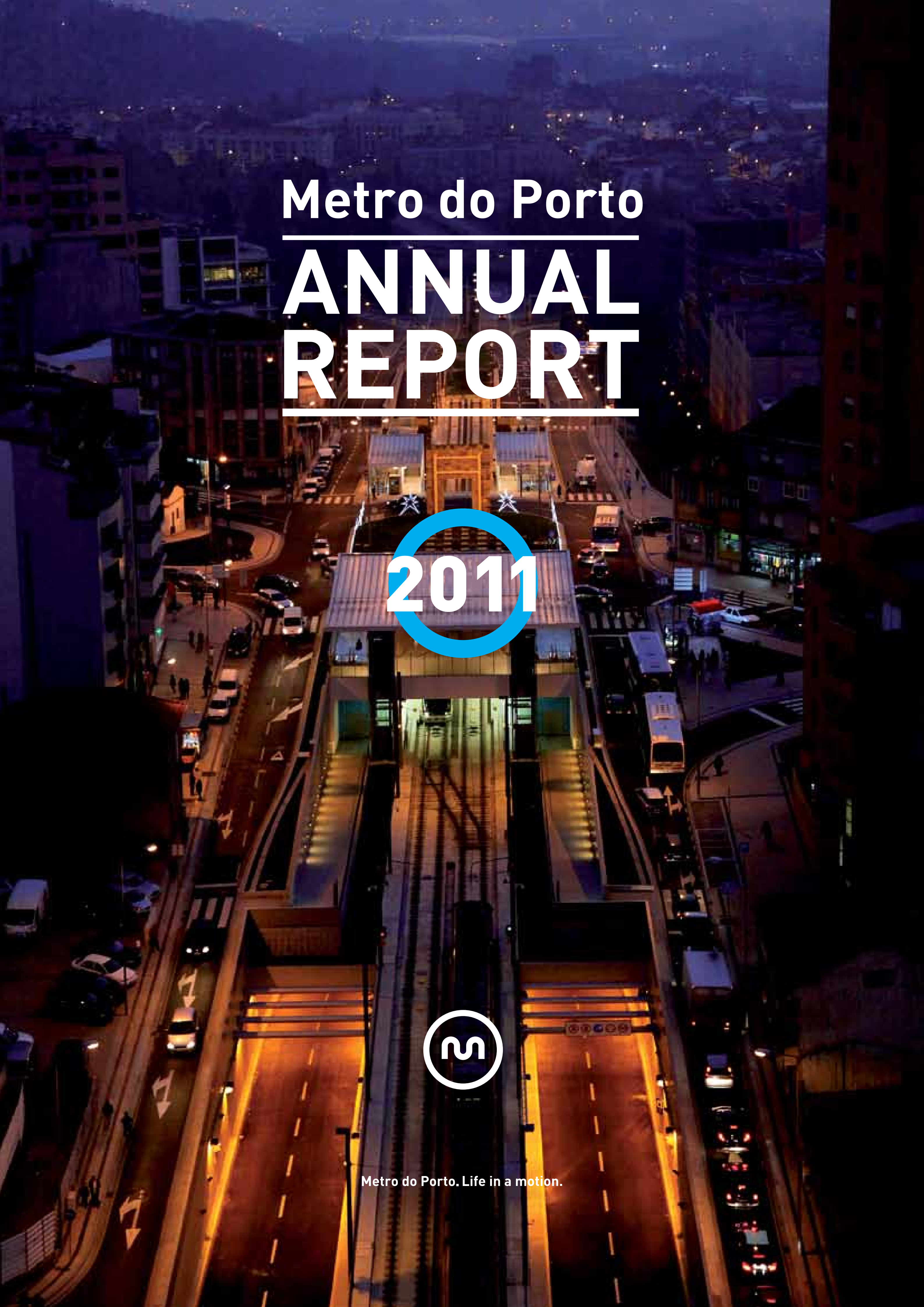
Metro do Porto

ANNUAL REPORT

2011



Metro do Porto. Life in a motion.

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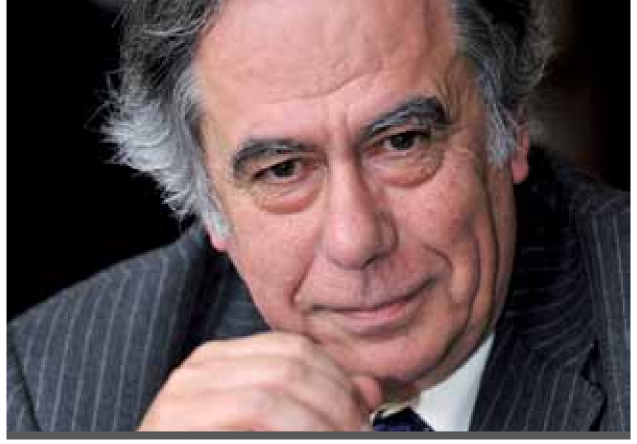


CHAIRMAN'S MESSAGE

2011 marks the end of a cycle in the life of Metro do Porto. The opening to commercial operation on January 2nd, 2011 of the Estádio do Dragão to Fânzeres link, the Orange Line, and of the Yellow Line extension to Santo Ovídio, on October 15th, 2011 are the events to which with completion of Phase I of the Oporto metro will be associated.

In addition to the completion of Phase One and the financial closure of the contract with the builder / operator consortium, Normetro, ACE, the launch of subconcession tenders for Operation / Light Maintenance and for the Construction and Maintenance of the Second Phase of the whole system assumed particular importance in the object of the mandate of the current Board of Directors. We concluded with recognized success the Operation / Light Maintenance Sub-concession process and, at the end of 2010, delivered to the Ministério dos Transportes, for approval, the tender documents for the construction of Phase Two sub-concession. His Excellency the Secretário de Estado dos Transportes Order No. 5.4.11 SET, of May 24th, 2011, suspended the launch of the tender frustrating the expectations of those who were deeply involved in the project. However, the quality of work produced and the difficult to tread path that was necessary to find design solutions simultaneously recognized as good by Metro do Porto, S.A. and the Local Authorities involved endow this company with an invaluable capital which is the now to start with the development of Phase II as soon as financial conditions permit.

