and to Trofa, including the tracks, stations, other fixed installations and the inherent rights, as well as a strip of land at Campanhã station, thereby transferring that domain in respect of the referred infrastructure for the period of the concession.

N.º 1 of Basis X states that the State may further give to Metro do Porto, S.A. the right to use the railway public domain of the system to implant and operate the infrastructures through a joint dispatch of the Finance and Transport Ministers.

Within the scope of its concession Metro do Porto, S.A. has maintained with regularity and effectiveness the passenger public transportation service, first until March 31st, 2010 with the Normetro Consortium–Agrupamento Metropolitano do Porto, ACE, and since then until now with the ViaPorto Consortium, following the Limited Tender by Previous Qualification for the Operation and Maintenance of the Light Rail System in the Metropolitan Area of Oporto.

6.3.15 PARAGRAPH I) OF ARTICLE 13.º - A OF DL 300/2007, OF AUGUST THE 2nd 2007

During 2010 the Board met 21 times, the following deliberations standing out:

- Approval of new funding lines' contracts;
- Approval of the Annual Report and of the Sustainability Report for the year 2009;
- Appointment of Mr. Gonçalo Nuno de Sousa Gonçalves Mayan to integrate the Board of the Company as non-executive director to replace Mr. Rui Rio, who resigned;
- Approval and submission of the tender documents of the Limited Tender By Previous Qualification for the Construction and Maintenance Subconcession of the Light Rail System of the Metropolitan Area of Oporto;
- Approval of the Management Risks Prevention Plan of Metro do Porto SA prepared under the July 1st, 2009 recommendation of the Conselho de Prevenção da Corrupção;
- Award to the consortium Barraqueiro, SGPS, S.A. / Barraqueiro Transportes, S.A. / Arriva Portugal, S.A. / Keolis, S.A. / Manvia – Manutenção e Exploração de Instalações e Construção, S.A. (Via Porto) of the Operation and Maintenance Subconcession of the Light Rail System of the Metropolitan Area of Oporto;
- Award to the Efacec - Serviços de Manutenção e Assistência, S.A., Liftech – Tecnologia para Elevadores, Lda. Consortium of the Operation and Maintenance of Funicular dos Guindais;
- Award to Thales Security Solutions & Services, S.A. of the Installation of the Signalling System for Gondomar Line, Stretch Estádio do Dragão - Venda Nova;
- Award to Bombardier Transportation Portugal SA, of the supply of the track ATP - Automatic Train Protection (fixed beacons) and related services (engineering, testing and commissioning) for the Gondomar Line, Stretch Estádio do Dragão - Venda Nova;
- Award to Bombardier Transportation Portugal SA of the supply of interfaces and of changes in equipment for the Gondomar Line, Stretch Estádio do Dragão - Venda Nova;
- Award to M. Couto Alves, S.A. of the contract for remodelling and improvement of Via Sá Carneiro, Maia;
- Award to DST - Domingos da Silva Teixeira, S.A. of the Vila do Conde Urban Insertion Phase Two contract;

- Award to Alexandre Barbosa Borges, S.A. of the Vila do Conde - Póvoa de Varzim Urban Insertion Phase Three contract;
- Award to the grouping composed by EMEF - Enterprise Maintenance Equipment Rail, S.A. and Bombardier Transportation Portugal SA (EMEF / Bombardier) of the implementation of the 480 000 km revision service for the last batch of twenty-two "Eurotram" vehicles;
- Award to the Inspection Consortium CONSULGAL – Consultores de Engenharia e Gestão, S.A. / FERCONSULT – Consultoria, Estudos e Projectos de Engenharia de Transportes, S.A. / SENER – Ingerieria y Sistemas, S.A. (CFS) of the 6th Addendum to the Contract for Technical Advisory Services for Management, Monitoring, Supervision, Construction and Reception of the Light Rail System (Completion of Phase 1 and Implementation of Phase 2);
- Approval in principle of the Agreement Concerning the dispute under the Contract for the Supply and Maintenance of Rolling Stock for P & T Lines of Metro do Porto's Network and of the consultation of IGOPTC – Inspecção-Geral de Obras Públicas, Transportes e Comunicações and IGF - Inspecção-Geral de Finanças to obtain their opinion, before taking a final decision;
- Following the Dispatch No. 510/10 SETF of June 1st, 2010, His Excellency the Secretary of State for Treasury and Finance on the maximum growth of borrowing as specified in the Stability and Growth Programme 2010-2013:
  - Non-award of Limited Tender by Pre-Qualification for the Construction of the Extension of Line C (Green Line) between the stations of ISMAI and Paradela;
  - Cancellation of the Tender for the contract to build the Vila do Conde Station Interface;
  - Cancellation of Tender for the contract for the removal of the Travessa da Quintã pedestrian crossing at Vila do Conde;
  - Cancellation of direct consultation for the contract for the execution of parallel paths and ancillary works between Lidador and Árvore stations of the Red Line and access to the T 085 plot in the Green Line;
  - Not launching any procedure for the contract for upgrading the former Modivas station and access to Mamoa de Vilar and refurbishment of the support building of the Pedras Rubras Station;
- Award to PriceWaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. of the audit work for the year 2010;
- Approval of the revised Business Plan and Budget of Metro do Porto, S.A. for 2010;
- Approval of Business Plan and Budget of Metro do Porto, S.A. for 2011.

7. ECONOMIC AND FINANCIAL PERFORMANCE

7.1 INVESTMENT

Investment by Metro do Porto in 2010 amounted to 122.0 million euros, representing a decrease of 27.7% on 2009. This corresponds largely to the works of construction of the connection Dragão - Fânzeres and D. João II - St. Ovídio, as well as to the completion of additional works of the system.

In cumulative terms, the investment in the project reached 2,527 million euros.

The table below shows the average cost of construction per km of track resulting from the values (either already booked or estimated) contained in the underlying Multiannual Investment Budget of Metro do Porto for the year 2011. These unit costs reconstruct more than 1,700 of the 2,500 million included in the Multiannual Investment Budget. The rest corresponds to items that do not vary obviously with the extension of the network and represent a total of 800 million euros, mainly rolling stock, Depot, inspection expenses, Infante D. Henrique bridge, alternative transportation services, interfaces, pre-operation, Serpa Pinto - VL9 road link.

(million euros)

Line	Cost without Special Stations per Km	Cost per Special Station	Cost with Special Stations per Km
Blue - surface	18.7	30.5	25.7
Sr. Matosinhos - Sra. Hora stretch	15.6		
Sra. Hora – Trindade stretch	19.4	30.9	30.0
Campanhã – Antas stretch	31.0	29.7	56.5
Blue – underground	24.9	31.3	72.2
Red	13.0		
Green - double track (FC-ISMAI)	17.6		
Yellow - surface	n.d.	n.d.	38.7
H. S. João - Pólo Universitário stretch	42.4		
Ponte D. Luís - João Deus (exc. Bridge) stretch	32.5		
João de Deus - D. João II stretch	21.9		
D. João II - Stº Ovídio stretch	n.d.	n.d.	73.8
Yellow - underground	22.2	28.8	75.4
Yellow - Bridge	31.9		
Violet	n.d.	n.d.	27.2
Orange - surface	26.4		
Orange - underground	18.7		
Surface, double track (overall average)	**17.7***		**18.4**
Underground (overall average)	**22.6**	**29.6****	**74.2**

* Excluding Airport antenna and the D. João II - Stº Ovídio stretch
** Excluding Santo Ovídio station

7.2 FUNDING

At the end of 2010, Metro do Porto, S.A.'s debt amounted to 2,450 million euros (including 115 million of trade debts). It was contracted to pay, between1994 and 2010, the following:

Works	1,770 million euros
Passenger Transport	250 million euros
Project Management	65 million euros
Financial Charges	365 million euros

The needs to contract debt to pay for works decompose as follows (values in million euros):

	Investment	Non-reimbursable Funding	Debt
Initial Project + 2001 alterations[1]	1,720	580	1,140
2003 Expansions[2]	495	75	420
2007 Expansions[3]	210	130	80
Urban Insertion after 2007[4]	15		15
Other costs with works realised[5]	75		75
Other costs with works yet to be realised[6]	40		40
TOTAL	2,555[7]	758[8]	1,770

1 - Associated with the Normetro Consortium contract and with its 1st Addendum, complementary works and associated expropriations
2 - Associated with the 3rd Addendum to the same contract for the duplication of the Póvoa Line, complementary works and associated expropriations; to the 4th Addendum for the construction of the Campanhã-Antas stretch, complementary works and the Antas interface; with the Airport connection; and with the Tram-Trains.
3 - Including the extensions to Fânzeres, João II and Santo Ovídio.
4 - Including the 2nd and 3rd Phases of the urban insertion works at Vila do Conde and Póvoa de Varzim, Vila do Conde Interface and the remodelling and improvement of Via Sá Carneiro, at Maia
5 - Mainly Inspection and specialised project work
6 - Including at Avenida and Rotunda da Boavista and with the ISMAI-Trofa stretch
7 - Of which about 200 million to be realised or to be paid
8 - Of which about 200 million to be received.

To the above figures for these works correspond the unit construction costs of in the table in 7.1.

The passenger transportation activity originated revenue of about EUR 160 million from passengers and 55 million from subsidies. This activity's costs, including 80 million of Eurotram vehicle lease rents, amounted (from 2002 to 2010) to 465 million euros, resulting in the need to contract additional debt amounting to 250 million euros.

Finally the cumulative interest paid by the end of 2010 reached about 365 million euros, while accumulated staff costs of the Company, since 1994, represent about 65 million euros.

ERDF – European Regional Development Fund

Within the scope of Quadro Comunitário de Apoio 1994 – 1999 (QCAII) and of Quadro Comunitário de Apoio 2000 – 2006 (QCA III), the Company received 368.8 million euros from FEDER, in connection with the projects "Sistema de Metro Ligeiro da Área Metropolitana do Porto e Obras Complementares" and "Sistema de Metro Ligeiro da Área Metropolitana do Porto e Obras Complementares – 2ª Fase" - on average 524 days after Metro do Porto paid them to their suppliers.

PIDDAC - Programa de Investimentos e Despesas de Desenvolvimento da Administração Central

Up to December the 31st, 2010, the total accumulated endowment since1996 allocated to the Light Rail System within the scope of PIDDAC amounted to 151.8 million euros, which is equivalent to 6.0% of the total investment amount.

(units: Euro thousands)

Project	1996/05	2006	2007	2008	2009	2010	Total
Light Rail System	78,391	9,250	0	7,400	8,000	0	103,041
Infante Bridge	33,760	0	0	0	0	0	33,760
Tram-Train	0	0	8,000	0	0	0	8,000
Dragão - Fânzeres*	0	0	0	0	0	7,000	7,000
TOTAL	**112,150**	**9,250**	**8,000**	**7,400**	**8,000**	**7,000**	**151,800**

* The terminus "Venda Nova" now has the designation of Fânzeres

On December 14th, 2009 the allocation of an 8,0 million euros endowment to the "Troço Antas – Gondomar (Dragão – Fânzeres)" stretch within the scope of PIDDAC 2010 was advised to the Company. This was later reduced by 12.5%, as advised to Metro do Porto on May 3rd, 2010.

On December 31st, 2010 the overall 7 million euros PIDDAC 2010 allocation was totally paid.

In the mean time, on September 10th, 2010, the allocation of a new 7 million euros endowment within the scope of PIDDAC 2011 was advised to Metro do Porto, being 2 million for the project "Linha Antas - Fânzeres" and 5 million euros for the project "Troço D. João II – Santo Ovídio". Already after the end of 2010, more exactly on January 3rd, 2011, Metro do Porto was advised it had been reduced by 12.5%.

COHESION FUND

In this chapter we shall address the project called "Ligação do Aeroporto Sá Carneiro à Linha da Póvoa Duplicada", submitted to the Cohesion Fund under Quadro Comunitário de Apoio 2000 – 2006 (QCA III).

In June 2010, Metro do Porto was notified by the managing body of the Cohesion Fund, POVT (Programa Operacional Temático Valorização do Território) – Fundo de Coesão II - Transportes, to carry out the financial correction of the advance payment made under the 3rd Addendum to the SMLAMP Design, Construction, Equipment and Operation contract, as it had occurred prior to the period of eligibility set out in the Commission Decision. So an investment amount of 3,692,973.89 euros was deducted to which correspond 2,769,730.42 euros of co-funding.

During the year 14 requests for payment were presented, totalling 29.5 million euros of eligible investment to which correspond 22.1 million euros of co-funding. In 2010 the disbursement of the outstanding amount up to 80% of the total approved co-funding amount, as the final 20% are only paid after the approval of the final report, which depends on the assessment of Payment Requests pending. Thus, as at December 31st, 2010, 54.1 million euros had already been transferred to Metro do Porto, while receiving the remaining 13.5 million depends on the physical and financial closure of the project, which will be effected by sending the Final Report of the first quarter of 2011. This amount (54.1 million) was received on average 460 days after the payment by Metro do Porto to their suppliers.

In late 2010, this project had a financial execution of 99.9%.

In January 2011, the last two Payment Requests were submitted, which included expenses in excess of the limit, causing the project to reach a financial execution rate of 105%.

(values in thousands euros)

Requests	Eligible Investment	Co-funding	Settled	To be Settled
Situation as at 31/12/2009	64,405	48,304	51,124	
Advance Correction	-3,693	-2,770		
16th Request	9,835	7,376		
17th Request	2,054	1,540		
18th Request	2,299	1,724		
19th Request	5,581	4,186		
20th Request	977	733		
21st Request	-763	-572		
22nd Request	1,418	1,063	3,022	
23rd Request	451	338		
24th Request	3,070	2,302		
25th Request	777	582		
26th Request	239	179		
27th Request	2,823	2,117		
28th Request	381	286		
29th Request	335	251		
TOTAL	**90,188**	**67,641**	**54,146**	**13,495**

QREN

Metro do Porto submitted three applications to QREN under Programa Operacional Regional do Norte (ON.2 - O Novo Norte), the year-end situation being summed up in the following table:

(values in thousands euros)

			Decision				Execution 31/12/2010		
Operation Code	Operation	Application Date	Approval Date	Eligible Investment	Co-funding Rate	Co-funding	Eligible Investment	Co-funding	Settled
NORTE-04-0350-FEDER-000001	Extension of the Metro Network to the D. João II Station	07/11/2008	08/07/2009	4,192	70%	2,935			
NORTE-04-0350-FEDER-000030	Extension of the metro network to the Santo Ovídio station and D. João II Station Interface	09/12/2009	15/09/2010	28,275	70%	19,792	2,896	2,027	2,027
NORTE-04-0350-FEDER-000034	Extension of the Metro Network between the Estádio do Dragão Station and Fânzeres*	31/12/2009	09/11/2010	114,086	70%	79,860	36,419	25,493	
TOTAL				146,553		102,587	39,315	27,520	2,027

* The terminus "Venda Nova" has now the designation of Fânzeres.

The operation "Extensão da rede de metro entre o Estádio do Dragão e Fânzeres", having a total cost in excess of 50 million euros, is considered a "Large Project", requiring approval by the European Commission. The Commission's decision on this Project is not yet known.

On November 24th, 2010, the Operational Programme was requested to increase the reimbursement rate to 80% for all applications submitted, in accordance with the provisions of art. Article 10 of Annex 6 of the amendment to the Specific Regulation - Territorial Mobility. In this Regulation, the entities of the business sector with participation of the Municipalities may, exceptionally in 2010, benefit from a maximum rate of reimbursement of expenses of 80%.

Extension of the Metro Network to D. João II Station

For this application, and although the project is already fully implemented physically and financially, and even has been inaugurated on May 26th, 2008, it was not possible to submit a Request for Payment, following an ongoing audit process.

Extension of the Metro Network to St. Ovídio Station and D. João II Station Interface

Within the scope of this extension, the first Payment Request has been submitted, validated and paid in 2010. Its eligible investment amount is of 2,896,352.43 euros, to which corresponds a reimbursement of 2,027,446.70 euros, received on average 156 days after the payment by Metro do Porto to their suppliers. In late 2010, the rate of financial execution of this operation amounts to 10%. In early 2011 the second Payment Request was submitted, with an eligible value of 591,819.72 euros and a reimbursement of 414,273.80 euros.

Extension of the Metro network between Dragão Stadium and Fânzeres

In 2010, the first Payment Request has been submitted, with an eligible investment of 33,418,633.81 euros to which corresponds a reimbursement of 25,493,043.67 euros, received in January 2011, on average 239 days after payment by Metro do Porto to their suppliers. The rate of financial execution of this operation reached 32% in 2010. In early 2011, the second Payment Request was submitted, with an eligible investment amount of 28.6 million euros to which corresponds a co-funding amount of about 20 million euros.

Supplementary Funds

Taking into consideration the financing of alterations to the project approved by the government in 2001, the State shareholder committed, by way of the Joint Dispatch by the Finance and Social Equipment Ministers of June 28th, 2001, to "provide supplementary funds in the amount of 10 (ten) million contos, by 2004, with the following indicative schedule":

(values in thousands euros)

2001	2002	2003	2004	Total
7,482	12,470	14,964	14,964	49,880

Taking into account this Dispatch, the company booked in 2001 the amount indicated for that year. Given that it was not received, nor were the amounts indicated for subsequent periods, this transaction was annulled in the financial year 2002.