The experience of steering the construction of Phase I and preparing the Phase II tender gives the Metro do Porto's team a "know-how" now widely already recognized and requested by foreign entities involved in light rail systems, some still in the design stage and even some already in construction. To harness and leverage this accumulated knowledge is now Metro do Porto's challenge.

The joint management of Metro do Porto, S.A. and of STCP, S.A., as foreseen in the Strategic Plan for Transport, and the start of Oporto's Metropolitan Transport Authority's operation will mark the beginning of a new cycle in the history of urban passenger transport in the Oporto Metropolitan Area.

In the year 2011 special mention is due to the fact that a growth rate of 4.1% in passenger numbers year on year was recorded when, in the majority of companies in urban passenger transport, there was a decrease in demand. In terms of passenger kms the growth rate amounted to 8.9% as a result of the combined effect of increased demand with increasing average distance travelled by each passenger, which amounted to 4.6%.

It should be noted however that the rate of growth in the first half was 6.2% and that it fell to 1.9% in the second half, a phenomenon not unlinked with the tariff correction in August.

The level of customer satisfaction continued at high levels, and the poll by an independent body established a Global Satisfaction Index of 81.4%.

His Excellency the Secretário de Estado do Tesouro e das Finanças Dispatch No. 510/10 SETF of June 1st, 2010, has set limits for the maximum indebtedness to State owned companies. Compliance with these limits forced the suspension of all investments not yet awarded. In essence only the extensions to Fânzeres and St.º Ovídio continued.

The effort to contain operating costs was significant. Compared to 2009 the relevant costs (excluding depreciation and financial costs) decreased 28.2%, more than 23 million.

Tariff revenue rose 14.1% over the previous year.

The indicator that compares tariff revenues with the main direct costs of operation (operation subconcessionnaire services, operation inspection services and commissions paid to TIP, ACE) continues to show significant progress. From a ratio of 53.7% in 2007, it improved over the following years, reaching 88.7% in 2011, that is, improving 35 percentage points during this period.

Nevertheless, the net results for the year are significantly negative. The inadequate funding model for the Metro do Porto project originated the 136.6 million euros incurred in this year as "interest and similar expenses." The "reductions in fair value of derivatives" amount to 135.7 million euros and "Provisions" to 54.8 million.

Thus, the effort of rationalization and cost containment effort in the perimeter in which the Administration has the capacity to intervene is completely diluted in much more expressive values totally beyond the Company's management reach.

The situation in which Metro do Porto, S.A. was of non compliance with the stipulations of Article 35. of the Companies Code remains. As in previous years we must once again draw the attention of the Shareholders to this situation.

In December 2011, Metro do Porto, S.A. has obtained the certification according to ISO 14004 - Environmental Management Systems and ISO 9001 - Quality Management Systems of its management system in the areas of Environment and Quality. More than a recognition of merit, the certification given to Metro do Porto increases its responsibility to continue to meet the increasing demands of customers in terms of comfort, punctuality and reliability of the system. I have no doubt that Metro do Porto is up to the task and will meet this challenge. And now when I say Metro do Porto I naturally include the Operation sub-concessionnaire - the Via-Porto (Prometro, S.A.) Consortium. When sub-conceding the operation of the System to a private consortium through an international tender, Metro do Porto was the first passenger transport company in Portugal to adopt this management model. The term of the current contract, signed on February 26th, 2010 being five years, it is time to start working on the next tender, this now supported on the experience of the current contract. We consider the overall experience very positive, as the results show; it will allow us to more easily overcome in the next tender some problems encountered in the management of this precursor, first contract. Certainly, a good relationship between concedent and concessionnaire is, under any circumstances, essential to ensure compliance with the contract and the success of the sub-concession.

The mandate of the current administration having ended in December 2010 and a change in the governance model of the Oporto Metropolitan Area collective passenger transport companies Porto being certain, I could not, at the end of this cycle, fail to give a word of appreciation to all those who, in its initial phase, believed in and started the Metro do Porto project and later were able to consolidate it making it the most emblematic of the Metropolitan Area.

Again, this company has an accumulated knowledge that the deferral of construction of Phase II cannot be an excuse for losing. Rather advantage must be taken of this added value.

The second phase of expansion of the Metro do Porto has a consolidated project. If the quantity and quality of the work carried out is important, no less important is the fact that it deserves the agreement of the municipalities involved. It was not always easy to follow the path to achieve this consensus often hampered by factors exogenous to the Company. But eventually the consensus was possible. This cycle over, it is gratifying to be able to say today that over four years, all decisions of the Executive Committee were unanimous and that the fingers of one hand are sufficient to count the ones that the Board took only by a majority. This fact shows the excellent collective functioning making the Chairman's task easy. To all a word of gratitude and appreciation, as well as to the members of the other Governing Bodies, with a special emphasis to my peers in the Executive Committee.

António Ricardo Fonseca

MANAGEMENT REPORT

1. METRO DO PORTO IN FIGURES

Network (31/12)	2003	2004	2005	2006	2007	2008	2009	2010	2011	11/10
Extension (metres)	11,826	15,649	34,505	58,877	58,877	59,593	59,593	66,195	66,659	0.7%
Stations	18	23	45	69	69	70	70	80	81	1.3%

Human Resources	2003	2004	2005	2006	2007	2008	2009	2010	2011	11/10
Total staff (end of year)	83	96	104	86	94	95	98	100	93	-7.0%
Average staff	73	91	101	89	91	93	94	99	98	-0.8%

(units: thousands)

Demand	2003	2004	2005	2006	2007	2008	2009	2010	2011	11/10
Passengers	5,960	9,843	18,481	38,637	48,167	51,481	52,600	53,547	55,737	4.1%
Passenger kms	26,476	46,506	95,978	202,473	245,921	259,361	261,117	267,064	290,700	8.9%
Average travelling distance (metres)	4,443	4,725	5,193	5,240	5,106	5,038	4,964	4,987	5,216	4.6%

(units: thousands)

Supply	2003	2004	2005	2006	2007	2008	2009	2010	2011	11/10
Vehicle kms	1,343	1,941	3,398	6,562	6,974	6,480	6,472	6,462	6,714	3.9%
Seat kms	290,076	419,285	733,945	1,417,434	1,506,327	1,399,784	1,398,049	1,464,411	1.540,170	5.2%
Commercial speed (km/h)	-	-	-	26.02	26.43	25.67	25.48	25.98	25.93	-0.2%
Load factor	9.1%	11.1%	13.1%	14.3%	16.3%	18.5%	18.7%	18.2%	18.9%	0.6 pp

Income	2003	2004	2005	2006	2007	2008	2009	2010	2011	11/10
Income (€ millions)	2,766	5,271	10,326	21,263	26,678	29,418	30,065	31,141	35,546	14.1%
Income/Passenger kms (€ cents)	10.45	11.33	10.76	10.50	10.85	11.34	11.51	11.66	12.23	4.9%
Income/Seat kms (€ cents)	0.95	1.26	1.41	1.50	1.77	2.10	2.15	2.13	2.31	8.5%
Operational Cost (€ millions)	9,423	12,139	24,421	44,245	49,667	48,889	50,257	42,570	40,080	-5.8%
Cost/Passenger kms (€ cents)	35.59	26.10	25.44	21.85	20.20	18.85	19.25	15.94	13.79	-13.5%
Cost/Seat kms (€ cents)	3.25	2.90	3.33	3.12	3.30	3.49	3.59	2.91	2.60	-10.5%
Cover Ratio*	29.4%	43.4%	42.3%	48.1%	53.7%	60.2%	59.8%	73.2%	88.7%	15.5 pp

* Ratio between tariff revenues and direct operating costs, which include operating costs, the cost of the inspection of the operation team as well as 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	2011 SNC	11/10
Operating results	-9,674	-20,680	-46,234	-81,434	-85,418	-83,016	-87,622	-236,392	-244,754	-233,730	4.5%
Before depreciation	*6,926*	*-4,081*	*-23,575*	*-40,619*	*-34,944*	*-31,128*	*-33,936*	*-187,317*	*-192,105*	*-176,397*	*8.2%*
Before operating subsidies	*-9,674*	*-25,411*	*-48,479*	*-83,837*	*-95,777*	*-94,154*	*-99,615*	*-248,386*	*-256,621*	*-245,599*	*4.3%*
Financial results	-16,192	-18,421	-25,696	-41,457	-60,692	-66,247	-53,256	-57,683	-107,762	-163,368	-51.6%
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	-352,579	-397,199	-12.7%

2. 2011 EVENTS

LIGHT RAIL SYSTEM DEVELOPMENT PROGRAM

The tender documents for the Construction and Maintenance Subconcession (referred to in paragraph 2 of the Base XXI of the Oporto Metropolitan Area Light Rail System (SMLAMP) Concession Bases, published by Decree-Law no. 192/2008 of October 1st), adopted at a meeting of the Board of Metro do Porto, SA, were sent on December 29th, 2010 to the Secretário de Estado dos Transportes, responsible for the verification and authorization for the launch of the limited tender by pre-qualification.

On May 24th, 2011 Metro do Porto was notified of Dispatch No. 05/04/11 of the Secretário de Estado dos Transportes which states *"The expansion of the Metro do Porto project can only be launched*
***a.** after the Company consolidates its liabilities;*
***b.** after further studies which justify the project from an economic point of view;*
***c.** after the program to consolidate the sovereign debt yields positive results."*

DEMAND EVOLUTION

In 2011 demand exceeded 55 million validations and 290 million passenger kms, showing growth rates of 4.1% and 8.9%, respectively, compared to 2010. There is thus an acceleration of the growth trend that has been seen since the inauguration of the Light Rail System.

The weight of the monthly tickets in the type of ticket structure for validations increased slightly to 62.3% (against 61.4% in 2010).

It should be noted in this regard the strong tariff correction implemented by the Government in August, with a 15% increase mitigated by the creation of the Social + ticket in September. This ticket, aimed at individuals and families with limited income, is priced at a 25% discount on the price of monthly normal Andante ticket.

Analyzing the growth rates of the validations in the first and second half of 2011 compared to corresponding periods in 2010, there is a break in the growth rate from 6.2% in the first half to 1.9% in the second half. The lower growth rate in the second half of the validations is recurrent:

Variation of Validations	09/08	10/09	11/10
1st half	4.3%	2.9%	6.2%
2nd half	0.1%	0.6%	1.9%
Annual	2.2%	1.8%	4.1%

OPENING OF THE ESTÁDIO DO DRAGÃO – FÂNZERES STRETCH

The first trips with passengers, experimental and free, took place on December 29th and December 30th, 2010 allowing a first contact of the populations served by this extension with the speed, efficiency, safety and quality of service of Metro do Porto.

Its commercial operation started on January 2nd, 2011. The new stretch has a length of 6.8 kilometres served by ten new stations, four parking lots being offered for free use at the Fânzeres, Venda Nova, Baguim and Campainha stations with combined parking capacity for 462 cars.

OPENING OF THE YELLOW LINE EXTENSION TO SANTO OVÍDIO

The extension of the Yellow Line by 464 metres included an additional station at the Rotunda of St. Ovídio, the reformulation of the surrounding area in view of the insertion of the channel of the urban fabric and a significantly improved pedestrian mobility and of the road traffic itself. This project also included the construction of a bus interface next to D. João II station, former terminus of the Yellow line, which will ensure high levels of comfort on modal shift when in use.

The construction contract was signed on September 26th, 2009, and the consignment of the works took place on October 14th, 2009. Commercial operation began on October 15th, 2011. With the opening of this extension, the Light Rail System now has 81 stations and 66.7 kms.

SIQAS – ENVIRONMENT, QUALITY AND SAFETY INTEGRATED SYSTEM

In December 2011 the certification process of the Metro do Porto in the areas of Environment and Quality according to the NP EN ISO 14001/2004 and NP EN ISO 9001/2008 norms was completed. The scope of this certification is the Conception, Operation and Maintenance of the Light Rail System of the Oporto Metropolitan Area.