EIB - European Investment Bank

The two credit lines contracted with the European Investment Bank, amounting to 803.7 million euros, have become fully used in April 2009.

(values in thousands euros)

	Facility	Date of Loan	Contract Value	Disbursement
BEI I	Tranche A	16/Nov/1998	99,760	86,458
	Tranche B	26/Mar/2001	100,000	100,000
	Tranche C	05/Nov/2001	100,000	100,000
	Tranche D	15/May/2002	243,930	243,930
	Sub-Total		543,690	530,388
BEI II	Tranche A	29/Nov/2004	120,000	120,000
	Tranche B	16/Dec/2004	80,000	80,000
	Tranche C	29/Oct/2008	60,000	60,000
	Sub-Total		260,000	260,000
	TOTAL		803,690	790,388

The operations contracted with this entity have an amortization profile with an initial principal payment deferral period, the amortization of the first tranche of the financing contract having started in 2009. The amortization effort will be increased from 2012, when the amortization of another four tranches, worth a total of 400 million euros, starts.

Thus, to the current funding difficulties, repeatedly exposed by Metro do Porto and the result of an inadequate model of funding of the committed investment, a significant annual effort to amortize of the funding provided by the European Investment Bank will be added, a fact even more challenging in the context of strong restrictions on the financing of sovereign debt and, in particular, of the public and private business sector.

Bridge Financing

In a context of high uncertainty regarding the sovereign debt of so-called peripheral countries, including Portugal, Metro do Porto felt strong restrictions, having carried out in 2010 two financing operations amounting to EUR 75 million with a maturity of seven years and 50 million with a maturity of five years, the latter benefiting from a Guarantee of the Republic.

There has been a significant increase in the use of short term credit lines, 65.0 million euros being used at year end, compared to 45.4 million euros used as at December 31st, 2009.

Public Programme Contract

At the initiative of Metro do Porto, and following an informal presentation in July 2002, a first formal proposal of public programme contract was presented in September 2002, to comply with what was set in the project's Concession Bases, as approved by Decree-Law n.º 394-A/98, of December 15th. This proposal was reformulated still in 2002.

To comply with the recommendation contained in the Financial Audit report to Metro do Porto prepared by the "Inspecção – Geral de Finanças", according to which Metro do Porto ought to "present in 2005 to the government and the Oporto Metropolitan Transport Authority a proposal on the obligations of public service and the respective financing", Metro do Porto sent a new public programme contract proposal in December 2005.

The new project's Concession Bases, approved by Decree – Law n.º 192/2008, of October 1st, which introduced some alterations to the public programme contract configuration and to the timing of its agreement, reinforce the need for it to be agreed, n.º 1 of Basis XV stating that "The State shall provide compensatory indemnifications to the concessionaire for the general interest service it renders, which must be the object of public programme contracts or of public service contracts".

Management Policy on Exposure to Interest Rate Risk

The year 2010 was characterised by worsening levels of volatility in financial markets, coupled with a strong restraint in the credit markets, with the effect of reducing the capacity of financial institutions to accommodate an increase in its exposure to the sector.

Metro do Porto maintained the practice of performing a dynamic monitoring of the debt markets characterised by (i) monitoring the performance of hedging structures held, (ii) analysis of its evolution, (iii) the search for solutions to ensure maximisation of benefits. As a result of the posture adopted during the year it was possible to carry out the restructuring of two of the risk management structures held, resulting in an economic benefit through a reduction in the cost of these operations, as well as through reducing exposure to some of the associated risk factors.

The utmost caution in the adoption of new structures having been maintained and as a result of the current instability of the markets, no new interest rate hedging structure was bought in 2010.

7.3 BALANCE SHEET

The financial statements of 2010 have been prepared assuming the continuation of business as a going concern - dependent on the continued support of financial institutions, and of the State through adequate compensation, since, despite efforts by the Company and the capital increase, the financial structure remains unbalanced. It is therefore vital, as stipulated in article 35 of the Companies Code, to consider a solution now, since the net worth is less than half of the capital. The Board proposes that this matter be referred for resolution to the Shareholders in order to adopt measures to restore the capital of the Company so as to ensure adequate coverage of its share capital, as determined by the aforementioned provision of the Companies Code.

Regarding non-current assets, and due to the adoption of the System of Accounting Standards (Sistema de Normalização Contabilística, SNC), the right to operate the system is now recorded in the financial statements as an intangible asset associated with concession of the Light Rail System to the Metro do Porto in 1998 for a period of 50 years,

This form of recording the right of exploitation is justified by the Company's business model, translated on the basis of the concession, i.e., the construction and maintenance during the concession period is compensated by the right to access and operate the infrastructure to provide a public service on behalf of the concedent and to charge a price for the use of the public service.

In the previous accounting reference standard (POC, Plano Oficial de Contas) only Tangible Fixed Assets were recorded in the Financial Statements. There is a growth in gross assets of 5.1% as a result of the investment made in the year.

With regard to Total Assets, there is a reduction of 56.3% in the debts of the State and other State-related entities and of 35.5% in client debts (almost entirely composed of revenue owed by TIP, ACE).

(values in thousands euros)

	2009	2010	10/09
Non Current Assets	**2,152,321**	**2,221,890**	**3.2%**
Tangible assets	4,360	3,980	-8.7%
Intangible assets	2,147,556	2,217,613	3.3%
Financial Investments - equity method	315	296	-5.9%
Current Assets	**80,907**	**54,969**	**-32.1%**
Costumers	9,738	6,282	-35.5%
State and other Public Entities	25,301	11,058	-56.3%
Other Accounts Receivable	1,177	2,949	150.6%
Deferrals	39	81	108.8%
Other Financial Instruments	13,042	11,710	-10.2%
Derivative Financial Instruments	30,290	20,905	-31.0%
Cash abd Banks	1,320	1,984	50.3%
ASSETS	**2,233,138**	**2,276,859**	**2.0%**
Paid-up Capital	7,500	7,500	0.0%
Adjustments on Financial Instruments	-8,485	-10,144	-19.6%
Retained Earnings	-1,011,146	-1,305,321	-29.1%
Adjustment on Financial Investments	194	835	329.5%
Investment Subsidies	500,859	500,902	0.0%
Other Changes in Equityo	0	339	-
Net Income/Loss	-294,123	-351,790	-19.6%
EQUITY	**-805,200**	**-1,157,678**	**43.8%**
Non-current Liabilities	**2,908,399**	**3,117,358**	**7.2%**
Provisions	149,604	189,920	26.9%
Funding Obtained	2,150,334	2,159,452	0.4%
Derivative Financial Instruments	608,461	767,986	26.2%
Current Liabilities	**129,939**	**317,179**	**144.1%**
Suppliers	19,444	33,331	71.4%
State and other Public Entities	248	324	30.6%
Funding Obtained	61,361	180,943	194.9%
Other Accounts Payable	48,241	102,005	111.4%
Other Financial Liabilities	645	577	-10.6%
LIABILITIES	**3,038,338**	**3,434,537**	**13.0%**
EQUITY & LIABILITIES	**2,233,138**	**2,276,859**	**2.0%**

On the equity side, the new accounting standards provides for the recording in net worth of the capital investment subsidies granted to Metro do Porto, as Metro do Porto had already adopted in previous years, those subsidies now being annually recognised in the income statement in accordance with the amortization profile of the related asset. The amount recorded in 2009 as Concedent Instalments was therefore reduced by 30.2 million euros, there being this year a marginal change as a result of the receipt of 12.0 million euros from PIDDAC and Community Funds (as discriminated in 7.2 above) and of a marginally lower reduction through the allocation of investment grants.

On the liabilities side, and as a result of funding restrictions mentioned in this report, there was strong growth in trade debts to suppliers (of current and fixed assets, which represent 78.9% of the heading Other Accounts Payable) to a total amount of 113.9 million euros, 139.4% above the previous year.

The average payment period, calculated in accordance with RCM No. 34/2008, as amended by Dispatch No. 9870/2009, shows a significant increase between 2009 and 2010, resulting in the failure to abide by the maximum period stipulated in paragraph 9 of that Resolution.

Average Settlement Time Evolution	**2008**	**2009**	**2010**
Average Settlement Time (Dispatch n.º 9870/2009)	94 days	90 days	171 days

The value under Provisions is mostly composed of the amount estimated for the renovation of infrastructure and its financial actualisation, under the new accounting standards underlying the financial statements. They have been strengthened in the year by 43.8 million euros.

The evolution of the heading of Non-Current Obtained Financing reflects the loan contracts and bond issue amounting to 125 million euros over the financial year, net of current transfer to Current Bank Financing of the amounts to be paid in 2011, totalling 109.2 million euro (relating to amortization of loans and EIB lines). As a result of the new accounting standards, the lease operations contracted between 2002 and 2004 as well as the interest relief related to EIB credit lines are now recorded under bank financing.

There are no outstanding debts to the State and other State related entities, including Social Security.

7.4 OPERATION

2010 witnessed a sharp rise in the operation cover ratio of the Light Rail System, which compares the tariff revenue with direct operating costs, including the operation contract costs, the cost of the operation inspection team as well as the fees paid to TIP, ACE for managing the ticketing system. This evolution is mainly a result of increased system utilization and reduced costs resulting from the new contract which came into force on April 1st, 2010. We concluded the exercise of 2010 with an annual average cover ratio of 74.6%, 14.8 percentage points higher than the figure recorded in 2009, average monthly cover ratios constantly above 80% having been observed from the date of entry into force of the new operating contract, with a peak of 88.2% in October 2010.

In absolute terms the year recorded a gross margin deficit of 10.6 million euros, 47.6% lower than the previous year, reflecting savings of 9.6 million.

2010 saw a rise of 1.7% of revenue per validation and, due to the increase in 0.5% of average journey length per passenger, a rise of 1.3% in revenue per passenger km, to an overall value in 2010 of 11.66 cents per passenger km (11.51 cents per passenger km in 2009).

There was a strong reduction of 20.7% in the operating cost per seat km offered, and the operating cost per passenger km reduced 18.8% to 15.62 cents (19.25 cents in the previous year).

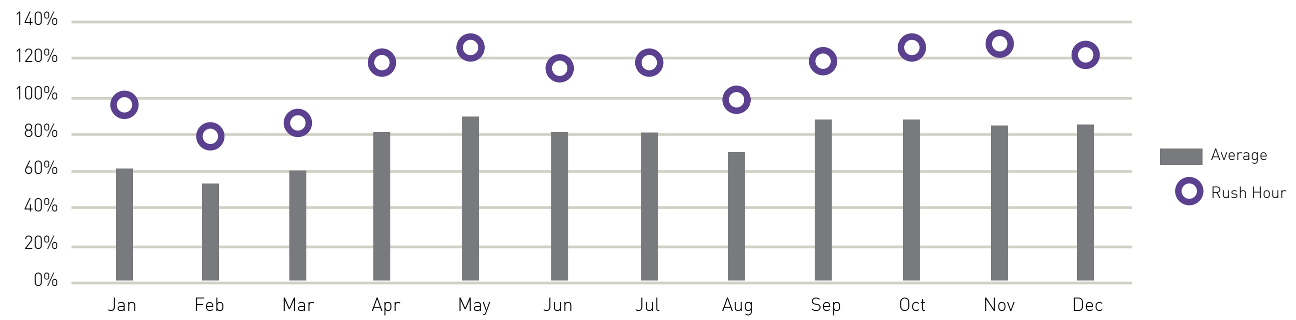
Analyzing the cover ratio per hourly slot after the entry into force of the new operating contract, the average monthly cover ratios at peak times always exceeded 100% (except in August), with a peak of 126.4% in November.

(values in thousands euros)

Metro Profit & Loss Account	2005	2006	2007	2008	2009	2010	10/09
Sales	10,326	21,263	26,678	29,418	30,065	31,141	3.6%
Cost of Sales	24,421	44,245	49,667	48,889	50,257	41,729	-17.0%
Gross Margin	-14,096	-22,982	-22,989	-19,471	-20,192	-10,587	47.6%
Sales to Cost of Sales Ratio	**42.3%**	**48.1%**	**53.7%**	**60.2%**	**59.8%**	**74.6%**	**14.8 pp**

Analysis of cover ratios by stretch, on monthly average terms, shows cover ratios below 30% in the Botica - Airport section and in the terminal sections of Yellow and Green Lines (the latter at Maia), as well as of the Blue Line from the station Matosinhos Sul onwards. The terminal section of the common trunk (Campanhã - Dragão) and of the Red Line from the station Vila do Conde onwards show annual average cover ratios between 30% and 50%. Cover ratios above 70% are achieved in urban parts of the network, surpassing 100% in the S. Bento - Marquês section of the Yellow Line and the common trunk between the Trindade and Casa da Música stations.

Cover Ratio 2010



The revenue from the public transport service in the Light Rail System (excluding advertising) amounted in 2010 to 31.1 million euros, an increase of 3.6% over the previous year.

Cost of sales and services amounted to 41.7 million euros, a decrease of 17.0% over the previous year. This development is a result of reduction of 16.1% in the cost of the SML operating contract (with a weight of 94.1% in the cost structure) and of a 53.3% reduction in the cost of supervising the operation, the result of the non-renewal of that contract following the internalization of this function. Commissions paid to the TIP, ACE for sales network management grew by 2.5%, in line with the growth of revenue and validations.

The operating account of the Funicular dos Guindais shows in 2010 an improvement in the average annual cover ratio of 2.3 percentage points, to an average of 40.8% (against 38.5% in 2009). The year closes with a negative gross margin of 389.7 thousand euros, an improvement of 3.5% over the previous year.

(values in thousands euros)

Funicular Profit & Loss Account	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**10/09**
Sales	137.9	175.7	212.2	238.1	253.0	268.6	62%
Cost of Sales	356.0	588.6	627.8	674.7	656.8	658.2	0.2%
Gross Margin	-218.1	-412.8	-415.6	-436.5	-403.8	-389.7	3.5%
Sales to Cost of Sales Ratio	**38..7%**	**29.9%**	**33.8%**	**35.3%**	**38.5%**	**40.8%**	**2.3 pp**

The revenue from the Funicular dos Guindais transport service amounts to 268,600 euros, which corresponds to a value of 50.55 cents per seat kilometre (7.7% more than in 2009) and 2.05 euros per passenger km, 2.0% above that recorded in 2009.

The Funicular dos Guindais has an operating cost of 1.24 euros per seat km offered (1.7% up compared to 2009) and 5.03 euros per passenger km (3.7% down compared to 2009).

7.5 RESULTS

There was in 2010 a general reduction in the various items of operating costs incurred by the Company, a reduction of 16.7 million euros having achieved in spending on supplies and services. Due to the adoption of new accounting standards (SNC) the expense of the company includes additional items of "Reductions in fair value of derivative financial instruments"(159.2 million euros), "Provisions for renewal of the assets of the concession" (30.8 million) and "Financial effects of provisions" (19.5 million).

The revenues generated by the transport service in 2010 showed a growth of 3.3%, ancillary service revenues having retreated 4.5%.

With the adoption of the SNC accounting framework, revenue totalling 122 million euros (up 19.1% compared to 2009) was recognised, relating to construction services for infrastructure and equipment, according to the degree of completion of the construction, measured at fair value of the right to exploit the system during the concession period.

The amounts of compensation to be distributed to companies providing public services were defined by Resolution of Council of Ministers No. 96/10 of December 14th, the Metro do Porto compensation for the transportation service amounting to 11,860,441.52 euros (net of VAT at 6%). This amount represents an average contribution of 4.4 cents per passenger km (down 0.4 cents on 2009). The budget allocation was fully transferred in December 2010.

Due to the adoption of new accounting standards (SNC) the company's income includes in addition a heading related to the allocation of investment grants (12.1 million).

In the cost components, the highlight goes to the reduction in 15.8% of Supplies and Services, a reduction that amounts to 22.7% if to the cost of the contract for the operation of Light Rail System one deducts the income from that contract related to the fee charged for the right to use the infrastructure, which is classified in Services Rendered. A reduction of 16.7 million euros was thus achieved in 2010, explained by the savings resulting from the new sub-concession agreement in force since April 1st, 2010 and by a sharp reduction in external services.

A 5.2% reduction in personnel costs was also secured, resulting from the implementation of measures of wage containment and from the staff turnover that has occurred.

On the other hand, there was a significant increase in interest expense. Despite the active and continuous monitoring of all operations of interest rate risk coverage contracted, the persistence of historically low levels of market rates, associated with the profound restrictions in the credit markets, hampered the restructuring of some of those operations, leading to a worsening of the results obtained with the instruments of interest rate risk management.