The certification process in the area of Security is under way and the 1st phase of the Certification Audit is scheduled to take place in the first half of 2012.

CULTURAL EVENTS

Metro do Porto has sought to assert itself as one of Oporto city and Metropolitan Area's major "stages". The large majority of events (FIMP - International Puppet Festival in Porto, Serralves in Festa, Fantasporto, Short Film Festival, Essência do Vinho, Porto em Manobras, Matosinhos Jazz, among others) and local civic and cultural agents (Teatro Nacional S . João, Casa da Música, Serralves, Associação Comercial do Porto, PortoLazer) materialize actions and extensions of their own programming on Metro do Porto, enhancing the travel experience for customers, bringing new forms of artistic expression to the system to and promoting, also from the tourism point of view, the attraction potential which the city, region and country show. Likewise, the Metro do Porto has sought, without assuming additional costs, to create conditions for the development of cultural events - an attitude of total openness to the community - creating new opportunities for the expression of emerging talent.

The number of cultural events in the network has been growing steadily. In 2011, this trend continued, a policy having been set which requires even higher standards for the appropriateness and quality of scheduled events. Overall, 457 events took place in Metro do Porto stations and vehicles (approximately 100 more than in 2010).

Out of this set of events, we highlight, for its artistic relevance, public or media impact or for its originality, the following:

→ Música na Rua, 2011 edition, from March to May, with daily concerts by about 30 bands in the Trindade and Bolhão stations. This project, initiated in 2009 and developed in partnership with PortoLazer and Casa da Música, has become an inescapable dimension of music programming in the city.

→ "Douro Natural" photography exhibition, authored by photographer José Manuel Ferreira in January at the Trindade station.

→ "Homeless" bronze statues exhibition of the Danish sculptor Jens Galschiot, in partnership with AMI - Assistência Médica INternacional, in January and February, at the S. Bento station.

→ Moda a Metro "Open Casting", at the Trindade station in July - fashion casting involving nearly 500 participants.

→ Open Air Cinema in August, in the square by the Trindade station, with two night time projections of the movie "How do you know", which gathered hundreds of spectators. Event organized in partnership with the INATELFoundation.

→ Performance "Cette intimité immense" by the Retouramont company as part of the FIMP. Suspended dance action outside the Trindade station in September.

→ Meia de Leite Directa in October, at the Trindade station, a project which "mobilized" eight cows - part of "Porto em Manobras" - an action that brought the countryside to Oporto city center and distributed thousands of "white coffees" (coffee and milk) to customers and passers-by.

→ World Music Day - joint action of three sets of musicians, who performed pieces by composer Terry Riley simultaneously at the Trindade, Bolhão and Aliados stations. Event held on October 1st in partnership with Casa da Música.

3. METRO AND THE ENVIRONMENT

In 2012 the Metro do Porto will publish its sixth Sustainability Report. As usual, a detailed treatment of the environmental, social and economic issues for which citizens are increasingly interested and aware will be made. As stated above, the Company Environment and Quality (NP EN ISO 9001 and EN ISO 14001) certification achieved in 2011 has come to reward the efforts made to provide a system suited to the needs and expectations of mobility and accessibility of the region and to motivate the company to do more and better. Equally motivating is the fact that clients recognize the benefits of the Metro for the environment and society, especially through the high score in the "Social Image" component among other components evaluated in the annual survey of customer satisfaction.

In the year 2011 two important extensions of the Metro System were opened to commercial operation - the Gondomar line (extension Estádio do Dragão - Fânzeres) and the extension to St. Ovídio. The growth in passenger numbers and average distance travelled, to which these two extensions contributed, represents an important milestone on the path of economic sustainability of the network through the capture of demand. However, with the completion of the works, the impact of the Metro in labor market is reduced and becomes restricted almost exclusively to the operation of the system. In 2011, the manpower involved in contracts, supervision of work, operation of the Metro, security and surveillance and administrative tasks totaled about 800 jobs (1,200 in 2010).

In terms of heritage, the urban integration works related to the duplication of the Póvoa line ended, the archaeological monitoring works in Vila do Conde and Póvoa do Varzim could be deemed completed, the respective final reports having been issued. In parallel, we proceeded with the closure of archaeological work related to the construction of the Yellow and Blue lines. Issued and approved were also the final reports of the work carried out in S. Bento, between late 2001 and early 2003 in the construction of the Yellow line, and also at the Avenida da República in 2010 with the extension of the Yellow Line to St. Ovídio. Also completed was the final report regarding the work carried out at Campo 24 de Agosto between the years 1999 and 2004 as part of the construction of the Blue Line.

As the Metro fleet of vehicles (Eurotram and Tram Train) are powered by electricity, there are no direct emissions associated with traction, but there are indirect emissions resulting from the fact that part of the electricity consumed comes from the combustion of fossil fuels. Emissions from energy consumption by vehicles totaled 15,499 tonnes of CO_2e (carbon dioxide equivalent), about 5% below the figure for 2010 (note that a correction was made to the value of energy consumption for traction in 2010, so that emissions in that year have also now changed). With regard to savings of emissions to the atmosphere, these are calculated taking into account the alternative to Metro that would be used, ie, the estimated level of emissions resulting from the same journeys in alternative modes (individual transport, collective transport and non-motorized tarnsport) that would be used if the Metro did not exist. A saving of 62,000 tonnes of CO_2e has been estimated for 2011 which, discounting the emissions associated with traction, generate a net benefit to the atmosphere of 46,000 tons of CO_2e. In economic terms, the environmental benefits correspond to a value of approximately 270,000 euros. In turn, the social benefits of time savings and reduced parking pressure amount to more than 165 million euros.

4. METRO AND ITS CLIENTS

4.1 CLIENTS

MP CLIENT PROFILE AND 2011 SATISFACTION LEVEL

Between November 17th and November 23rd, 2011, DOMP S.A. carried out the Satisfaction and Customer Profile study. Through 1,568 direct personal interviews of service users, the work revealed the following "typical client" profile: a woman, less than 25 years old, student, belonging to upper middle class, with secondary level education and resident in Oporto.

This update of the data on the typical user testifies the larger number of women who use the Metro (56.8%). It also confirmed the prominent place taken by younger people: 42.5% of users are between 15 and 24 years old, 19.6% are between 25 and 34 years old and 13.1% are between 35 and 44 years old. Of note, moreover, is that 35.2% of the clients are students.

In respect to classes, most clients belong to the upper and medium high class (35.5%). Next are the middle class (31.5%), lower middle class (23%) and low class (10%).

In terms of schooling, it identifies a larger percentage of users with secondary level education (46%). In addition, 19.9% have a medium / higher level education, 17.9% attended the third cycle, 8.1% have basic education and 6.9% the second cycle.

As for residence, 32.3% of Metro clients live in Oporto, 20.2% in Gaia, 13% in Matosinhos, 9.2% in Gondomar, 6.4% in Maia, 3.9% in Vila do Conde and 1.7% in Póvoa de Varzim.

Also according to the study, speed remains the strong point noted by clients (38.9%), followed by punctuality, also pointed to as an advantage by 11.2% of respondents. Regarding the level of customer satisfaction, the Global Satisfaction Index is 81.4%.

DEMAND

In 2011 there were two pricing updates, one in January and another, an extraordinary one, in August. In January, the maximum increase was different for monthly tickets (3.5%) and occasional tickets (4.5%), and the weighted average variation of the Andante system amounted to 2.5%. In August there was a larger increase, with the weighted average tariff increase amounting to 14.1%.

With the creation of the Social + ticket in September 2011, a new (non cumulative) criterion for eligibility to social discount, the household income, was defined.

The Social + ticket is intended for people and families with lower incomes, and carries a 25% discount on the price of the monthly Andante ticket.

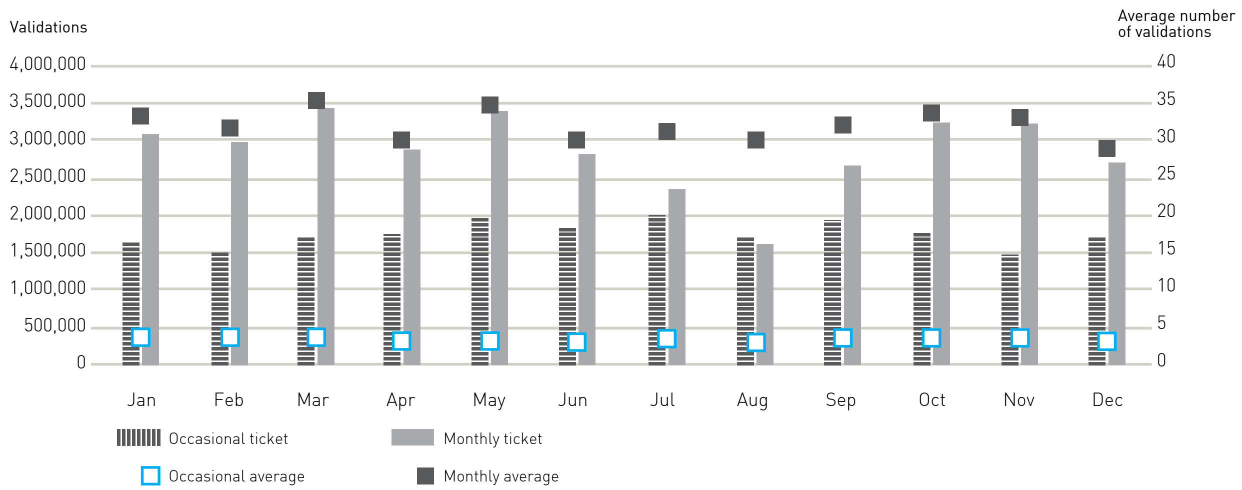
A total of 55.7 million passengers was recorded in 2011, representing a growth rate of 4.1% (over 2.2 million validations). The growth this year exceeds that recorded between 2008 and 2010 (4.0%, 2.1 million more validations).

Part of the growth in 2011 results from the increased network, particularly with the opening of the Estádio do Dragão - Fânzeres section in January and the D. João II - Santo Ovídio stretch in October.

To the increasing number of validations an increasing number of customers who regularly use the Metro is associated. 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:

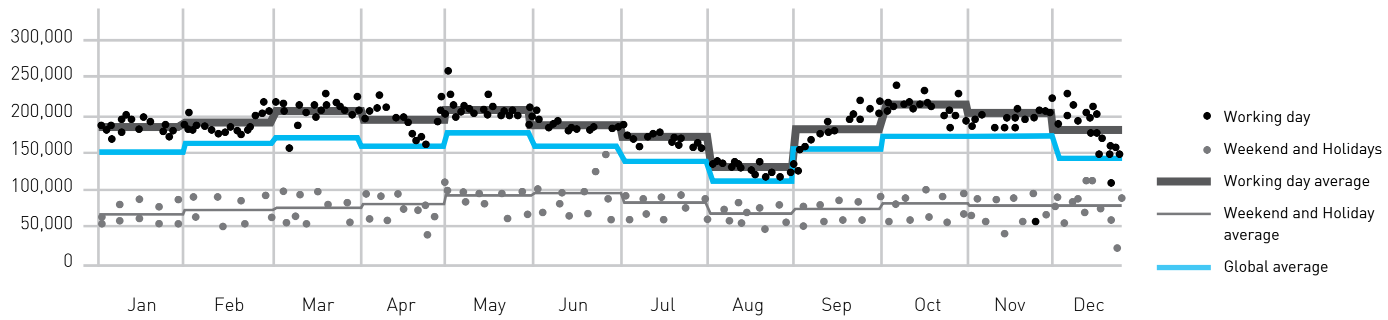
Monthly Average	Regular Clients 2009	Regular Clients 2010	Regular Clients 2011	Frequent Clients 2009	Frequent Clients 2010	Frequent Clients 2011
Metro do Porto	60,590	63,141	66,014	26,932	28,536	29,379
Andante System	97,681	107,330	115,673	59,490	63,903	70,944

The weight of validations with monthly tickets (62.3% in 2011) rose slightly (0.9 percentage points). On average, there are over 2011 an average of 4.1 Metro validations per occasional ticket (4.2 validations in 2010) and 32.3 validations per monthly ticket (33.0 last year).