(values in thousands euros)

	2009	2010	10/09
Revenues			
Sales and Services Rendered (construction - IFRIC 12)	102,848	122,480	19.1%
Sales and Services Rendered (public passenger transport)	29,971	30,957	3.3%
Other Sales and Services Rendered	667	5,678	750.7%
Right to use infrastructures and rolling stock - Light Rail System sub-contract	-	*5,041*	-
Other	*667*	*638*	*-4.5%*
Other Revenues			
Operating Subsidies	11,994	11,867	-1.1%
Other Income and Gains	19,747	12,826	-35.0%
Imputation of investment	*17,250*	*12,006*	*30.4%*
Others	*2,497*	*820*	*-67.2%*
Costs and Losses			
External Supplies and Services (construction - IFRIC 12)	-84,461	-114,071	-35.1%
Other External Supplies and Services	-73,721	-62,037	15.8%
LIght Rail System Subcontract	*-48,885*	*-44,090*	*9.8%*
Survailance and Security	*-4,206*	*-4,086*	*2.8%*
Maintenance and Repairs	*-2,824*	*-1,995*	*29.4%*
Management Sales Commissions (TIP)	*-1,503*	*-1,528*	*-1.7%*
Operation and Maintenance of Guindais Funicular	*-708*	*-602*	*14.9%*
Other	*-15,595*	*-9,736*	*37.6%*
Staff Costs	-6,168	-5,848	5.2%
Other Costs	-3,288	-1,849	43.8%
Provisions	-26,580	-32,081	-20.7%
Reductions in Fair Value	-158,326	-159,239	-0.6%
Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)	**-187,317**	**-191,317**	**-2.1%**
Expenses/Reversals of Depreciation and Amortization	-49,076	-52,649	-7.3%
Earnings before Interes and Taxes (EBIT)	**-236,392**	**-243,965**	**-3.2%**
Interest and Similar Gains	479	415	-13.3%
Interest and Similar Losses	-59,409	-88,669	-49.3%
Financial Provisions Update (IFRI 12)	1,247	-19,508	1664.9%
Pre-tax Profit/Loss	**-294,076**	**-351,727**	**-19.6%**
Corporation Tax for the Year	-47	-63	-33.7%
Net Profit/Loss	**-294,123**	**-351,790**	**-19.6%**

8. PERSPECTIVE FOR 2011

In execution of the provisions of paragraph 2 of Base XXI of the Concession Bases of the Light Rail System of the Metropolitan Area of Oporto (SMLAMP) issued by Decree-Law No. 192/2008 of October 1st, the Metro do Porto submitted on December 29th, 2010 the tender documents for the limited tender by previous qualification for the award, as a sub-concession, of the construction of the second phase of the system, whose approval in 2011 is expected.

By Dispatch 510/10 of SETF, the State shareholder has determined that "non-financial State owned companies should observe the following limits of indebtedness provided for in the Stability of Growth Plan, subject to lower limits as provided for in their investment plans: i) 2010 - 7%, ii) 2011 - 6%, iii) 2012 to 5%, iv) 2013 - 4%." To ensure compliance with the provisions in this Dispatch, Metro do Porto submitted a revision of its 2010 budget, which provides for the suspension for the period from 2010 to 2014 of, among others, the project of extending the Green Line between ISMAI and Trofa, the process of public tender for whose construction had been launched on December 22nd, 2009 following the Government's authorization.

Not having Metro do Porto received any position on the content of the revision of the budget for 2010, the Executive Committee decided on September 30th, 2010 to propose to the Board that a decision should be taken not to award the tender for Limited Tender by Previous Qualification for the Construction of the Extension of Line C (Green Line) between the ISMAI and Paradela stations, a proposal accepted by the Board on October 6th, 2010.

It is estimated that in the second half of 2011 the operation of the Yellow Line's extension to Santo Ovídio will start, adding another 670 metres of track and one additional station to the Light Rail System.

Under the protocol signed between the Metro do Porto, Câmara Municipal de Vila do Conde and Henup, promotor of the "Complexo Comercial Nassica Vila do Conde", the Modivas North station will be implemented, originally scheduled in the Póvoa Line track duplication project but whose construction had been suspended. Under this protocol, Metro do Porto bears the costs of implementation of the station, while Henup takes charge of the construction of the access from the shopping complex to the station, thereby enhancing its use.

The Government's agreement is expected for the formal signature of six amendments to the contract with the consortium which built the Light Rail System, amendments which have already been negotiated with that consortium. These amendments are:
- Fifth amendment: it refers to the track duplication of the Trofa Line between Fonte do Cuco and ISMAI, at whose Fonte do Cuco – Fórum Maia stretch inauguration ceremony, in July 2005, the Transportation Minister was present;
- Sixth amendment: it refers to single track works in the ISMAI-Trofa stretch which were agreed not to be executed;
- Seventh amendment: it refers to the renegotiation of the operation contract, which became necessary because the operation component of the original contract did not regulate the network alterations later approved by the Government;
- Seventh-A Amendment: it refers to the extension of the operation period (from April 1st 2009 until March 31st, 2010), thus making the consortium responsible to maintain the System since the beginning of its operation until March 31st, 2010;
- Eighth amendment: it refers to the exchange and global compensation of the additional and the suppressed works which were determined in the course of the contract's execution and whose regimen was not covered by previous contract amendments; it refers also to the guarantee extensions for rolling stock and depot equipment;
- Eighth-A amendment: it refers to the guarantee extensions for the civil engineering works and electro-mechanical works and to the extension of insurance periods, bonds and retentions, which had not been agreed in the eight amendment.

Still on the subject of the contract with the consortium contracted for the construction of the Light Rail System (Normetro, ACE), also lacking the approval of the Government is the agreement reached with the consortium, under the financial closure of the contract, on the costs incurred with the term extension of the Póvoa and Trofa lines, and on costs incurred with term extensions in respect of financial guarantees, insurances and price retentions, which also puts an end to a number of claims pending, regarding which the agreement states that no further compensation is due to the consortium.

Its celebration continuing to be foreseen in the new version of the Concession Bases of Light Rail System, the Contract to govern the allocation of compensation for public service provided by Metro do Porto continues to be expected.

9. PROPOSAL FOR THE ALLOCATION OF RESULTS

The Board proposes that the net result of 2009, amounting to -351,790,107.57 euros, be integrally transferred to the Retained Earnings Account.

Oporto March 9th, 2011

The Board
Chairman of the Board:
António Ricardo de Oliveira Fonseca

Members:
Maria Gorete Gonçalves Fernandes Rato
Jorge Moreno Delgado
Fernanda Pereira Noronha Meneses Mendes Gomes
Gonçalo Nuno de Sousa Mayan Gonçalves
Mário Hermenegildo Moreira de Almeida
Marco António Ribeiro dos Santos Costa

ADDENDUM:

Metro do Porto, S.A. began the preparation of the audit process and statutory accounts for 2010 in September of that year, a process that began with the setting of supervisory bodies timetables and tasks, as well as the definition of the methodologies resulting from the application of the new accounting standards - the SNC.

At this point the sources of information available and the bases used for calculating the required accounting recording of operations were also analysed, discussed and defined.

During the process, and as a result of deep and previous knowledge on the part of external auditors and the Auditor of the company, all parties involved - Metro do Porto, External Auditors and Statutory Auditor - set and accepted the principle that the mark-to-market valuation of derivative financial instruments that Metro do Porto SA holds in its portfolio, and its accounting impact, would be the results reported by the counterparties in each transaction, in order to minimize the risks associated with changes in interest rates.

Notwithstanding the definition and acceptance of the methodology described previously, one week after individual accounts were approveded by Metro do Porto's Board, "PriceWaterhouseCoopers", acting as external auditor, announced that it could not accept the methodology that was previously validated and that it would require knowledge of the valuation models used by counterparties of the transactions, which would be clearly impossible as was known, ab initio, by "PriceWaterhouseCoopers.

Following the constraint thus created and just described, Metro do Porto SA was confronted with a reversal of the Company's Statutory Auditor's position, who then expressed the need to include a reserve by scope limitation in its Legal Certification of Accounts, so that this document would match the position PriceWaterhouseCoopers would assume, and came to assume, in its audit report.

The company's position and the situation in which it was placed by "PriceWaterhouseCoopers" now clarified and considering the impossibility to resolve, in time, the limitation, the valuation of Metro do Porto SA's portfolio of derivative financial instruments by an independent external reviewer previously accepted by PricewaterhouseCoopers is already in the process of being awarded, in order to ensure a similar situation will not recur in the future.

FINANCIAL STATEMENTS YEAR 2010

BALANCE SHEET AT DECEMBER 31ST 2010

(units: euros)

	Notes	31/12/2010	31/12/2009
Assets			
Non Current Assets			
Tangible Assets	6	3,980,456	4,360,260
Intangible Assets	7	2,217,612,966	2,147,555,790
Financial Investments - Equity Method	8	296,258	314,943
		2,221,889,680	**2,152,230,993**
Current Assets			
Costumers	10	6,282,448	9,737,785
State and other Public Entities	11	11,057,730	25,301,273
Other Accounts Receivable	12	2,949,000	1,176,777
Deferrals		80,998	38,792
Derivative Financial Instruments	17	20,905,370	30,290,406
Other Financial Assets	16	11,709,623	13,042,392
Cash and Banks	5	1,983,884	1,319,538
		54,969,051	**80,906,963**
Total Assets		**2,276,858,731**	**2,233,137,956**
Equity and Liabilities			
Equity			
Paid-up Capital	13	7,500,000	7,500,000
Adjustments on Financial Instruments	14 and 17	(10,143,561)	(8,484,517)
Retained earnings	2	(1,305,320,895)	(1,011,146,057)
Adjustments on Financial Investments	8 and 14	835,189	194,466
Investment Subsidies	14	500,902,294	500,859,381
Other Changes in Equity		338,649	
Net Income/Loss	2	(351,790,108)	(294,122,868)
Equity	2	**(1,157,678,433)**	**(805,199,596)**
Liabilities			
Non-Current Liabilities			
Provisions	15	189,920,227	149,604,015
Funding Obtained	16	2,159,451,641	2,150,333,653
Derivative Financial Instruments	17	767,986,267	608,461,109
		3,117,358,136	**2,908,398,777**
Current Liabilities			
Suppliers	18	33,330,757	19,444,079
State and other Public Entities	11	323,701	247,887
Funding Obtained	16	180,943,232	61,361,381
Other Accounts Payable	19	102,004,738	48,240,808
Other Financial Liabilities	16	576,600	644,619
		317,179,029	**129,938,775**
Total Liabilities		**3,434,537,164**	**3,038,337,552**
Total Equity & Liabilities		**2,276,858,731**	**2,233,137,956**

Chartered Account & Registered Auditor

Dr. Vitor Manuel Gomes Castelo de Carvalho

Board of Directors

Chairman: Dr. António Ricardo de Oliveira Fonseca *Members:* Dra. Maria Gorete Gonçalves Fernandes Rato | Prof. Jorge Moreno Delgado Dra. Fernanda Pereira Noronha Meneses Mendes Gomes | Dr. Gonçalo Nuno de Sousa Mayan Gonçalves | Eng. Mário Hermenegildo Moreira de Almeida | Dr. Marco António Ribeiro dos Santos Costa

PROFIT & LOSS ACCOUNT BY NATURE YEAR 2010 AND 2009

(units: euros)

	Notes	2010	2009
Revenues			
Sales and Services Rendered (construction - IFRIC 12)	22	122,480,251	102,847,998
Sales and Services Rendered (public passenger transport)	20	30,956,872	29,970,922
Other Sales ans Services Rendered	20	5,678,106	667,487
Other Revenues			
Operating Subsidies	3	11,866,960	11,993,688
Gains on Subsidiaries and Associated Companies		92,869	126,740
Other Income and Gains	24	12,732,927	19,620,440
Costs and losses			
External Supplies and Services (construction - IFRIC 12)	22	(114,071,168)	(84,460,749)
Other External Supplies and Services	21	(62,037,094)	(73,720,938)
Staff Costs	23	(5,847,558)	(6,168,303)
Losses on Subsidiaries and Associated Companies	8	(25,791)	(772)
Other Operating Costs and Losses	25	(1,822,866)	(3,287,541)
Provisions	15	(32,081,097)	(26,579,647)
Reductions in Fair Value	17	(159,239,229)	(158,325,861)
Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)		**(191,316,818)**	**(187,316,535)**
Expenses/Reversals of Depreciation and Amortization	6 and 7	(52,648,549)	(49,075,903)
Earnings before Interest and Taxes (EBIT)		**(243,965,367)**	**(236,392,439)**
Interest and Similar Gains		415,270	478,791
Interest and Similar Losses	26	(88,669,012)	(59,408,563)
Financial Provisions Update (IFRIC 12)	26	(19,507,834)	1,246,571
Pre-tax Profit/Loss		**(351,726,944)**	**(294,075,639)**
Corporation Tax for the Year		(63,164)	(47,229)
Net Profit/Loss		**(351,790,108)**	**(294,122,868)**

Chartered Account & Registered Auditor

Dr. Vitor Manuel Gomes Castelo de Carvalho

Board of Directors

Chairman: Dr. António Ricardo de Oliveira Fonseca *Members:* Dra. Maria Gorete Gonçalves Fernandes Rato | Prof. Jorge Moreno Delgado Dra. Fernanda Pereira Noronha Meneses Mendes Gomes | Dr. Gonçalo Nuno de Sousa Mayan Gonçalves | Eng. Mário Hermenegildo Moreira de Almeida | Dr. Marco António Ribeiro dos Santos Costa

CHANGES IN EQUITY AT JANUARY 1st, 2009 AND DECEMBER 31st, 2010

(units: euros)

		Notes	Paid-up Capital	Adjustments on Financial Instruments	Retained Earnings	Other Equity Instruments	Adjustments on Financial Investments	Investment Subsidies	Other Changes in Equity	Net Income/Loss	TOTAL
Equity at January 1st, 2009	1	2	**7,500,000**	**-**	**(406,377,061)**	**179,033**	**54,687**	**478,961,360**	**-**	**(148,619,199)**	**(68,301,180)**
Changes in 2009											
First adoption of new accounting reference (SNC)		2	-	(7,983,562)	(456,094,833)	(179,033)		(12,947,953)			**(477,205,381)**
Application of results					(148,758,978)		139,779			148,619,199	**-**
Variation of hedging instruments		17		(500,956)							**(500,956)**
Variation of investment subsidies		14						34,845,974			**34,845,974**
Other changes recognised in equity		14			84,815						**84,815**
	2		**-**	**(8,484,517)**	**(604,768,996)**	**(179,033)**	**139,779**	**21,898,021**	**-**	**148,619,199**	**(442,775,548)**
Net income/loss 2009	3									**(294,122,868)**	**(294,122,868)**
Total result 2009	4 = 2 + 3										**(736,898,416)**
Equity at December 31st, 2009	6		**7,500,000**	**(8,484,517)**	**(1,011,146,057)**	**-**	**194,466**	**500,859,381**	**-**	**(294,122,868)**	**(805,199,596)**
Changes in 2010											
Application of results					(294,174,838)		51,970			294,122,868	**-**
Variation of hedging instruments		17		(1,659,044)							**(1,659,044)**
Variation of investment subsidies		14						42,913			**42,913**
Other changes recognised in equity		14					588,753		338.649		**927,402**
	7		**-**	**(1,659,044)**	**(294,174,838)**	**-**	**640,723**	**42,913**	**338.649**	**294,122,868**	**(688,730)**
Net income/loss 2010	8									**(351,790,108)**	**(351,790,108)**
Total result 2010	9 = 7 + 8										**(352,478,838)**
Equity at December 31st, 2010	10		**7,500,000**	**(10,143,561)**	**(1,305,320,896)**	**-**	**835,189**	**500,902,294**	**338.649**	**(351,790,108)**	**(1,157,678,433)**

Chartered Account & Registered Auditor

Dr. Vitor Manuel Gomes Castelo de Carvalho

Board of Directors

Chairman: Dr. António Ricardo de Oliveira Fonseca *Members:* Dra. Maria Gorete Gonçalves Fernandes Rato | Prof. Jorge Moreno Delgado Dra. Fernanda Pereira Noronha Meneses Mendes Gomes | Dr. Gonçalo Nuno de Sousa Mayan Gonçalves | Eng. Mário Hermenegildo Moreira de Almeida | Dr. Marco António Ribeiro dos Santos Costa

CASH FLOW STATEMENT
YEAR 2010 AND 2009

(units: euros)

	2010	2009
Operating Activities Cash Flow:		
Received from costumers	40,119,582	29,067,483
Payments to suppliers	(41,892,566)	(96,301,806)
Payments to employees	(5,899,395)	(6,161,209)
Inflow/outflow from operation	(7,672,379)	(73,395,532)
Payment/receipt of corporation tax	285,308	(360,745)
Other receipts in respect of operating activity	11,861,243	22,408,745
Net cash inflow/outflow from operating activities (1)	**4,474,172**	**(51,347,532)**
Investments activities cash flow		
Payments in respect of:		
Tangible fixed assets	(138,541)	(238,815)
Intangible assets	(66,233,188)	(149,821,314)
Receipts from:		
Tangible fixed assets	34,939	119,540
Financial assets	44,863	0
Investment subsidies	12,049,087	52,048,196
Net cash inflow/outflow from investment activities (2)	**(54,242,839)**	**(97,892,393)**
Financing activities cash flow		
Receipts from:		
Loans	154,338,551	279,230,639
Payments in respect of:		
Loans	(26,754,982)	(68,456,769)
Interest and similar losses	(77,150,556)	(61,364,621)
Net cash inflow/outflow from financing activities (3)	**50,433,013**	**149,409,249**
Increase/decrease in cash & cash equivalents (1+2+3)	**664,346**	**169,324**
Cash & equivalents at the beginning of the period	**1,319,538**	**1,150,214**
Cash & equivalents at the end of the period	**1,983,884**	**1,319,538**

Chartered Account & Registered Auditor

Dr. Vitor Manuel Gomes Castelo de Carvalho

Board of Directors

Chairman: Dr. António Ricardo de Oliveira Fonseca *Members:* Dra. Maria Gorete Gonçalves Fernandes Rato | Prof. Jorge Moreno Delgado Dra. Fernanda Pereira Noronha Meneses Mendes Gomes | Dr. Gonçalo Nuno de Sousa Mayan Gonçalves | Eng. Mário Hermenegildo Moreira de Almeida | Dr. Marco António Ribeiro dos Santos Costa

NOTES TO FINANCIAL STATEMENTS

1 - Introduction

Metro do Porto, S.A. was set up by Decree-Law n.º 71/93, of March 10th, which instituted the first legal framework for operation of the Light Metro System in the Metropolitan Area of Oporto, attributing the exclusive right to exploit the system to be set up to a company to be created and to be owned by the State, Municipalities and other public entities.