A total of 290.7 million passenger kms was established for 2011, 8.9% more than in 2010, due to the increase of 4.1% in passenger numbers and 4.6% in the average distance per passenger, which amounted in 2011 to 5,216 metres (4,987 metres in 2010).

Light Rail System - no. of Validations



The monthly validations record for the year was reached, as last year, in May, with a total of 5.4 million validations, an absolute record since the opening of system - above the 5.2 million validations in October 2008 and in March 2011. For the first time there were three months with more than 5 million validations.

The following table shows the evolution of average daily validations between 2009 and 2011, and its quarterly trend throughout 2011, reflecting the seasonal decline in the number of trips in the third quarter:

Average number of validations	2009	2010	2011*	1st Quarter 2011	2nd Quarter 2011	3rd Quarter 2011	4th Quarter 2011*
Working Days	176,754	180,261	183,728	194,462	192,856	147,809	188,704
Weekends and Holidays	72,947	72,822	75,885	74,971	83,534	70,756	73,521
Monthly	143,867	146,705	152,705	159,942	161,621	125,439	155,386

* General strike of November 24th, 2011, not included

Altogether, there were 14.9 million validations with the various available social tickets, 26.7% of all validations and annual growth of 12.7% on the 2010 total of validations with social tickets.

The loads per stretch, presented in the following graph, correspond to the number of passengers traveling between each pair of stations. The urban stretches present values over ten times higher than those at the ends of the network.

On average, for all days and hours of operation, the peak load occurs in the Trindade - Lapa, where in 2011 an average of 8.8 million passengers per direction was recorded, surpassing by 3.1% the same value in this stretch last year (also the peak load on the system then). Showing a similar structure to 2010, next are the Lapa - Casa da Música stretches (between 8.2 and 8.7 million). There are still three more stretches with average loads of around 7 million validations per direction, particularly the sections Casa da Música - Ramalde and Trindade - Bolhão (between 6.8 and 7.3 million). In the Yellow line in the highest loads are found in the S. Bento - Marquês section, with values between 4.8 and 5.7 million passengers per direction, close to the levels recorded in sections 24 Agosto - Bolhão and Sete Bicas - Sra da Hora (loads from 5.6 to 5.7 million) but lower than in Ramalde - Sete Bicas (loads between 6.2 and 6.5 million).

At the extremes of the various lines, especially between Fânzeres - Nasoni, Matosinhos Sul - Senhor de Matosinhos, Santa Clara - Póvoa de Varzim, Maia Forum - ISMAI, St. Ovídio - D. João II (the latter with loads of 288.0 thousands since the start of commercial operation on October 15th) and the airport extension, the million passengers per year and per direction mark was not reached. At the end of the Blue line until Campainha and after Brito Capelo, from Castelo da Maia to ISMAI and in the airport branch the values observed are less than half of that threshold.

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[1]	2,494,167	23.5%
Casa da Música	1,972,241	59.8%
Bolhão	1,758,335	73.4%
São Bento	1,690,369	69.5%
João de Deus	1,523,419	80.3%
Campanhã	1,497,909	57.3%
Sr.ª da Hora	1,163,590	54.4%
D. João II	1,090,159	77.5%
Sete Bicas	1,058,383	76.8%
Marquês	1,057,375	77.7%

1 Considering the two platforms - surface and underground.

The Trindade station, at the crossroads of five lines of the Light Rail System, presents itself as the center of the system. Considering the two platforms at this station, accessing the Yellow line and the common section of the remaining lines of the system, it recorded a total of 10.6 million validations (2.6% growth). Of all validations registered at the Trindade Station, about 76.5% are transfers. Removing the transfers, ie, considering only the use of stations as an entry point into the Andante system, the top three stations remain the same as last year, namely and besides Trindade (2.5 million trips), Casa da Música (2.0 million) and Bolhão (1.8 million).

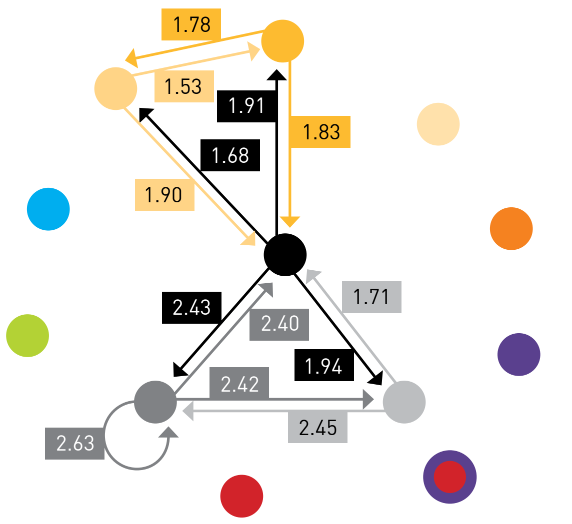
The central role of the Trindade station is also visible by analyzing the array origin / destination matrix of validations in the Light Rail System: 38.0% of the validations have as an origin or destination that station.

There is a large concentration of validations in the central core of the network, including stations in the common trunk (from Estádio do Dragão to Senhora da Hora) and the whole of the Yellow Line (between Santo Ovídio and Hospital S. João): 69.3% of the total validations are concentrated in 27.2% of the total length of the network.

The first 68 origin - destination station pairs cover only the common trunk and the Yellow line. The first pair where there is a station that is not part of this set appears in 69th place: Airport - Trindade, with about 141,000 trips in 2011.