The Metro do Porto, S.A. company, initially named as "Metro da Área Metropolitana do Porto, S.A.", was registered on August 6th, 1993, with the objective of running the Light Metro System in Metropolitan Area of Oporto and its headquarters at Avenida Fernão de Magalhães 1862-7º, 4350-158 Porto.

Decree-Law nº 394-A/98, of December 15th, revoked the Decree-Law n.º 71/93, of March 10th and conferred Metro do Porto, S.A., the statute of concession for a period of 50 years, regulated the Bases of the Concession (in its annex I), defined rules for the shareholders (annex II – Metro do Porto, S.A. Shareholders Agreement) and defined new Company Articles of Association (annex III). The legal framework of the concession is altered by Law 161/99, of September 14th, which approves the bases of the concession, by Decree-Law n.º 261/2001, of September 16th, 2001, by Decree n.º249/2002, of November 19th, so as to allow rolling stock leasing operations, by Decree-Law n.º 33/2003, of February 24th, by Decree-Law n.º 166/2003, of July 24th, by Decree n. 233/2003 of September 27th, and by Decree-Law n.º 192/2008.

In fulfilment of its objective, the Company has to carry out studies, design, planning, projects and the construction of the infra-structure necessary to realise the undertaking, as well as to purchase the equipment and the rolling stock. These tasks have constituted the main activity of the company, to which was added in 2003 the commercial operation of the Light Rail Metro System, when the operation of the Blue Line started. Since then, commercial operation has undergone significant expansion with the opening of the Trindade – Dragão Stadium stretch in 2004, Senhora da Hora – Pedras Rubras (on the Póvoa line), Fonte do Cuco – Fórum da Maia (of the Trofa line) and of the Yellow line in 2005, Pedras Rubras – Póvoa of Varzim, Pólo Universitário – Hospital São João, Fórum da Maia– ISMAI, Os Verdes – Francisco Sá Carneiro airport stretches in 2006, and of the opening in 2008 of the João de Deus – D. João II stretch in Vila Nova de Gaia, resulting in a consistent monthly rise in demand, which has been maintained in this financial year.

The financing of the investment and of the business activity, under the terms of Base XIII of Decree n.º 394-A/98, as amended by Decree-Law n.º 192/2008 of October 1st, is to be ensured, in addition to the revenue arising from the Company's business activities, by allocations of the State Budget, European funds, borrowing, capital contributions (share capital in cash or accessory contributions in other assets, the latter being convertible into share capital when its value exceeds ten times the share capital underwritten by the shareholder).

Under the terms of Base XV of Decree-Law n.º 394-A/98, as amended by Decree-Law n.º 192/2008 of October 1st, the financial equilibrium of the Light Metro System is to be ensured by the State through attribution of compensatory indemnifications to compensate the company for its provision of the public transport service, the object of a contract to be signed by the State and by the concessionaire.

At the end of the financial year of 2010 the business had the following shareholding:

TIP - Transportes Intermodais do Porto, A.C.E.	33.33%
Metro do Porto, Consultoria Unipessoal, Lda.	100.00%
Nortrem, ACE	0.009%
Transpublicidade, S.A.	40.00%

These financial statements were approved by the Board of Directors, meeting on March 9th, 2011. The Board believes that these financial statements truly and properly reflect the operations of the company, as well as its position and financial performance and cash flows.

2 - Accounting standards for the preparation of financial statements

2.1 - Preparation Bases

These financial statements were prepared in accordance with the provisions of the SNC, issued and in force on December 31st, 2010, in accordance with the principle of historical cost, and supplementary provisions of the International Financial Reporting Standards (IAS/IFRS) and related interpretations (SIC/IFRIC) .

The preparation of financial statements in accordance with the SNC requires the use of estimates, assumptions and critical judgments in the process of determining the accounting policies to be adopted by the Company, with significant impact on the accounting value of assets and liabilities, as well as on the income and expenses of the reporting period.

Although these estimates are based on best experience of the Board of Directors and their best expectations in relation to current and future events and actions, present and future results may differ from these estimates. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are presented in note 3.18.

2.2 - Derogation from the provisions of SNC

During the financial year to which these financial statements pertain, there were no exceptional cases involving directly the derogation from any provision laid down by the SNC.

2.3 - Comparability of financial statements

The elements contained in these financial statements are all comparable with the previous year, because the 2009 comparative elements were restated in accordance with the adoption of the NCRF (Financial Reporting Accounting Norms) for the first time.

2.4 - First-time adoption of NCRF

The company adopted the NCRF, issued and in force on December 31st, 2010, having applied these standards retrospectively for all periods presented. The transition date is January 1tst, 2009, and Metro do Porto prepared its opening balance sheet as at that date, taking into account the exemptions and exclusions to other existing standards allowed by the NCRF 3.

The NCRF 3 allows exemptions, in particular with regard to the retrospective application, in respect of treatment recommended by other standards of the SNC, not having Metro do Porto opted at the time of transition for any of the exemptions provided for.

RECONCILIATION OF SNC TRANSITION ADJUSTMENTS

On December 31st, 2009 and January 1st, 2009, the adoption of principles and accounting policies in accordance with the NCRF had the following effect in equity:

RECONCILIATION OF EQUITY

The total amount of adjustment as at the date of transition reflects the gap recorded in the financial statements arising from the conversion to the SNC. These adjustments are recognised in "retained earnings".

	Adjust.	31/12/2009	01/01/2009
POC equity		**(154,578,767)**	**(68,301,179)**
Application of IFRIC 12/ Rolling stock leasing	1)	(100,752,144)	(86,573,614)
Fair Value – Derivative Financial Instruments	2)	(580,229,129)	(421,402,313)
Investment subsidies	3)	29,599,956	30,173,556
Non realised supplementary funds		(179,033)	(179,033)
Other		939,521	776,023
Total adjustments		(650,620,829)	(477,205,381)
SNC equity		**(805,199,596)**	**(545,506,560)**

For the financial year 2009, the adoption of principles and accounting policies in accordance with IFRS resulted in a net impact on the results as follows:

RECONCILIATION OF NET RESULTS

	Adjust.	31/12/2009
Net results POC		**(138,410,599)**
Application of IFRIC 12/ Rolling stock leasing	1)	(14,178,529)
Fair Value – Derivative Financial Instruments	2)	(158,325,860)
Investment subsidies	3)	16,628,622
Others		163,498
Total adjustments		(155,712,269)
Net results SNC		**(294,122,868)**

ALTERATIONS TO THE CASH FLOW STATEMENT

The alterations to the Cash Flow Statement were not considered significant for disclosure.

DETAIL OF ADJUSTMENTS

The above adjustments on the reconciliation of equity and net profit result from the quantitative differences identified between the POC and SNC normative, which may be summarised as follows:

Adjustment 1) - Adoption of IFRIC12 / Rolling Stock Leasing Contract

The main impacts of the adoption of IFRIC 12 are the following ones:

Concession related infrastructure - It is no longer recognised as tangible capital assets, insofar as in the terms of concession contracts the right of use is acquired, control of the same infrastructure not existing since the concedent controls its use and services. On the other hand the infrastructure reverts to the concedent at the end of the contract.

The Investment initially carried out for the construction of the infrastructure - previously recognised as tangible asset, was reclassified as intangible asset, net of the corresponding accumulated depreciation, corresponding to the value of the contractual right to use the infrastructure for the provision of the public service, remunerated as a function of its use.

The referred reclassification, from tangible capital assets to intangible asset, of the value of the initial construction of the infrastructure, was made retrospectively in accordance with the transitory provisions of IFRIC 12.

Constitution of a provision resulting from the contractual obligation to keep or to reinstate the infrastructure in normal working conditions. This provision is constituted throughout the period that elapses between reinstatements.

Financial update in each period of the provision mentioned above, against the booking of a financial expense.

Leasing Contract – Rolling Stock

The company controls the residual interest in the assets (Rolling Stock) of Nortrem, ACE, with which it has a leasing contract. In this way, the assets were recognised in the financial statements of the Company as concession infrastructure, the total payment obligations having also been recognised as liabilities at their amortised cost.

Adjustment 2) – Fair Value of Derivative Financial Instruments

Derivative financial instruments were recorded on the balance sheet at their fair value at date of transition. The subsequent recognition of gains and losses on fair value depends on the designation that is made of derivative financial instruments and on how they are identified within the accountancy hedging relations framework typified in NCRF (Financial Reporting Accounting Standard) 27.

Adjustment 3) – Investment subsidies

The company already used as accounting policy the registration in its equity, as Concedent Instalments, of the investment subsidies received. However an amount, related in essence to the grant for the construction of the Infante bridge, was still booked as deferred income, which in the transition was reclassified to equity. For all grants received and recorded under equity, the corresponding income associated with depreciation has been recognised, by deduction in equity.

3 - Main accounting policies

The main accounting policies applied in the preparation of financial statements are described below. These policies have been consistently applied to all years presented, unless otherwise stated.

3.1 - Financial interests – Subsidiaries and Associates

Subsidiaries are understood to be all entities in which the company has the power to decide on financial or operational policies, which is usually associated with the control, direct or indirect, of more than half the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in the evaluation of the monitoring of the control which the Metro do Porto holds on an entity.

Associates are entities on which the Company has between 20% and 50% of voting rights, or over which it has significant influence, but not the control.

Investments in subsidiaries and associates are presented by the amount resulting from application of the equity accounting criterion. According to this method, the financial statements include the company's share in total income and expense recognised from the date when significant influence or control begins until the date on which it actually ends. Income or unrealised expense on transactions between the Company and its associates are eliminated. The results allocated by the subsidiary are considered by reductions of the investment held.

3.2 - Tangible fixed assets

Tangible assets are valued at cost less any accumulated depreciation and any impairment. This cost includes the cost estimated at the date of transition to NCRF and acquisition costs for assets acquired after that date.

The acquisition cost includes the purchase price of assets, costs directly attributable to the acquisition and the costs incurred in preparing the asset to be fit for of use. Financial costs incurred in building tangible assets are recognised as part of the construction cost of the asset.

Subsequent costs incurred with renovations and major repairs, which increase the useful life or the productive capacity of assets, are recognised in cost of the asset.

The cost of repairs and maintenance of a current nature are recognised as an expense in the period in which they are incurred.

The estimated useful lives for the most significant tangible fixed assets are as follows:

	Years
Buildings and other constructions	8 - 50
Basic equipment	4 - 10
Vehicles	4
Administrative equipment	3 - 10
Other tangible assets	4 - 8

Whenever there is evidence of loss of value of tangible fixed assets, impairment tests are carried out to estimate the recoverable amount of the asset and, when necessary, record an impairment loss. The recoverable amount is determined by the highest value of the net selling price and the use value of the asset, the latter being calculated based on the present value of estimated future cash flows from continuing use and disposal of the asset at the end of its useful life.

Gains or losses on disposal of assets are determined by the difference between the realization value and the book value of the asset, being recognised in the income statement.

3.3 - Intangible Assets

The value of intangible assets refers to the right to charge users of the light railway system in the Metropolitan Area of Oporto a price for the transportation service provided, according to the Concession Bases.

By Decree-Law No 394-A/98, the State (the Concedent) assigned to Metro do Porto the exclusive exploitation of light railway system in the Metropolitan Area of Oporto. According to the Concession Bases, the Company has the obligation to build and provide the infrastructure and equipment needed for provision of the service. The consideration received by the Company consists of the right to operate that system and charge the end-user a price for the service provided during the period of the concession (until December 31st, 2048).

According to the business model, translated into the Concession Bases, the construction and maintenance of the system during the period of the concession is offset by the right to access and operate the infrastructure to provide a public service on behalf of the Concedent and to charge a price for users of public service.

INITIAL RECOGNITION

The right to use registered on intangible assets corresponds to the return received from the Concedent of the built infrastructures (roads, tunnels, rolling stock) as a right (the concession – intangible asset) to use them to provide a public service. This right stems from an exchange of dissimilar goods, being the intangible asset valued at initial recognition at its fair value, as provided for in NCRF 6.

The fair value of the intangible asset associated with the right to exploit the system corresponds to the revenue of the service of building the infrastructure and equipment (rendered to the Concedent). According to the business model, the revenue is measured at the cost of construction of the infrastructure and equipment, without any additional margin.

SUBSEQUENT RECOGNITION

The company values its intangible assets, after initial recognition, by the Cost Model, as defined by NCRF 6 – Intangible Assets, which defines that an intangible asset should be carried at its cost less accumulated depreciation and any accumulated impairment losses.

DEPRECIATION

The company determines the life and the method of depreciation of intangible assets based on the estimation of consumption of economic benefits associated with the asset.

The intangible asset associated with the concession is an asset with a defined useful life, being depreciated on a systematic basis from the date on which the underlying infrastructure is available to use, for the remainder of the concession period.

3.4 - Impairment of assets

The company conducts tests of impairment with annual periodicity for the generality of intangible assets, including those of indefinite lifespan. These impairment tests are performed each year and whenever events or changes in surrounding conditions indicate that the value at which they are recorded in the financial statements may not be recoverable.

Where the recoverable amount is determined to be less than the book value of assets, the Company evaluates whether the loss is permanent and definitive, and if so it records the corresponding impairment loss. Where it concludes that the loss is not considered permanent and definitive, the reasons for this conclusion are disclosed in note 7.

The recoverable amount is the largest between the asset's fair value less costs to sell and its use value. For the determination of impairment, assets are grouped by cash-generating units, as the greatest disaggregation level for which there are separate identifiable cash flows.

The non-financial assets for which impairment losses have been recognised are assessed at each reporting date on the possible reversal of impairment losses.

When impairment is due to be recorded or reversed, the depreciation of assets is recalculated prospectively in accordance with the recoverable amount.

3.5 - Financial Assets

The Board determines the classification of financial assets, at the initial recognition date, according to NCRF 27 – Financial Instruments.
Financial assets can be classified/measured:

(a) at cost or amortised cost less any impairment loss; or
(b) at fair value with the corresponding changes in value recognised in the income statement.

The company classifies and measures at cost or depreciated cost, the financial assets: (i)) which are on hand or have a defined maturity; ii) whose return is of fixed amount, fixed interest rate or variable rate corresponding to a market index; and (iii)) that have no contractual clause which may result in loss of face value and interest accrued.
For assets recorded at amortized cost, interest earned to recognize in each period is determined according to the effective interest rate method, which corresponds to the rate that exactly discounts estimated future cash receipts during the expected life of the financial instrument.

Recorded at cost or depreciated cost are financial assets which constitute loans, accounts receivable (customers, other debtors, etc.) and equity instruments and associated derivatives contracts, which are not traded in an active market or whose fair value cannot be reliably determined.

The Company classifies and measures the fair value the financial assets that do not comply with the conditions to be measured at cost or depreciated cost, as described above. Financial assets and derivative contracts are recorded at fair value. Changes in fair value are recorded in the results of the period, except for financial derivatives that qualify as accounting cash flow hedges.

The Company assesses at each reporting date the existence of indicators of loss of value for financial assets that are not measured at fair value through earnings. If there is objective evidence of impairment, an impairment loss is recognised in the income statement.

Financial assets are derecognised in case of extinction or transfer of the right to receive cash flows generated by these investments or of all risks and benefits associated with their possession.

3.6 -Derivative financial instruments

Derivative financial instruments are recorded initially at fair value of the date of the transaction being valued subsequently by the same valuation method (fair value). The method of recognition of gains and losses on fair value depends on the classification that is assigned to financial derivative instruments and on how they are identified in relation to the accountancy framework for hedges typified the NCRF 27. Other financial derivative instruments not classified as hedges are recorded as trading financial derivatives, whose gains and losses on fair value are recognised in profit or loss under financial income or expenses.

When accounted for as hedging financial derivatives, the recognition of gains and losses on fair value depends on the nature of the item that is being hedged, as they may be a fair value hedge or a cash flow hedge.

In a fair value hedge of an asset or liability ("fair value hedges"), the balance sheet value of such assets or liabilities, determined based on the respective accounting policy, is adjusted to reflect the change in fair value attributable to the hedged risk. Changes in the fair value of fair value hedge derivatives are recognised in results, together with changes in fair value of assets or liabilities attributable to the hedged risk.

In a hedge of the exposure to variability in future cash flows with high probability ("cash flow hedge"), the effective portion of changes in fair value of the hedging derivative is recognised in reserves, being transferred to results in the periods when the hedged item affects earnings. The ineffective portion (from an accounting point of view) of the hedge is recorded in results as they occur.

3.7 - Costumers and Other accounts receivable

Costumers and other receivables items are recognised initially at fair value and subsequently measured at depreciated cost less impairment adjustments (where applicable). Impairment losses of Clients and Accounts receivable are recorded, where there is objective evidence that they are not recoverable at the initial terms of the transaction. Impairment losses identified are recorded in the income statement under "Adjustments of accounts receivable", being subsequently reversed through results, should indicators of impairment diminish or disappear.

3.8 - Cash and cash equivalents

This heading includes amounts in cash, bank deposits, other short-term investments with high liquidity with initial maturities up to 3 months and bank overdrafts. Bank overdrafts are shown in the Balance Sheet, in current liabilities, under the heading "Funding obtained" and are considered in the preparation of the cash flow statement under "Cash and Cash equivalents".

3.9 - Share capital

Ordinary shares are classified in equity. Costs directly attributable to the issue of new shares or options are presented in equity as a deduction, net of taxes, to the amount issued.

3.10 - Financial liabilities

The Board determines the classification of financial liabilities, at the initial recognition date, according to NCRF 27 – Financial Instruments.

Financial liabilities can be classified/measured:
(a) at cost or amortised cost less any impairment loss; or
(b) at fair value with the corresponding changes in value recognised in the income statement.

The company classifies and measures at cost or depreciated cost, the financial liabilities: i) which are on hand or have a defined maturity; ii) whose return is of fixed amount, fixed interest rate or variable rate corresponding to a market index; and iii)) that have no contractual clause which may result in loss of face value and interest accrued.

For liabilities recorded at amortized cost, interest paid to recognise in each period is determined according to the effective interest rate method, which corresponds to the rate that exactly discounts estimated future cash receipts during the expected life of the financial instrument.

Recorded at cost or depreciated cost are financial liabilities which constitute loans received, accounts payable (clients, other creditors, etc.) and equity instruments and associated derivatives contracts, which are not traded in an active market or whose fair value cannot be reliably determined.

Financial liabilities are derecognised only in case of extinction, that is, when the obligation laid down in the contract, has expired or has been liquidated or cancelled.

3.11 - Funding obtained

Funding obtained is initially recognised at fair value, net of setup and transaction costs incurred. The funds are subsequently presented at depreciated cost, the difference between nominal value and the initial fair value being recognised in the income statement over the period of the loan using the effective interest rate method.

Funding obtained is classified in current liabilities unless the company has an unconditional right to defer payment of the liability for at least 12 months after the balance sheet date, in which case classified in non-current liabilities.

3.12 - Income tax

Income tax for the period comprises solely autonomous taxations as defined by tax legislation in force.

3.13 - Provisions

Provisions are set up where the company has a present (legal or implicit) obligation resulting from a past event and where it is likely that a reasonably estimable decrease of resources embodying economic benefits will be required to settle the obligation.

The analysis of contingent losses is made at the end of each financial year and whenever one of the criteria is not met the company discloses this fact as a contingent liability, unless the possibility of decrease of resources for payment is considered remote.

3.14 - Subsidies and Government support

The company recognises subsidies of the Portuguese State, the European Union or of similar entities at their value when there is a reasonable certainty that the grant will be received.

Non-reimbursable resources assigned to the company for the funding of assets assigned to the Light Railway System, provided for in Decree-Law No 394-A/98 and its subsequent updates, are recognised initially in the equity item " investment grants ", being subsequently credited in the income statement on a systematic basis according to the depreciation of the intangible asset related to the right to operate the system in the concession period.

Operating subsidies are recognised as income in the income statement in the same period in which the associated expenses are incurred and recorded.

Government support in the form of repayable funding at a subsidised interest rate, are discounted on the date of initial recognition, constituting such discount the value of the subsidy to be depreciated throughout the funding period.

3.15 - Leases

The leasing contracts for which the company assumes substantially all the risks and rewards incident to ownership of the leased asset are classified as financial leases.

The leasing contracts are recorded at the date of initiation as an asset and liability, at the lowest of the fair value of the good and the present value of future lease rentals. The debt arising from a leasing contract is recorded net of financial charges, under the heading "Funding obtained". The financial charges included in the rent and the depreciation of leased assets are recognised in the income statement in the period to which they relate.

Assets acquired under financial leases are depreciated in accordance with the policy established by the Company for tangible fixed assets.

The leasing contracts for which the company does not assume substantially all risks and rewards incident to ownership of the good are classified as operating leases.

Where a lease is considered an operating lease, the rents payable are recognised as expense in the income statement on a straight-line basis over the lease term.

3.16 - Expenses and income

Expenses and income are recorded in the period to which they relate, regardless of their payment or receipt, in accordance with the principle of accrual accounting. According to this accounting principle, the differences between the amounts received and paid and the corresponding revenues and expenses are recognised as assets or liabilities, if they qualify as such.

3.17 - Revenue

a) Provision of construction services

Revenue concerning construction of infrastructures and equipment is recognised according to the degree of completion of construction activity, according to NCRF 19: construction revenue is measured at the fair value of the right to exploit the system during the concession period.

According to the business model, and since the Company does not assume a significant construction risk, it is determined that the fair value of the service is the cost of construction without any additional margin.

b) Provision of transportation services

The income generated by the use of intermodal transport ticket , Andante, either in the Light Railway System or at Funicular dos Guindais, is recorded according to the validations registred in the ticketing system. This information is provided by TIP ACE, the entity responsible for processing all the information of the sales network and the corresponding allocation of revenue, in accordance with the criteria defined by the group members of that ACE.

The income generated by the use of the Estádio do Dragão station car park and the Maia Central Car Park is obtained every month, according to records in the access control system/ticketing system and to information from the managing body of the latter park, respectively. The tariff, including a Park & Ride solution, was defined so as to promote its combined use with the metro.

The income arising from the use of alternative transport was recorded in the year by a corresponding reduction in its cost.

c) Compensatory allowances

During the year the amount of 11,860,442 euros (11,973,398 euros in 2009) was recorded in Operating Subsidies, a compensation to offset the decline in revenue due to providing a public service as defined in the Concession Bases.

In the absence of the programme contract or public service contract provided for in the Concession Bases, which would regulate the allocation of these allowances, and until publication of the Resolution of the Council of Ministers setting the amounts to be allocated in the year to companies in the State business sector, 1/12 of the amount received in the previous year is monthly recorded, and after such publication actual monthly allowances are booked and the amounts already booked are adjusted.

An amount of 2,250,708 euros (2,030,619 euros in 2009) was also registered corresponding to compensatory allowances relating to the Company's participation in the Social Tariff agreement concluded on June 29th, 2006 between transport operators participating in the intermodal system Andante. These amounts have been allocated by R.C.M. No. 96/2010 to 2/12 and 114/2009 of 14/12, respectively.

3.18 - Main estimates and judgments made

Estimates and judgments with impact on the company's financial statements are continuously assessed, representing on the date of each reporting the best estimate of the Board, taking into account historical performance, accumulated experience and expectations about future events which, in the given circumstances, are believed to be reasonable.

The intrinsic nature of estimates can lead to the real reflection of the situations that had been the object of estimation, for the purposes of financial reporting, being different from the amounts estimated. Estimates and judgments that pose a greater risk to cause a material adjustment in the book values of assets and liabilities in the course of the next financial year are as follows:

3.18.1 Provisions

The company analyzes periodically any obligations arising from past events and that merit recognition or disclosure.

The subjectivity inherent in the determination of the likelihood and amount of internal resources required for the payment of obligations may lead to significant adjustments, either by variation of the assumptions used, or by the future recognition of provisions previously disclosed as contingent liabilities.

3.18.2 Impairment

The determination of a potential impairment loss can be triggered by the occurrence of various events, many of whom are outside the Company's sphere of influence, such as the cost of capital.

Identifying impairment indicators, estimating future cash flows and determining the fair value of assets entail a high degree of judgment by the Board on the assessment of the different impairment indicators, expected cash flows, discount rates applicable, useful lives and residual values.

3.18.3 Fair Value of Financial Instruments

The determination of the fair value of derivatives is obtained in isolation for each of the instruments, representing the value supplied by the respective counterparts.

4 - Financial Risks Management

The company's exposure to financial risk includes, mainly, the variation of market interest rates.

i) Exchange rate risk

The currency risk is very low, since the loans are denominated in euros, and the value of purchases in a currency other than euro has no economic significance for the Company.

ii) Interest rate risk

Loans contracted with the European Investment Bank bear interest at variable and revisable fixed rates, as explained in note 16.

The remaining medium-and long-term funding bears interest at variable interest rates. The company owns fourteen coverage structures whose purpose is to reduce the company's exposure to interest rate risk, as explained in note 17.

iii) Credit risk

The Company shows a high concentration of credit because sales of tickets are made by TIP - Transportes Intermodais do Porto, ACE. Therefore, the credit risks of ACE and its clients reflect on the Company, a low probability of occurrence being expected.

iv) Liquidity risk

The company's funding model is based on public funds from the Portuguese State and the European Union, long-term financing from the European Investment Bank, leasing operations and structured operations of long-term financing from financial institutions.

5 - Cash flows

5.1 - Breakdown of the amounts entered under heading of cash and bank deposits

On December 31st, 2010, the detail of cash and cash equivalents is as follows:

	2010	2009
Bank deposits	1,982,361	1,318,016
Cash	1,522	1,522
Cash and equivalents	**1,983,883**	**1,319,538**

6 - Fixed tangible assets

During the year ending December 31st, 2009 the movements recorded in fixed tangible assets were as follows:

MOVEMENTS IN FIXED TANGIBLE ASSETS – 2009

	Land and Natural Resources	Buildings and Other Constructions	Basic Equipment	Transport Equipment	Tools	Administrative Equipment	TOTAL
January 1st, 2009							
Acquisition Cost	956,585	3,683,252	275,210	1,008,756	177,906	2,437,423	**8,539,132**
Accumulated Depreciations	0	(1,077,060)	(135,035)	(716,363)	(157,812)	(1,849,199)	**(3,935,469)**
Net Value	**956,585**	**2,606,192**	**140,175**	**292,393**	**20,094**	**588,224**	**4,603,663**
December 31st, 2009							
Increases	0	3,984	0	18,125	0	313,716	**335,825**
Disposals	0	0	0	(276,387)	0	0	**276,387**
Depreciations - Financial Year	0	(128,646)	(27,935)	(158,574)	(3,103)	(260,970)	**(579,228)**
Depreciations - Disposals	0	0	0	276,387	0	0	**276,387**
Net Value	**0**	**(124,662)**	**(27,935)**	**(140,449)**	**(3,103)**	**52,746**	**(243,403)**
December 31st, 2009							
Acquisition Cost	956,585	3,687,236	275,210	750,494	177,906	2,751,139	**8,598,570**
Accumulated Depreciation	0	(1,205,706)	(162,970)	(598,550)	(160,915)	(2,110,169)	**(4,238,310)**
Net Value	**956,585**	**2,481,530**	**112,240**	**151,944**	**16,991**	**640,970**	**4,360,260**

During the year ending December 31st, 2010 the movements recorded in fixed tangible assets were as follows:

MOVEMENTS IN FIXED TANGIBLE ASSETS – 2010

	Land and Natural Resources	Buildings and Other Constructions	Basic Equipment	Transport Equipment	Tools	Administrative Equipment	TOTAL
January 1st, 2010							
Acquisition Cost	956,585	3,687,236	275,310	750,494	177,906	2,751,139	**8,598,570**
Accumulated Depreciations	0	(1,205,706)	(162,970)	(598,550)	(160,915)	(2,110,169)	**(4,238,310)**
Net Value	**956,585**	**2,481,530**	**112,240**	**151,944**	**16,991**	**640,970**	**4,360,260**
December 31st, 2010							
Increases	0	0	0	0	0	138,541	**138,541**
Disposals	0	0	0	(219,486)	0	0	**219,486**
Depreciations - Financial Year	0	(102,139)	(27,873)	(103,113)	(3,083)	(282,085)	**(518,293)**
Depreciations - disposals	0	0	0	219,434	0	0	**219,434**
Net Value	**0**	**(102,139)**	**(27,873)**	**(103,165)**	**(3,083)**	**(143,544)**	**(379,804)**
December 31st, 2010							
Acquisition Cost	956,585	3,687,236	275,210	531,008	177,906	2,889,680	**8,517,625**
Accumulated Depreciation	0	(1,307,845)	(190,843)	(482,229)	(163,998)	(2,392,254)	**(4,537,169)**
Net Value	**956,585**	**2,379,391**	**84,367**	**48,779**	**13,908**	**497,426**	**3,980,456**

In the year ending December 31st, 2010 and December 31st, 2009 the net value of tangible fixed assets acquired under financial leases are as follows:

	2010	**2009**
Gross value	262,891	482,127
Accumulated depreciations	(214,242)	(339,403)
	48,649	**142,724**

Depreciation of tangible fixed assets is recognised, in its entirety, under the heading "depreciation and amortisation expense" of the income statement.

7 -Intangible Assets

The value of intangible assets refers to the right of commercial exploitation of public transport of passengers until the end of 2048, according to the Decree-Law No 394-A/98, as amended by Dec-law No 192/2007 of October 1st. Development for the periods presented is as follows:

MOVEMENTS IN INTANGIBLE ASSETS – 2009

	Operation Rights	Others	Assets in Progress	TOTAL
January 1st, 2009				
Acquisition Cost	2,138,312,271	0	155,034,055	**2,293,346,326**
Accumulated Amortization	(200,141,284)	(2,061)	0	**(200,143,345)**
Net Value	**1,938,170,987**	**(2,061)**	**155,034,055**	**2,093,202,981**
December 31st, 2009				
Increases	0	0	102,847,998	**102,847,998**
Amortization - Financial Year	(48,495,189)	0	0	**(48,495,189)**
Net Value	**(48,495,189)**	**0**	**102,847,998**	**54,352,809**
December 31st, 2009				
Acquisition Cost	2,138,312,271	0	257,882,053	**2,396,194,324**
Accumulated Amortization	(248,636,473)	(2,061)	0	**(248,638,534)**
Net Value	**1,889,675,798**	**(2,061)**	**257,882,053**	**2,147,555,790**

MOVEMENTS IN INTANGIBLE ASSETS – 2010

	Operation Rights	Others	Assets in Progress	TOTAL
January 1st, 2010				
Acquisition Cost	2,138,312,271	0	257,882,053	**2,396,194,324**
Accumulated Amortization	(248,636,473)	(2,061)	0	**(248,638,534)**
Net Value	**1,889,675,798**	**(2,061)**	**257,882,053**	**2,147,555,790**
December 31st, 2010				
Increases	0	212,721	137.326,851	**137,539,572**
Disposals	(1,500)	0	0	**(1,500)**
Transfer and Write-offs	147,234,854	0	(162,648,031)	**(15,413,180)**
Amortization - Financial Year	(52,095,494)	(34,763)	0	**(52,130,257)**
Amortization - Disposals	60,480	2,061	0	**62,541**
Net Value	**95,198,337**	**180,019**	**(25,321,180)**	**70,057,176**
December 31st, 2010				
Acquisition Cost	2,285,545,622	212,721	232,560,873	**2,518,319,216**
Accumulated Amortization	(300,671,487)	(34,763)	0	**(300,706,250)**
Net Value	**1,984,874,135**	**177,958**	**232,560,873**	**2,217,612,966**

The most significant values included in the heading of "Operation rights" refer to the following assets:

	2010	2009
Yellow Line	465,581,325	475,878,833
Common Trunk	425,654,683	437,039,999
Red Line	286,830,274	286,965,571
Eurotram Vehicles	213,591,457	219,020,571
Green Line	193,914,692	195,067,005
Tram-Train Vehicles	129,068,402	0
Blue Line	103,253,478	106,123,845
Depot (PMO)	93,671,583	95,276,291
Infante D. Henrique Bridge	34,493,171	35,400,886
Violet Line	33,853,338	34,224,599
General	4,961,730	4,678,197
	1,984,874,135	**1,889,675,798**

The heading "Assets in progress" includes all supplies and costs incurred for the construction of infrastructures and equipment relating to sections of the system that have not yet entered operation.

The most significant values are included under the heading "Assets in progress" refers to the assets of the following lines:

	2010	2009
Gondomar Line	143,662,138	69,500,418
Yellow Line	36,713,224	20,353,687
Green Line	25,495,307	22,529,466
Boavista Line	16,870,078	16,606,944
General	4,837,973	0
Red Line	3,225,000	0
Violet Line	1,000,000	0
Leça-Exponor Line	757,152	757,152
Tram-Train Vehicles	0	128,134,386
	232,560,873	**257,882,053**

IMPAIRMENT TEST OF THE INTANGIBLE ASSET RELATED TO THE RIGHT TO OPERATE THE SYSTEM

The Company carried out an impairment test of the right to operate the system at the Cash Generating Unit level. To the calculations made underlie the following assumptions:

- Discount of the operational cash flows of the various cash-generating units, considering an average market interest rate (before taxes) adjusted for risk of the activity of the Company, resulting in a rate of 5%;
- Inclusion of financial support by the State as stated in the introduction to the Annex;
- Restoring the amount of liquid assets at the balance sheet date to its recoverable value.