If we analyze the main origin / destination flows, we do not find between them the antenna of the Blue (up to Nau Vitória and after Senhora da Hora), Green, Red, Violet lines nor the Yellow line section between Polo Universitário and Hospital de S. João, a total of 53 stations. The sections of the Yellow line, with the exception indicated above (12 stations) appear through their links with Trindade, and in both directions. The various sections of the common trunk appear not only in their connections with Trindade but through links between and within themselves as well:

2011 Origin/destination aggregated matrix | OD pairs with more than 160,000 trips per station (O+D) per year (units: million trips)

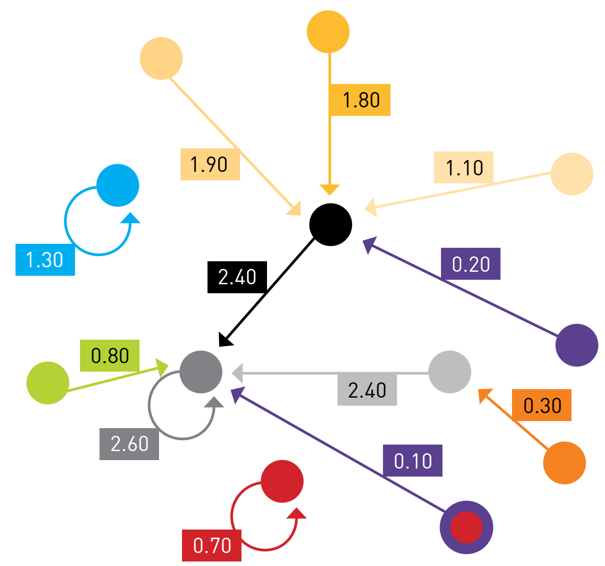


Sections	Stations
Trindade	1
Sr.ª Hora - Lapa	8
Bolhão - Nau Vitória	8
S. Bento - Salgueiros	6
Sto. Ovídio - J. Morro	6
Pólo Universitário - Hospital S. João	3
Blue line Antenna	9
Green line Antenna	11
Red line Antenna	16
Red and Violet lines common trunk	5
Airport extension	2
Fânzeres - Levada	7
	82

Note: The figures in the text boxes refer to million trips in 2011 between stations in the origin section and stations in the destination section; the diagram shows only the connections where the average number of trips per station is larger.

No changes were recorded in the main destinations for each source, as aggregated in the graph below. The Red and Blue lines (after Senhora da Hora) "antenna" remain as the main destination of trips undertaken in the "antenna" itself. The section Senhora da Hora - Lapa was the main destination for the set of trips initiated in that same section, as it was for those initiated at Trindade, in the Bolhão - Nau Vitória section, in the Green line "antenna" and in the common trunk to the Red and Violet lines. Trindade was the main destination of the various sections of the Yellow Line and of the airport extension. The movement originated in the section Fânzeres - Levada has the section Bolhão - Nau Vitória as the main destination.

2011 Origin/destination aggregated matrix | Main destination for each source (units: million trips)



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PARK & RIDE

During the month of January 2011 Metro do Porto placed at the service of its clients another four free car parks in the new Orange line antenna. These parks, located at the Campainha, Baguim, Venda Nova and Fânzeres stations, have a total capacity for 462 cars.

Also in 2011 three new car parks were inaugurated in the Póvoa line, at the S. Brás, Portas Fronhas and Póvoa de Varzim stations, with a total of 232 positions for free use.

In late 2011, the Metro do Porto provided a 33 park network in actual operation, representing a park + ride offer with an overall capacity of 3,572 parking spaces, thus providing interface conditions between individual public transport and the Metro and greater accessibility to the public transport system.

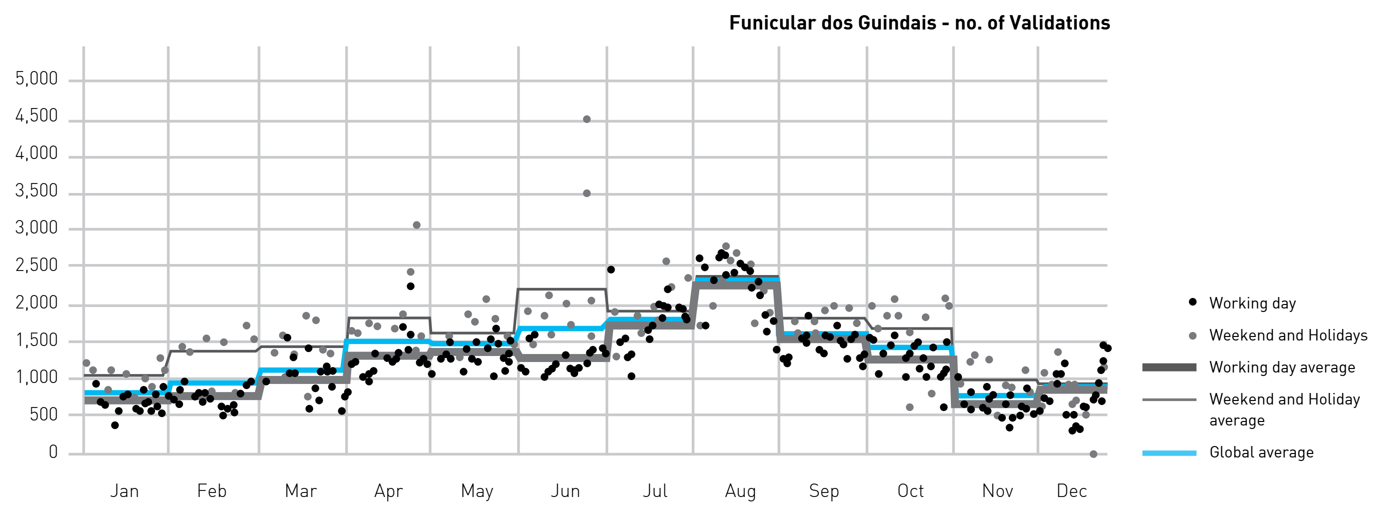
The low cost, fully integrated with the contactless ticketing Andante system park + ride solution, is available only at the ParqueMetro interface with the Estádio do Dragão station. There were 60,217 entries throughout the year, a decrease of 41.2% on 2010, the occupancy rates reaching between 35% in January and 18% in August. The reduction of use of the Metro Park registered in 2011 results from the extension of this line to the municipality of Gondomar and the opening of four free car parks in that span.

The park + ride parking fee was updated in 2011 for the first time since 2006, the occasional service to cost 95 cents per 12 hour block and the monthly service exclusive for intermodal network clients to cost 17.00 euros, reflecting increases of 46.2% and 4.2% respectively.