8 - Financial investments – equity method

On December 31st, 2010 and December 31st, 2009, investments in associated entities were as follows:

	% Held	2010	2009
Transpublicidade, SA	40.00	288,856	314,248
Metro do Porto, Consultoria Unipessoal, Lda.	100.00	7,402	695
TIP - Transportes Intermodais do Porto, A.C.E.	33.33	0	0
		296,258	**314,943**

The movements in financial investments in associated entities in 2009 and 2010 were the following:

	Metro do Porto Consult., Lda	Transpublicidade. SA	TOTAL
January 1st, 2009	**1,467**	**324,320**	**325,787**
Profit/Losses	(772)	(10.073)	(10,844)
December 31st, 2009	**695**	**314,247**	**314,943**
Acquisitions	6,885	0	7,106
Profit/Losses	(178)	(25,392)	(25,791)
Disposals	0	0	0
December 31st, 2010	**7,402**	**288,856**	**296,258**

As at December 31st, 2010 the TIP - Transportes Intermodais do Porto, ACE presents a negative net worth of 1,766,257 euros (1,363,833 in 2009), a provision of 681,622 euros (1,430,498 in 2009) having been set up as a result of the application of the equity method.

The financial information used for the application of the equity method corresponds to the information included in the financial statements of December 31st, 2010 and 2009, presented by the associated companies.

9 - Deferred Taxes

The Company is subject to the payment of income tax for the year, plus the municipal additional tax, and there is autonomous taxation under the terms defined by the tax legislation in force.

According to tax legislation, losses are carried forward for a period of six years (four from 2010) after its occurrence and deductible from taxable profits generated during the respective period.

On December 31st, 2010, no assets from deferred taxes were recognised, as future taxable results to compensate these losses are not to be likely to occur in the carry forward period.

The tax losses available for future use are as follows:

Year of Loss	Value	Usable up to
2005	69,837,916	2011
2006	118,251,857	2012
2007	141,098,189	2013
2008	146,378,974	2014
2009	135,659,062	2015
2010	358,925,374	2014

10 - Accounts receivable - Costumers

In the years ending December 31st, 2010 and December 31st, 2009, the item Accounts receivable - Costumers (current balances) is broken down as follows:

	2010	2009
Investment activity - Costumers	1,632,535	1,451,151
Operating activity - Costumers	4,649,913	8,286,634
Total Costumers	**6,282,448**	**9,737,785**

11 - State and other public entities

In the years ending December 31st, 2010 and December 31st, 2009, the balances of the heading "State and other public entities" were as follows:

	2010		2009	
	Debtor	**Creditor**	**Debtor**	**Creditor**
Corporate Income Tax	336,637	73,263	621,091	57,206
Personal Income Tax	891,311	119,251	846,088	81,295
Value Added Tax - VAT	9,824,580		23,828,893	
Contributions to the social security	5,202	131,187	5,201	109,376
Other taxes				10
	11,057,730	**323,701**	**25,301,273**	**247,887**

For the periods presented the income tax creditor balance breaks down as follows:

	2010	2009
Estimated Tax	63,163	47,229
Corporate Income tax - Fiscal Transparency	10,100	9,977
	73,263	**57,206**

The VAT debtor balance refers to refunds claimed from the fiscal administration.

12 - Other accounts receivable

In the years ending December 31st, 2010 and December 31st, 2009, the item other accounts receivable is broken down as follows:

	2010	2009
Andante Social Tariff	2,681,806	905,227
Others	267,194	271,550
Other accounts receivable	**2,949,000**	**1,176,777**

For the periods presented there are no differences between the book values and fair value.

13 - Capital

PAID-UP CAPITAL

On December 31st, 2010, the capital of the Company was fully subscribed and paid, being represented by 1,500,000 shares with the nominal value of 5 euros each.

OWN SHARES

On December 31st, 2010 Metro do Porto did not hold any own shares.

14 - Other Capital

ADJUSTMENTS IN DERIVATIVE FINANCIAL INSTRUMENTS

The balance under the heading "Adjustments in derivative financial instruments" refers integrally to the coverage reserve corresponding to the fair value at the date of December 31st, 2010 of the operation entered into to cover the rolling stock lease.

The movements under this heading stem from the change in fair value of these instruments between the various reporting periods as described in note 17.

INVESTMENT SUBSIDIES

The heading "Investment Subsidies" is composed by: i) grants allocated to the company for financing fixed assets assigned to the light railway system, provided for in Decree-Law No 394-A/98 and its subsequent updates (Concedent Instalments); and ii) funds from the State budget allocated through PIDDAC.

The movements in the years ended December 31st, 2010 and 2009 were as follows:

	Concedent Instalments	Subsidies	TOTAL
January 1st, 2009	**436,515,263**	**29,498,143**	**466,013,407**
Increases	52,048,196	47,821	**52,096,018**
Regularisation in Results	(16,516,137)	(733,907)	**(17,250,044)**
December 31st, 2009	**472,047,323**	**28,812,058**	**500,859,381**
Increases	12,049,087	0	**12,049,087**
Regularisation in Results	(11,269,324)	(736,850)	**(12,006,174)**
December 31st, 2010	**472,827,086**	**28,075,208**	**500,902,294**

The "Concedent Instalments" received in 2009 amounted to 12,049,087 euros (52,048,196 euros in 2009) and originated in the State budget, the ERDF and the Cohesion Fund.

The reconciliation of Equity for the headings "Adjustments on financial instruments", "Adjustments on financial investments" and "Investment Subsidies" presents the following decomposition:

	Adjustments on Financial Instruments	Adjustments on Financial Investments	Investment Subsidies
Equity Portion at January 1st, 2009	**(7,983,562)**	**54,687**	**466,013,407**
Changes in the Period:			
SNC First Adoption	0	0	(12,947,953)
Allocation of Results	0	139,779	0
Variation of Hedging Instruments	(500,956)	0	0
Variation of Investment Subsidies	0	0	47,793,927
Equity portion at December 31st, 2009	**(8,484,517)**	**194,466**	**500,859,381**
Changes in the Period:			
SNC First Adoption	0	51,970	0
Variation of hedging Instruments	(1,659,044)	0	0
Variation of Investment Subsidies	0	0	42,913
Others	0	588,752	0
Equity portion at December 31st, 2010	**(10,143,562)**	**835,188**	**500,902,294**

15 - Provisions for other risks and contingencies

The value of provisions refers mainly to the amount estimated by the company as necessary to meet the requirement for renewal of infrastructure allocated to the concession, which will revert to the State at the end of the concession period.

Additionally there are other reserves, resulting from: (i) any payments in ongoing court actions, an estimate of which was obtained from internal and external legal advisors; (ii) application of the equity method to the participation in TIP, ACE.

The evolution of the heading "Provisions" is as follows:

	2010	2009
Assets Renewal - IFRIC 12	176,928,093	133,173,517
Other Provisions	12,992,135	16,430,498
	189,920,228	**149,604,015**

	Assets Renewal (IFRIC 12)	Other Provisions	TOTAL
January 1st, 2009	**118,450,432**	**14,417,825**	**132,868,257**
Allocation of Provisions – Other Provisions	0	15,000,000	15,000,000
Allocation of Provisions IFRIC 12 – Operation	26,579,647	0	26,579,647
Allocation of Provisions IFRIC 12 – Financial	(1,246,571)	0	(1,246,571)
Use of Provisions	(10,609,990)	(12,987,327)	(23,597,317)
December 31st, 2009	**133,173,517**	**16,430,498**	**149,604,015**
Current Balance			
Non-current Balance	133,173,517	16,430,498	149,604,015
January 1st, 2010	**133,173,517**	**16,430,498**	**149,604,015**
Allocation of Provisions – Other Provisions	0	12,243,259	**12,243,259**
Allocation of Provisions IFRIC 12 – Operation	30,814,181	0	**30,814,181**
Allocation of Provisions IFRIC 12 – Financial	19,507,834	0	**19,507,834**
Reversal of provisions	0	(681,622)	**(681,622)**
Use of Provisions	(6,567,439)	(15,000,000)	**(21,567,439)**
December 31st, 2010	**176,928,093**	**12,992,135**	**189,920,228**
Current Balance			
Non-current Balance	176,928,093	12,992,135	189,920,228
	176,928,093	**12,992,135**	**189,920,228**

The changes recorded in the financial year 2010 stem from:

i) The need to replace assets allocated to the concession, in order to ensure the functionality of the system, taking into account the useful life of assets comprising it, in accordance with IFRIC 12, in the amount of 50,322,015 euro;
ii) Use of provisions previously set up as per the previous paragraph, amounting to 6,567,439 euros, due to costs incurred in maintaining assets during the period 2010;
iii) Predictions of future responsibilities to be assumed by the Company, resulting from litigation and expropriation procedures in the amount of 12,243,258 euros;
iv) Use of previously set up provisions resulting from the assumption of responsibilities for the financial year 2010 (15,000,000 euros);
v) Reversal of provisions previously set up within the scope of application of the equity method to the financial participation in TIP, ACE, totalling EUR 681,622.

16 - Funding obtained

The details of the funding, regarding maturity and nature, at the end of the economic years, is as follows:

	2010			2009		
	Current	Non-current	Total	Current	Non-current	Total
Current Loans	65,000,000	0	65,000,000	45,386,445	0	45.,386,445
Loan Contracts	102,500,000	1,117,000,000	1,219,500,000	2,500,000	1,142,000,000	1,144,500,000
Bond Loans	0	50,000,000	50,000,000	0	0	0
European Investment Bank (EIB)	6,650,639	783,737,792	790,388,431	6,650,639	790,388,430	797,039,069
Leasing	61,221	0	61,221	162,849	0	162,849
Rolling Stock Operational Lease Contracts (LEP)	5,998,575	203,429,062	209,427,636	5,897,577	209,427,636	215,325,213
EIB Bonus	402,882	1,978,809	2,381,691	429,518	2,381,692	2,811,210
LEP Bonus	329,915	3,305,978	3,635,894	334,354	3,635,894	3,970,248
TOTAL	**180,943,232**	**2,159,451,641**	**2,340,394,873**	**61,361,381**	**2,150,333,653**	**2,211,695,034**

All loans are in euro and variable-rate interest.

	2010	2009
Variable Interests		
Current	180,943,232	61,361,381
Non-current	2,159,451,641	2,150,333,653
	2,340,394,873	**2,211,695,034**

Non-current debt comprises debt contracted with the European Investment Bank, loan contracts, leasing (LEP) and a bond loan, under the conditions described below.

The amount of short-term loans payable includes 6,650,639 euros for the second reimbursement of EIB funding (instalment BEI I-A), 102,500,000 euros for the reimbursement of loan contracts and 20,000,000 euros for bridging loans.

At year-end 2010, Metro do Porto still had the 40 million euros in contracted and unused credit lines.
The credit lines with maturity up to 1 year are automatically renewable according to the frequency initially set.

The maturity of loans is as follows:

Maturity	2010	2009
Up to 1 year	180,943,232	61,300,159
Between 2 and 5 years	555,000,000	582,500,000
More than 5 years	1,604,451,641	1,567,894,874

The portfolio of debt with a maturity exceeding 1 year, to December 31st, 2010, has the following composition:

a) European Investment Bank

With the publication, on October 1st, of Decree-Law No 192/2008, in which the Concession Bases were revised, having been deleted, in particular, the limit of EUR 1,000 million to the provision of Guarantees of the Republic to loans to the Company, the 60 million euros remaining to be disbursed of the second contract with the European Investment Bank (EIB II – Tranche C) were contracted on October 29th, 2008. During the financial year 2009 the 30 million euros still available for this operation were used.

Contracts	Amount Contracted	Amount Outstanding
BEI I		
Tranche A	99,759,579	79,807,664
Tranche B	100,000,000	100,000,000
Tranche C	100,000,000	100,000,000
Tranche D	243,930,128	243,930,128
BEI II		
Tranche A	120,000,000	120,000,000
Tranche B	80,000,000	80,000,000
Tranche C	60,000,000	60,000,000
TOTAL	**803,689,708**	**783,737,792**

The EIB loans are in Euros and bear interest as per the EIB variable rate scheme (consistently lower than the Euribor rates for an identical maturity), at revisable fixed rates and at variable rates, which have as a reference the 3 months Euribor (EIB II – Tranche C).

The EIB loan contracts benefit from the Personal Guarantee of the Portuguese Republic, for a period of 20 years.

In 2003 the option was taken for the revisable fixed rate regime for tranches B and C (EIB I). Tranche B, initially fixed until March 15th, 2009, was refixed, in the current year, until March 2013. Tranche C, initially fixed until September 15th, 2009, was refixed for a period of 6 years.

Also in 2003, the option was taken for the revisable fixed rate regime, until March 15th, 2010, for part of tranche D, amounting to EUR 100 million.

During the financial year 2006, an interest rate swap on the entire D tranche of the EIB contract, amounting to 243.9 million, was made. In 2008, and in the context of a policy of active monitoring of the dynamics of the debt markets, the swap was restructured with the same counterparty. As a consequence of high volatility in financial markets during the financial year 2009, an adjustment was made to this swap. The two changes occurred without cost to the Company.

In April 2009, an interest rate swap on the A and B tranches of the EIB II contract was made, for whole amount and until the maturity of the funding. In the year 2009 the repayment of tranche A of the EIB-I contract started, as indicated in the map below.

Description	Amortization	Amount Outstanding
Amount Contracted		99,759,579
Financial Year 2009	6,650,638	93,108,941
Financial Year 2010	6,650,639	86,458,302

On December 31st, 2010, the medium and long-term EIB contracts have the following repayment schedule:

EIB I Contract
Tranche A: 10 annual consecutive instalments starting in 2009
Tranche B and C: 10 annual consecutive instalments starting in 2012
Tranche D: 10 annual consecutive instalments starting in 2013

EIB II Contract
Tranche A: 13 annual consecutive instalments starting in 2012
Tranche B: 13 annual consecutive instalments starting in 2012
Tranche C: 12 annual consecutive instalments starting in 2016

b) Loan Contracts

In the financial year 2009 two loans were taken in the amounts of, respectively, EUR 105 million and 75 million, both with a maturity of 5 years. To these loans are attached interest rate risk hedging structures, implemented through two swap contracts on the entire amount and until the loans' maturities.

During the financial year 2010 one loan was taken, with a maturity of 7 years, amounting to 75 million euros, with bullet repayment at the end of the term of the contract.

On December 31st, 2010 the loan contracts had the following composition:

Original Entity	Amount Outstanding	Maturities
Barclays Bank	50,000,000	2012
Millennium BCP	50,000,000	2012
BNP Paribas	200,000,000	2013
Deutsche Bank	105,000,000	2014
Nomura	75,000,000	2014
Barclays	75,000,000	2017
BNP Paribas	100,000,000	2018
JP Morgan	120,000,000	2023
DEPFA	92,500,000	2027
Deutsche Bank	126,000,000	2028
Goldman Sachs	125,999,999	2028
TOTAL	**1,119,500,000**	

Of the total amount presented in the previous table, 426 million euros were subsequently placed in other financial entities.

c) Bond Loan

During the financial year 2010, the company undertook a bond issue, through private placement, guaranteed by the Portuguese Republic, in the amount of 50 million euros and with a maturity of 5 years. Repayment shall be made at nominal value at the end of the contract's term.

d) Structured Leasing

Between 2002 and 2004 Metro do Porto carried out in three tranches a structured funding sale and lease back operation called "Locação Estruturada Portuguesa" with the Nortrem ACE. Under this operation, Nortrem, ACE acquired the 72 eurotram compositions for a value of EUR 250 million. The Company holds 0.001% of this entity, acting as a guarantor in loan contracts concluded by this entity to finance the purchase of the vehicles. Additionally, a guarantee of the Portuguese Republic was given for the obligations of Metro do Porto as a guarantor of Nortrem, ACE.

Contracts	Vehicles	Amount Contracted	Amount Outstanding	Maturities
Tranche 2002	28	97,222,222	80,220,488	2022
Tranche 2003	35	121,527,777	102,174,463	2023
Tranche 2004	9	31,250,000	27,032,685	2024
TOTAL	**72**	**250,000,000**	**209,427,636**	

At the time of the sale, the Company celebrated with Nortrem, ACE an operating lease of the vehicles for a period of 20 years, in a Euribor 6 months indexed variable rate. Metro do Porto has the option to purchase the vehicles from 15th year of the lease and until its maturity.

In relation to the 2002 tranche an interest rate risk hedging operation was carried out on March 27th, 2003, through which the interest rate was fixed until maturity of the operation.

On January 11th, 2007 an interest rate risk hedging operation was carried out with another financial institution aimed at restructuring to maturity the first operation.

On August 13th, 2009 a partial restructuring of the January 2007 operation was carried out with a third financial institution.

17 - Derivative Financial Instruments

On December 31st, 2010 the Metro do Porto held various derivative financial instruments for hedging interest rate risk. Taking into account the characteristics of the financial instruments used by the Company, the necessary conditions for "hedge accounting" are not met in most of these instruments, only one derivative, related to hedging contracted for the LEP, being classified as hedge accounting, as stated in note 14.

Changes in fair value of derivatives classified as not for hedging are therefore and unlike in previous years, then through the application of the POC standards, recognised in the results of the year, as evidenced below and in accordance with the accounting rules applicable from 2010 (SNC).

	Hedge Instruments for Accounting Purposes	Non Hedge Instruments for Accounting Purposes	TOTAL
Fair Value January 1st, 2009	**(7,983,562)**	**(413,418,751)**	**(421,402,313)**
Fair Value Variation – Reserves. Financial Inst.	(500,956)	0	(500,956)
Fair Value Variation – Net Income/Losses	0	(158,325,860)	(158,325,860)
Portion Attributable to Financing Costs	(146,614)	2,205,040	2,058,426
Fair Value December, 31st, 2009	**(8,631,131)**	**(569,539,572)**	**(578,170,703)**
Fair Value Variation – Reserves. Financial Inst.	(1,660,369)	0	(1,660,369)
Fair Value Variation – Net Income/Losses	0	(159,239,229)	(159,239,229)
Portion Attributable to Financing Costs	(150,774)	(7,859,822)	(8,010,596)
Fair Value December, 31st, 2010	**(10,442,274)**	**(736,638,623)**	**(747,080,897)**

There are no optimal limits for the level of cover in interest risk hedging nor even is there a consensus amongst the specialists regarding the percentage of the book value of a loan portfolio that a Company should not have exposed to this type of risk. In the absence of such reference criteria, Metro do Porto, S.A. has assumed a posture of dynamic monitoring of the market, which is why, strategically, the Company takes a proactive – not a reactive – position in the face of interest rate markets evolution, readjusting the hedging structures as a function of that evolution. This monitoring of the evolution of financial markets and of interest rates in particular is permanent and independent of the existence or otherwise of explicit limits to interest rate risk exposure.

In any circumstance and given the evolution of the debt markets and the high levels of volatility observed in 2010, no new interest rate risk hedging structure was entered into only the restructuring transactions mentioned above.

All interest rate hedging structures contracted so far by Metro do Porto are associated to funding operations, are held to maturity and are not the object of market transactions, therefore qualifying as risk coverage operations.

There is no consensus on a method to estimate the fair value of portfolios of this type of instruments, which are not bought and sold in a market. Additionally, there is no available information, given their complexity and the inclusion of proprietary indices in some of the structures present in the derivatives portfolio, a fact which means only a merely descriptive assessment is possible.

Therefore, given the impossibility of determining the intrinsic value of the derivatives portfolio, in consolidated terms, on December 31st, 2010, an aggregate value resulting from the sum of the mark-to-market values of each one of the swap positions individually valued is presented. In doing so, Metro do Porto recognizes that there are structures which are totally or partly duplicated, whose potentially positive impact is not reflected in the market value of the derivatives portfolio, as is the case of the structures which were restructured, this year or in previous years as previously referred. Therefore, it is not possible to estimate a measure of portfolio risk adequately reflecting the effects of diversification, resulting from the exposure to risk factors not perfectly and positively correlated, which, as is known, differ from the weighted average of these risk factors.

It should be added that the determination of the mark-to-market values obtained separately for each of the derivative instruments in Metro do Porto's portfolio is the responsibility of the respective counterparties, and that it is obtained through the estimation of black-box type models, with no guarantee of universal uniformity of the respective structures and parameters, which are typically proprietary and, consequently, undisclosed. Such models assume as central assumptions that: (i) the level of the forward rates, known to be a biased estimator of future spot interest rates, will remain unchanged until the maturity of the instrument, when it is notorious that such rates exhibit an expressive volatility, even in intraday trading; and (ii) no adjustment shall be introduced to existing interest rate structures, whatever the evolution of market interest rates.

The fact that the main purpose of the Company in the process of actively managing its interest rate exposure is centred in the protection of its cash-flow, inevitably translates into the minor consideration given to that market value, which signifies merely the fair value of a sale, on December 31st, 2010, of instruments that Metro do Porto will, by contract, hold to maturity.

On December 31st, 2010 and December 31st, 2009 the derivative financial instruments' value is the following:

	2010	2009
Derivatives Financial Instruments - non hedge instruments for accounting purposes	20,905,370	30,290,406
Total Fair Value - Asset	**20,905,370**	**30,290,406**
Derivatives Financial Instruments - hedge instruments for accounting purposes	(10,442,274)	(8,631,131)
Derivatives Financial Instruments - non hedge instruments for accounting purposes	(757,543,993)	(599,829,978)
Total Fair Value - Debt	**(767,986,267)**	**(608,461,109)**
Net Fair Value	**(747,080,897)**	**(578,170,703)**

18 - Suppliers

On December 31st, 2010, the most significant supplier balances refer to the following entities:

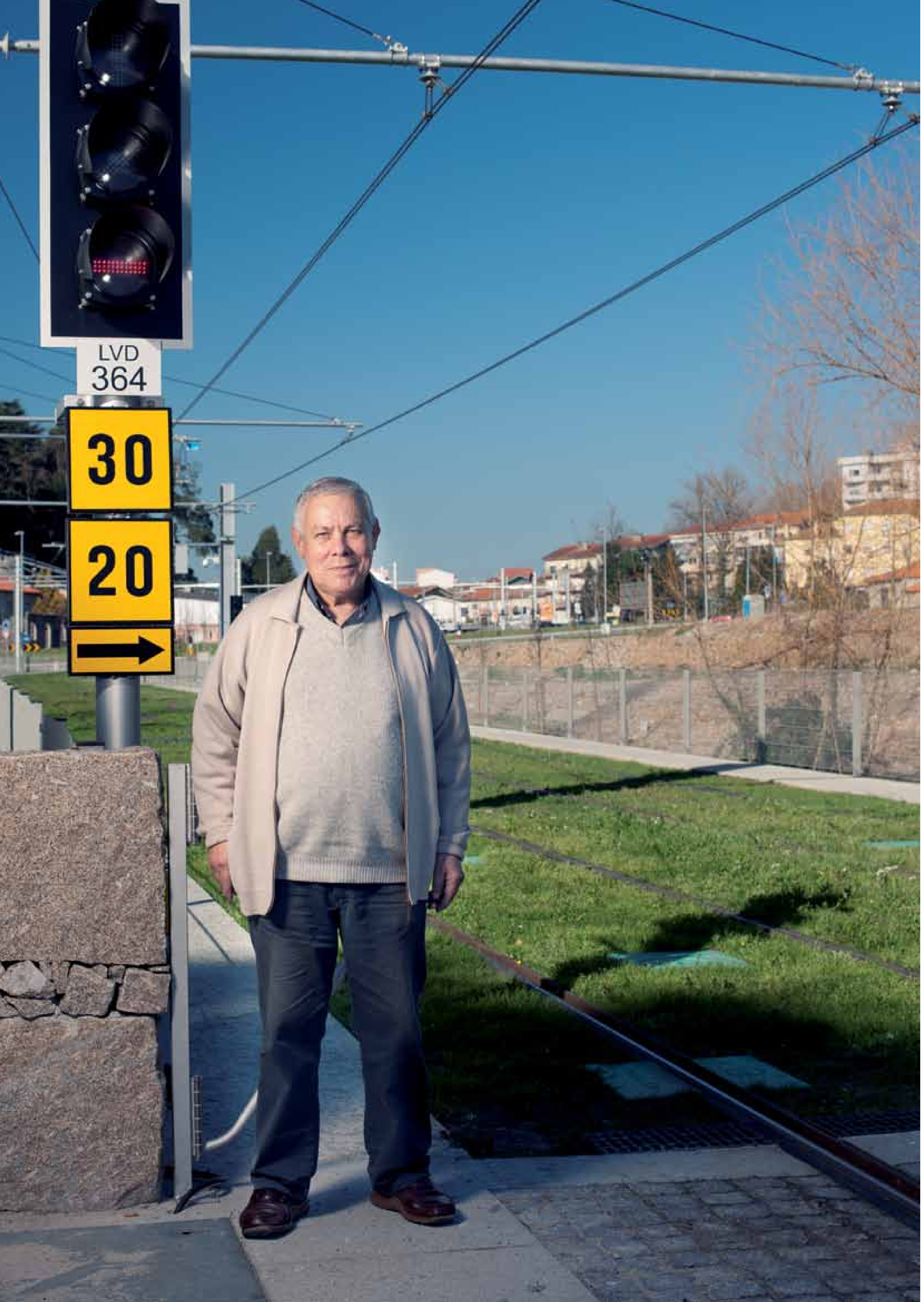
Descrição	2010	2009
Normetro, ACE	12,471,794	13,908,387
Prometro, S.A.	12,117,807	0
Bombardier Transportation Portugal, S.A.	3,831,099	2,590,246
PROSEGUR - Comp. Segurança, Unipessoal, Lda.	1,721,408	787,841
Others	3,188,649	2,157,605
Total Suppliers Balance - currents	**33,330,757**	**19,444,079**

19 - Other accounts payable

On December 31st, 2010, the detail of other accounts payable (current balances) is the following:

	2010	2009
Investment suppliers		
General suppliers i)	80,532,119	28,115,305
Other creditors		
Several suppliers	6,178,794	4,866,618
Accrued costs		
Loan interests	11,532,789	9,405,690
Remunerations	701,849	765,175
Others	3,059,187	5,088,020
Other accounts payable	**102,004,738**	**42,240,808**

i) Investment suppliers – this item refers mainly to the values invoiced due to the acquisition of equipment and materials incorporated into assets in construction.



The most representative balances under this heading assume the following representation, by entity:

Description	2010	2009
GACE, Gondomar, ACE	41,402,754	12,929,293
Normetro, ACE	16,278,345	1,826,891
Bento Pedroso - Construções, S.A.	4,061,020	104,855
Lena - Engenharia e Construções, S.A.	4,061,020	104,855
CONSULGAL - Consultores de Engenharia e Gestão, S.A.	3,600,150	2,584,112
THALES Security Solutions & Services, S.A.	2,666,408	0
ABB - Alexandre Barbosa Borges, S.A.	2,132,904	362,193
Others	27,802,137	30,328,609
Total Current Balance - Other accounts payable	**102,004,738**	**48,240,808**

20 - Services rendered

The value of services is recognised in the income statement, is detailed as follows:

	2010	2009
Services Rendered – Internal Market		
Construction (application of IAS11)	122,480,251	102,847,998
Passengers Transport	30,956,872	29,970,922
Others	5,678,106	667,487
Services rendered	**159,115,229**	**133,486,407**

The heading "Other" covers essentially the rights of use of fixed installations and rolling stock under the of Subconcession contract for the operation and maintenance of the light railway system in the Metropolitan Area of Oporto.

21 - External supplies and services

The details of spending on external supplies and services is as follows:

	2010	2009
Subcontracts	114,071,168	84,460,749
Other subcontracts	46,219,768	51,096,013
Specialised works	7,311,081	12,755,284
Surveillance and security	4,086,489	4,206,235
Maintenance and Repairs	1,995,074	2,824,149
Rents	907,408	861,638
Insurance	237,112	85,775
Advertising	46,217	144,363
Others	1,233,946	1,747,482
External supplies and services	**176,108,262**	**158,181,687**

The detail of spending on external supplies and services, excluding the effect of application of IFRIC 12, has the following configuration:

	2010	2009
Subcontracts	46,219,768	51,096,013
Other specialised works	12,103,479	18,109,604
Maintenance and Repairs	1,995,074	2,824,149
Several services	1,429,829	1,251,945
Energy and Fluids	210,500	310,251
Others	78,444	128,978
	62,037,094	**73,720,939**

22 - Services rendered/Direct Construction Spending (IFRIC 12)

The value of services of construction and their Direct Expenses recognised in the income statement in accordance with IFRIC 12, is detailed as follows:

	2010	2009
Services rendered – Construction (FRIC 12)	122,480,251	102,847,998
Services rendered – Construction (FRIC 12)	**122,480,251**	**102,847,998**
Direct Construction Spending (IFRIC 12)	114,071,168	84,460,750
External supplies and services - Imputable to construction	5,820,965	10,215,005
Staff costs - Imputable to construction	2,588,118	2,843,357
Financial costs - Imputable to construction	0	5,328,886
Costs imputable to construction	**122,480,251**	**102,847,998**
Construction Margin - IFRIC 12	**0**	**0**

23 - Staff costs

The staff expenses incurred during the financial year 2010, were as follows:

	2010	2009
Remunerations		
Corporate Bodies	632,740	532,936
Employees	4,002,602	4,108,560
	4,635,342	**4,641,496**
Compulsory social security		
Charges over remunerations	980,522	981,182
Cost of social action	103,406	99,157
Indemnities	35,000	332,935
Others	93,286	113,533
	1,212,216	**1,526,807**
Staff costs	**5,847,558**	**6,168,303**

The average number of employees of the company in 2010 was 118 (118 in 2009).

Salaries and other benefits (annual figures in euros)

1 - General Meeting Board

	President	Vice-President	Secretary
Mandate I - 2010	Valentim Santos de Loureiro	Alberto João Coraceiro de Castro	Luís Artur de Miranda Guedes Bianchi de Aguiar
Presence Fee	1,800.00	1,500.00	1,200.00
Andante Pro	907.20	604.80	604.80

2 - Board of Management - Remuneration in 2010 – Mandate I

2010	President	Executive Member	Executive Member	Non Executive Member	Non Executive Member	Non Executive Member	Non Executive Member	Non Executive Member	TOTAL
	António Ricardo de Oliveira Fonseca	Maria Gorete Gonçalves Fernandes Rato	Jorge Moreno Delgado	Fernanda Pereira Noronha Meneses Mendes Gomes	Rui Fernando da Silva Rio[1]	Mário Hermenegildo Moreira de Almeida	Marco António Ribeiro dos Santos Costa	Gonçalo Nuno de Sousa Mayan Gonçalves[2]	
1. Remuneration									
1.1 - Base remuneration/Fixed a)	145,296.65	132,085.40	132,085.40						409,467.45
1.2 - Reduction by Law 12-A (30/06/2010)	4,825.35	4,386.60	4,386.60	1,462.50					15,061.05
1.3 - Base remuneration/Fixed (1.1. - 1.2.)	140,471.30	127,698.80	127,698.80	[3]					394,406.40
1.6 - Accumulation of management functions	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	
2 - Other benefits and compensations									
2.1 - Telephone expenses	227.75	499.23	953.02						1,680.00
2.2 - Acquisition value / annual rent of service car	63,000.00	7,614.01[4]	61,500.00						124,500.00
2.3 - Petrol spent by company car	3,668.09	965.53	4,544.77						9,178.39
2.5 - Meal allowance	1,467.89	1,467.89	1,467.89						4,403.67
Expenses	0.00	819.01	446.73						1,265.74
Reversible Remuneration				44,037.50[5]					44,037.50
3 - Social benefits charges									
3.1 - Ordinary social security	14,966.15	14,966.15	7,733.98						37,666.29
3.2 - Health insurance policies	656.88	328.44	808.39						1,793.71
Workmen's Compensation Insurance	581.33	532.25	530.77						1,644.36
Andante Pro	1,052.88	907.20	1,198.56	907.20	529.20	907.20	907.20	529.20	6,938.64
4 - Vehicle fleet									
4.1 - Brand	BMW	Mercedes	Mercedes						
4.2 - Model	525i	B 180 CDI	E 220 CDI						
4.3 - Registration	35-43-XP	38-DH-53	23-BO-45						
4.4 - Vehicle value	63,000.00		61,500.00						124,500.00
4.5 - N.º of Instalments b)		48							
4.6 - Acquisition value / annual rent of service car	63,000.00	7,614.01	61,500.00						132,114.01
4.7 - Year of service car acquisition	2004	2007[4]	2006						
4.8 - Petrol spent by company car	3,668.09	965.53	4,544.77						9,178.39
5 - Additional information									
5.1 - Option for remuneration of previous employment (y/n)	No	No	No	No	No	No	No	No	
5.2 - Ordinary social security									
5.2.1 - Social security (y/n)	Yes	Yes	No	No	Yes	Yes	Yes	Yes	
5.2.2 - Other (y/n)			Yes						
5.3 - Year of service car acquisition	2004	2007[3]	2006						
5.4 - Paid employment outside of the group	No	No	No	Yes	Yes	Yes	Yes	Yes	
5.5 - Other (to be identified in detail)									

a) Corresponds to the gross annual salary earned as a result of the remuneration statute or the place of origin, if this option has been authorised
b) If the car has been acquired through leasing contracts, ALD, Renting, etc., should be placed on the number of Instalments contractualised

1 Term of functions – June 2nd, 2010
2 Beginning of functions – June 2nd, 2010
3 Reduction on reversible remuneration, indicated in point 2
4 Contract with Metro do Porto started year - 2008
5 Corresponds to the remuneration of the representative of the shareholder STCP and was paid directly to this Company, at the option of its representative, in the terms of n.º 3 of Art.º 31º of Decree-Law n.º 71/2007 of March 27th (Estatuto do Gestor Público)

3 - Audit Committee

	2010	
	Mandate I	
Maria Fernanda Joanaz Silva Martins	Base remuneration/Fixed	18,200.00
	Ordinary social security	3,867.50
	Workmen's Compensation Insurance	72.09
Guilherme Manuel Lopes Pinto	Base remuneration/Fixed	0.00
	Ordinary social security	0.00
	Workmen's Compensation Insurance	0.00

	2010	
"António Magalhões & Carlos Santos - SROC" - represented by Dr. Carlos Alberto Freitas dos Santos	Base remuneration/Fixed Ordinary social security	21,499.92

24 - Other income and gains

The item "other income and gains" has the following detail:

	2010	2009
Investments subsidies imputation	12,006,174	17,250,044
Fines received from costumers	439,226	830,800
Benefit from contractual penalties	122,132	979,955
Gains from sale of tangible assets	36,948	28,573
Other additional income	29,268	43,200
Others	99,179	487,868
Other operational incomes	**12,732,927**	**19,620,440**

25 - Other expenses and losses

The detail of the item "other expenses and losses" is presented in the following table:

	2010	2009
Taxes	1,784,443	2,830,383
Membership fees	24,955	22,442
Donations	7,500	32,500
Others	5,969	402,216
Other operational expenses	**1,822,866**	**3,287,541**

26 - Interest and similar expenses incurred

The detail of the "interest and similar expenses incurred" for the years 2010 and 2009 is as follows:

	2010	2009
Loan Interests	89,436,151	58,233,775
Financial Provisions Update (IFRIC 12)	19,507,834	(1,246,571)
Others	(763,138)	(1,318,354)
	108,176,847	**58,161,992**

According to the explanation given in Section 2.4, "Financial Provisions Updated (IFRIC 12)" corresponds to the financial effect on the amount of provisions for: i) time until the end of the concession ii) effect of rate variation underlying the previous calculation.

Pursuant to order No. 101/09 SETF, January 30th, the following table presents the evolution of the average annual interest rate (average annual all-in cost) of the Company in the last 5 years, as well as the interest paid:

Year	All-in Cost (annual average)	Interests
2010	3.95%	89,436,151
2009	2.76%	58,233,775
2008	4.15%	66,859,647
2007	4.26%	58,778,929
2006	3.73%	40,246,103
TOTAL		**313,554,606**

The average annual all-in cost includes the charges associated to the loan contracts, as well as the cash flows associated to the active interest rate risk hedging contracts.

27 - Commitments

The most relevant financial commitments entered into by the Company relate to works contracts, the light railway system operation contract, as well as service contracts, and at the end of the year they assume the following configuration:

Entities	Scope	Amount Contracted	Executed Value	%
Prometro, S.A.	Operate and maintain sub-concession	170,215,713	26,876,165	16%
Bombardier/Vossloh	Rolling stock supply and maintenance	114.,921,223	107,431,830	93%
Consortium GACE	Gondomar Line construction	97,545,640	75,633,128	78%
Consortium CFS	Supervision	55,629,547	53,984,276	97%
Consortium BAL	Extension Yellow Line to Sto. Ovídio	24,400,000	11,800,601	48%

Suppliers representing more than 5% of the supplies and services in the year (in the cases where this percentage exceeds 1,000,000 euros), are the Consortium Normetro, ACE, Bombardier Transportation Portugal, S.A. and NORTREM- Aluguer Material Ferroviário, ACE.

28 - Contingencies

The Company has the following contingent liabilities arising from bank guarantees provided, as follows:

Beneficiary	Object	2010	2009
Tribunal Vila Conde	Expropriation process	2,256,482	3,101,381
Tribunal Porto	Expropriation process	2,026,535	2,744,777
Direcção-Geral Impostos - DSR I.V.A.	Claims for VAT refund	531,318	10,351,880
Tribunal Gondomar	Expropriation process	429,382	1,585,457
Tribunal Maia	Expropriation process	383,018	588,793
Tribunal Matosinhos	Expropriation process	354,865	416,973
Tribunal Póvoa Varzim	Expropriation process	280,542	1,354,681
EDP - Serviço Universal, S.A.	Electricity supply	133,786	0
Tribunal Gaia	Expropriation process	122,556	468,654
EDP Distribuição - Energia, S.A.	Electricity supply	4,573	2,091
		6,523,057	**20,614,686**

Disputes in which the company is involved as at the date December 31st, 2010 are summed up as follows:

Actions brought by:	Total value of contingency
Staff	18,060 a)
Third parties	22,151,587 b)
Expropriations	8,705,500 c)

a) Lawsuits filed by employees transferred from CP and Refer, claiming the maintenance of the benefits of previous collective agreements.
b) Civil actions for compensation for damage caused by the construction works, fines in judicial appreciation and procedures in an administrative assessment phase.
c) Expropriation processes conducted by Company in judicial arbitration for the definition of the compensation amount.

The possible existence of future contingencies unfavourable to the Company will not affect its results, since the facts relate to works, and therefore will translate into increased investment. They are not considered, therefore, reasons for the constitution of provisions.

29 - Related parties

29.1 - Transactions between related parties

(a) Nature of relationship with related parties:

Shareholders:
State
Oporto Metropolitan Area
STCP
CP – Comboios de Portugal
Associates:
TIP – Transportes Intermodais do Porto, ACE

(b) Transactions and outstanding balances

i) Shareholders and related parties:
During the year, the Company carried out the following transactions with those entities:

Services Rendered	2010	2009
State	2,250,708	1,538,442
STCP	0	4,249
	2,250,708	**1,542,691**
Services Acquired		
STCP	188,107	230,187
CP - Comboios de Portugal	36,705	49,611
	224,812	**279,798**

At the end of 2010, the balances resulting from the transactions carried out with related parties are as follows:

Debit Balances	2010	2009
State	2,681,806	905,227
CP - Comboios de Portugal	5,910	4,200
	2,687,716	**909,427**
Credit Balances		
STCP	69,397	42,931
CP - Comboios de Portugal	3,553	3,885
	72,950	**46,816**

ii) Associates:
During the year, the Company carried out the following transactions with the associated entity TIP – Transportes Intermodais do Porto, ACE:

Services Rendered	2010	2009
TIP - Transportes Intermodais do Porto, ACE	28,287,819	27,864,804
	28,287,819	**27,864,804**
Services Acquired		
TIP - Transportes Intermodais do Porto, ACE	810,333	867,637
	810,333	**867,637**

At the end of 2010, the balances resulting from the transactions carried out with the associated entity TIP – Transportes Intermodais do Porto, ACE are as follows:

Debit Balances	2010	2009
TIP - Transportes Intermodais do Porto, ACE	2,857,326	7,568,966
	2,857,326	**7,568,966**
Credit Balances		
TIP - Transportes Intermodais do Porto, ACE	571,153	169,451
	571,153	**169,451**

LEGAL CERTIFICATION OF ACCOUNTS
LEGAL CERTIFICATION OF ACCOUNTS AND AUDIT REPORT

INTRODUCTION

1. As required by law, we present the Legal Certification of Accounts and the Audit Report in respect of the financial information in the Management Report and the Financial Statements of "METRO DO PORTO, S.A." (company) as at December 31st, 2010, which include: the Balance Sheet as at December 31st, 2010 (showing a total of 2,276,859 thousands euros and a negative total equity of 1,157,678 thousands euros, including a net loss of 351,790 thousands euros), the Profit & Loss Account by nature, the Changes in Equity and the Cash Flow Statement for the business year ending on the said date, together with the Appendices thereto.

RESPONSIBILITY

2. It is the responsibility of the Board of Management:
a) to prepare the management report and the financial statements that reflect, in true and appropriate fashion, the financial position of the Company, the results of Company operations and the cash flow;
b) to prepare the historic financial information, prepared in accordance with generally accepted accounting principles and that is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code;
c) to adopt appropriate accounting policies and criteria;
d) to maintain an adequate system of internal control;
e) the disclosure of any relevant matters which have influenced the activity, the financial position or results of the company; and
f) the prospective financial information, which is prepared and submitted based on assumptions, and consistent and adequate criteria and supported by an appropriated information system.

3. Our responsibility is to verify the financial information contained in the documents of accountability referred above, namely if it is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Code, and to issue a professional and independent opinion, based on our examination.

SCOPE

4. Except for the limitation described in paragraph No. 7 below, the examination we carried out was conducted in accordance with the Standards and Technical Recommendations approved by the Institute of Statutory Auditors which require that we plan and perform the examination to obtain reasonable assurance about whether the financial statements are free of material misstatement. Accordingly, our examination included:
- verification, on a test basis, of the evidence supporting the amounts and disclosures in the financial statements, and assessing the reasonableness of the estimates, based on the judgements and criteria of Management used in the preparation of the financial statements;
- assessing the appropriateness and consistency of the accounting principles used and their disclosure, as applicable;
- assessing the applicability of the going concern basis of accounting;
- assessing the overall presentation of the financial statements; and
- assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the financial information.

5. Our examination also covered the verification that the information included in the Management Report is in agreement with the other documents as well as the verification set forth in paragraphs 4 and 5 of Article 451 of the Companies Code.

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

RESERVE

7. The company held in the portfolio at December 31st, 2010, derivative financial instruments measured at fair value, according to notes 3.6, 3.18.3 and 17 of financial statements notes, which are registred in Assets for 20,905 thousand euros (30,290 thousand euros in 2009), and in liabilities for 767,986 thousand euros (608,461 thousand euros in 2009) originating a negative impact on the results of 159,239 thousand euros (158,326 thousand euros in 2009).
The valuation model underlying the estimation of the fair value of those financial instruments is the responsibility of the counterparty. It was not possible for us to obtain, to date, detailed information on some of these valuation models, a reason why we cannot issue an opinion on these amounts.

OPINION

8. In our opinion, except in relation to the effects of the issue raised under paragraph 7, above, the financial statements referred to above, present fairly in all material aspects, the financial position of "METRO DO PORTO, S.A." as of December 31st, 2010, the results of their operations, the changes in equity and their cash flows for the year then ended in accordance with generally accepted accounting principles in Portugal and the information included is complete, true, timely, clear, objective and licit.

REPORT ON OTHER LEGAL REQUIREMENTS

9. It is also our opinion that the information included in the Management Report is consistent with the financial statement for the year and that the Corporate Governance Report includes the information required under Article 245-A of the Portuguese Securities Code.

EMPHASIS

10. Without affecting the opinion statement made in paragraph 8, we would like to draw your attention to the following:

10.1 – The previous year legal certification of accounts, contained a reserve that no longer has reason to continue, under the new accounting framework introduced by the Accounting Standards System (SNC)

10.2 - Following the entry into force of the SNC, and complying with the provisions in the Standard Accounting and Financial Reporting No. 3, as December 31st, 2010, for comparison purposes, figures for the year 2009, restated in accordance with that convention, of the notes to the financial statement.

10.3 - The Company keeps a situation of non-compliance with Article 35 of the Código das Sociedades Comerciais (Companies Code). The Management Board in its management report, point 7.3, refers the situation and proposes that the shareholders adopt measures to restore the equity of the Company.

10.4 – Even though this does not impair the continuity of the operations, due to several factors, amongst which the guarantee of State financing stands out, we draw attention to two limitations on financial equilibrium of the company: the delay in the definition of the project's funding model and the lack of formal of public program contract setting the financial compensation to be allocated by the concedent to the concessionaire.

Oporto, March 11th, 2011
António Magalhães & Carlos Santos - SROC, represented by Carlos Alberto Freitas dos Santos - R.O.C. nº 177

REPORT AND OPINION OF THE AUDIT COMMITTEE

Dear Shareholders,

In accordance with applicable law, in compliance with "METRO DO PORTO, S.A." (Company) by-laws and the mandate given to us, we hereby present our report on its activity and issue our opinion on the documents of accountability for the year ended December 31st, 2010, as submitted for appreciation by the Board.

As salient facts in the exercise, we note that the company continued the investment, which reached about 122,044 thousand euros, used mainly in the construction of Dragão - Fânzeres stretch (completed at the end of December 2010) and the D. João II – Santo Ovídio interface of Yellow Line (whose completion is expected in the second half of 2011), and made the award of the operation and maintenance of the Oporto light rail system LRT to a new entity, which resulted in a significant reduction in operating costs in present that will continue in future years.

The network had an increased length of 6.8 km and an additional 10 stations, from the Dragão - Fânzeres line.

We emphasize, as a determining factor in assessing the financial statements, the effects of the entry into force in 2010, of the SNC (accounting standards system), namely, the fair value measurement of derivative financial instruments, which had a negative impact on equity of 580,229 thousand euros (421,402 thousand euros in 2009) and on results of 159,239 thousand euros (158,326 thousand euros in 2009).

During the year, we follow the company's management and the development of the business, especially through formal meetings with the Board and informal meetings with the Executive Committee and with the services, always in a spirit of collaboration, provided the clarifications requested, which we thank.

We carry out analysis of accounting information that, in a systematic way, were provided by the Company and we reviewed, within what we consider appropriate, the documentation and registers that supported the information provided. We conducted tests and other procedures to accounts movements and values of the company that allowed us to ensure the reliability of the accounts. We verify compliance with legal and statutory regulations in force, particularly with respect to disclosure rules relating to Corporate Governance as stipulated in article 245.º – A of Portuguese Securities Code.

We reaffirm that the operation remained in deficit, even contributing to the growth of negative equity of the company and confirming, once again, the constant need of financial support of the State, which directly and indirectly, is the main shareholder.

In accordance with our duties, we reviewed the financial statements comprising the Balance Sheet, the Profit and Loss account by Nature, the Changes in Equity the Cash Flow Statements and the Annexes, prepared by the Board, concluding that they respect the legal and statutory requirements, particularly with accounting principles generally accepted in Portugal.

Except for the effects of the adjustments that might be needed raised in the reserve contained in the Legal Certification of Accounts and Audit Report, we agree with the accounts.

We analysed as well, the management report for the year ended December 31st, 2010, issued by the Board, which deserves our agreement.

Based on the report as presented, we believe that Shareholder's Meeting should approve:
a) The Management Report and the Financial Statements in respect of the year 2010
b) The proposal for the allocation of results contained in the Management Report

Statement of responsibility
According to paragraph 1, point c) of Article 245 of the Portuguese Securities Code, members of the Audit Committee declare that to the best of his knowledge, the information contained in the Management Report and other accounting documents, was prepared in accordance with the applicable accounting standards, giving a true and fair view of assets, liabilities, financial position and profit or loss.
Members of the Audit Committee also understand that the Management Report expose faithfully the evolution of business, performance and Company's position and contains a description of the principal risks and uncertainties that it faces.

Oporto, March 15th, 2011
Audit Committee
Maria Fernanda Joanaz Silva Martins – President
Guilherme Manuel Lopes Pinto
António Magalhães & Carlos Santos – S.R.O.C., represented by Carlos Alberto Freitas dos Santos – R.O.C. nº 177

AUDIT REPORT

To the Shareholders of
Metro do Porto, S.A.

Introduction

1. We have examined the financial statements of Metro do Porto, S.A. which comprise the Balance Sheet as at December 31st, 2010 (showing a total of 2,276,858,731 euros and a negative total equity of 1,157,678,433 euros, including a net loss for the year of 351,790,108 euros), the Profit & Loss Account by nature, the Changes in Equity and the Cash Flow Statement for the business year ending on the said date, together with the Appendices.

Responsibilities

2. It is the responsibility of the Board of Management to prepare financial statements that reflect, in true and appropriate fashion, the financial position of the Company, the results of Company operations and the cash flow, as well as adopt appropriate accounting policies and criteria and maintain an adequate system of internal control.

3. Our responsibility is to issue a professional and independent opinion, based on our examination.

Scope

4. Except for the limitation described in paragraph No. 7 below, the examination we carried out was conducted in accordance with the Standards and Technical Recommendations approved by the Institute of Statutory Auditors and the International Auditing Standards approved by the International Federation of Accountants (IFAC) which require that we plan and perform the examination to obtain reasonable assurance about whether the financial statements are free of material misstatement. Accordingly, our examination included: (i) verification, on a test basis, of the evidence supporting the amounts and disclosures in the financial statements, and assessing the reasonableness of the estimates, based on the judgements and criteria of Management used in the preparation of the financial statements; (ii) assessing the appropriateness and consistency of the accounting principles used and their disclosure, as applicable; (iii) assessing the applicability of the going concern basis of accounting; and (iv) assessing the overall presentation of the financial statements.

5. Our examination also covered the verification that the information included in the Management Report is in agreement with the financial statements.

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

Reserve

7. It is recorded in the balance, the fair value of derivative financial instruments, in lines with the same name in the assets and liabilities, a value of about 21 million euros and 768 million respectively, with negative impacts on net income for the period of 167 million euros and of 580 million euros in equity. The estimated fair value of these derivatives results from the value provided by the counterparties. We did not get the valuation models used by such counterparts so therefore we are not able to express an opinion on these amounts.

Opinion

8. In our opinion, except in relation to the effects of the issue raised under paragraph 7, above, the financial statements referred to above, present fairly in all material aspects, the financial position of "METRO DO PORTO, S.A." as of December 31st, 2010, the results of their operations, the changes in equity and their cash flows for the year then ended in accordance with generally accepted accounting principles in Portugal.

Report on Other Legal Requirements

9. It is also our opinion that the information included in the Management Report is consistent with the financial statement for the year.

Emphasis

10. Without affecting the opinion statement made in paragraph 8, we would like to draw your attention to the following:

i) As mentioned in the introduction to the notes to the financial statements, the financial stability of the company assumes the State financial support, through compensation, over the life of the concession, in order to support the needs of operation and debt service. Impairment tests for concession rights on the assets, amounting to some 2,218 million euros, also have the assumption of that financial support.

ii) The Audit Report of previous year contained a reserve because of the subsidies to investment in equity. With the entry into force of the SNC, on January 1st, 2010, this accounting is appropriate, therefore in accordance with accounting principles generally accepted in Portugal

Oporto, May 17th, 2011
PricewaterhouseCoopers & Associados, SROC, Lda.
represented by:
José Pereira Alves, R.O.C.

METRO DO PORTO, S.A.
Av. Fernão de Magalhães, 1862 - 7º andar
4350 - 158 Porto

Tel. 225 081 000
Fax. 225 081 001

www.metrodoporto.pt
metro@metrodoporto.pt

Corporate Body nr.: 503 278 602
Registered under nr.: 51498/41018 (at the 2ª Conservatória of the Registo Comercial do Porto)
Issued Capital: 7,500,000 euros

Publication and Property: METRO DO PORTO, S.A.
Photography: Metro do Porto. Frederico Martins
Design: Udesign - Atelier Gráfico, Lda.