The observation of occupation levels for the free parks repeatedly indicates full occupation on working days in the parks of Senhora da Hora and Botica, as well as occupation rates often above 80% in the Portas Fronhas, Campainha, Parque Real, Parque Maia and Póvoa de Varzim parks.

FUNICULAR DOS GUINDAIS

There was a total of 493,095 validations at Funicular dos Guindais, this equipment maintaining the growth trend seen in previous years, this time 5.5% over 2010. Given the fixed length of 280 metres per trip, this represents a total of 138,067 passenger kms. The profile of predominant use on non-working days remained, since they account for 37.8% of total validations, 1.2 percentage points above the rate recorded in the previous year. The peak monthly use continued to be in August with 69,916 validations, which corresponds to 14.2% of annual validations.



4.2 SERVICE

LIGHT RAIL SYSTEM

In 2011 there was an increase of 3.9% in total kilometres in commercial service, 6,714 thousands of (equivalent to simple) vehicle kms having been offered.

The rolling stock fleet comprises 72 Eurotram vehicles and 30 Tram Train vehicles, with capacities of 216 and 248 passengers, respectively.

Since there was in 2011 an increase in the weight of Tram Train vehicles in the overall supply against 2010 (41.9% vs. 33.2%), there is a slight increase of the previous average capacity of 227 passengers per vehicle to 229 passengers in 2011, resulting in a total of 1,540 million seat kms offered, 5.2% more than in 2010.

Despite the growing volume of supply, there is an increase of 0.7 percentage points in the load factor, reaching the overall average of 18.9% in 2011.

About 34% of the supply is concentrated in the common trunk of the network (between the stations of Estádio do Dragão and Senhora da Hora, a distance of 9.6 kms) and 19% in the Yellow Line Extension (8.5 kms considering the 464 metres of the St. Ovídio – João II stretch inaugurated on October 15th). Together, the common section of the Red and Airport, between the stations of Senhora da Hora and Verdes, and the Red antenna line between the last of these stations and the station of Póvoa de Varzim, a distance of 24.0 kms, absorb 23% of annual supply.

Vehicle kms by Stretch	2009	2010	2011	% 2011
Orange Antenna	-	-	377,635	5.6%
Common Stretch	2,395,573	2,348,725	2,299,408	34.2%
Blue Line Antenna	590,572	568,518	537,786	8.0%
Red/Airport Common Stretch	515,272	540,094	531,809	7.9%
Red Line Antenna	903,749	993,984	1,027,975	15.3%
Green Line Antenna	595,109	627,306	600,481	8.9%
Yellow Line	1,413,829	1,333,928	1,291,810	19.2%
Airport Stretch	58,345	49,136	46,897	0.7%
Total	**6,472,450**	**6,461,692**	**6,713,891**	**100.0%**

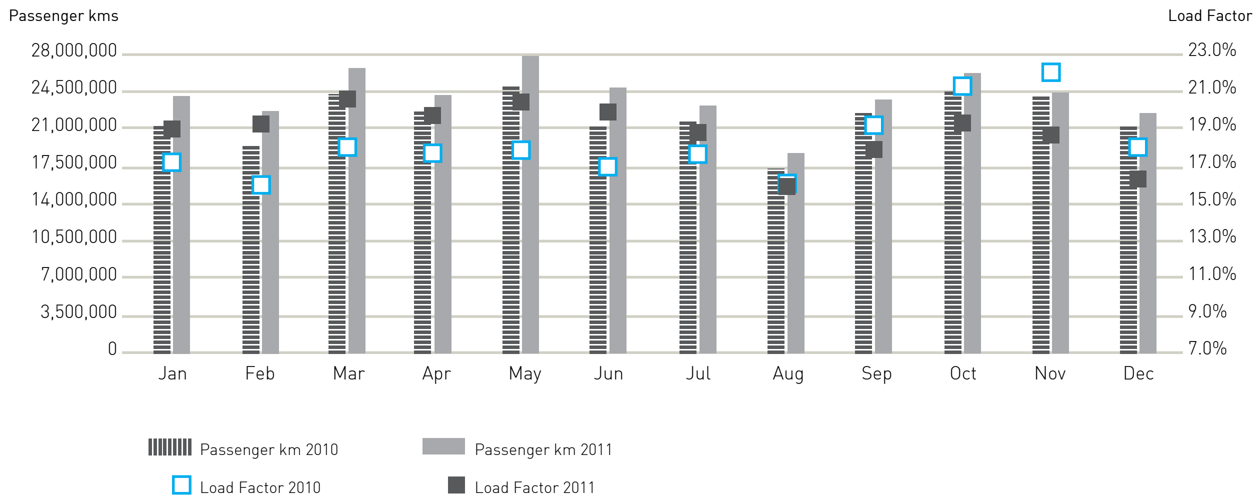
The overall average commercial speed, obtained by dividing the total vehicle kms by total vehicle hours (the latter without time of stops at the terminal stations) determined from sensors' records, was 25.9 km/h in 2011; and the average passengers speed (commercial speed weighted by occupation by section) was 26.9 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)	2009	2010	2011
Blue Line	22.7	22.5	22.4
Red Line	32.3	32.4	32.5
Green Line	27.7	27.8	28.4
Yellow Line	19.5	20.8	21.0
Violet Line[1]	28.0	28.2	27.3
Orange Line	-	-	23.6
Overall	**25.5**	**26.0**	**25.9**
Passengers	**27.2**	**27.7**	**26.9**

1 The values of 2010 do not include the Airport Stretch, Verdes-Aeroporto.

As discussed above, despite this increase in supply and average capacity of transport due to increased use of vehicles Tram Train, the overall load factor of the Light Rail System in 2011 reached a record 18.9%. If the effect of increased capacity per vehicle was eliminated, that is, if in the same proportions of Eurotram and Tram Train vehicles as in 2010 had been used in 2011, the load factor would amount to 19.1% - which would represent a growth of 0.8 pp from the value calculated for 2010.



Analyzing peak occupancy per hour band, we found that the change in mobility habits recorded in the last quarter of 2010, with peaks of occupancy in the slot 13h - 15h, proved to be permanent and not merely casual.

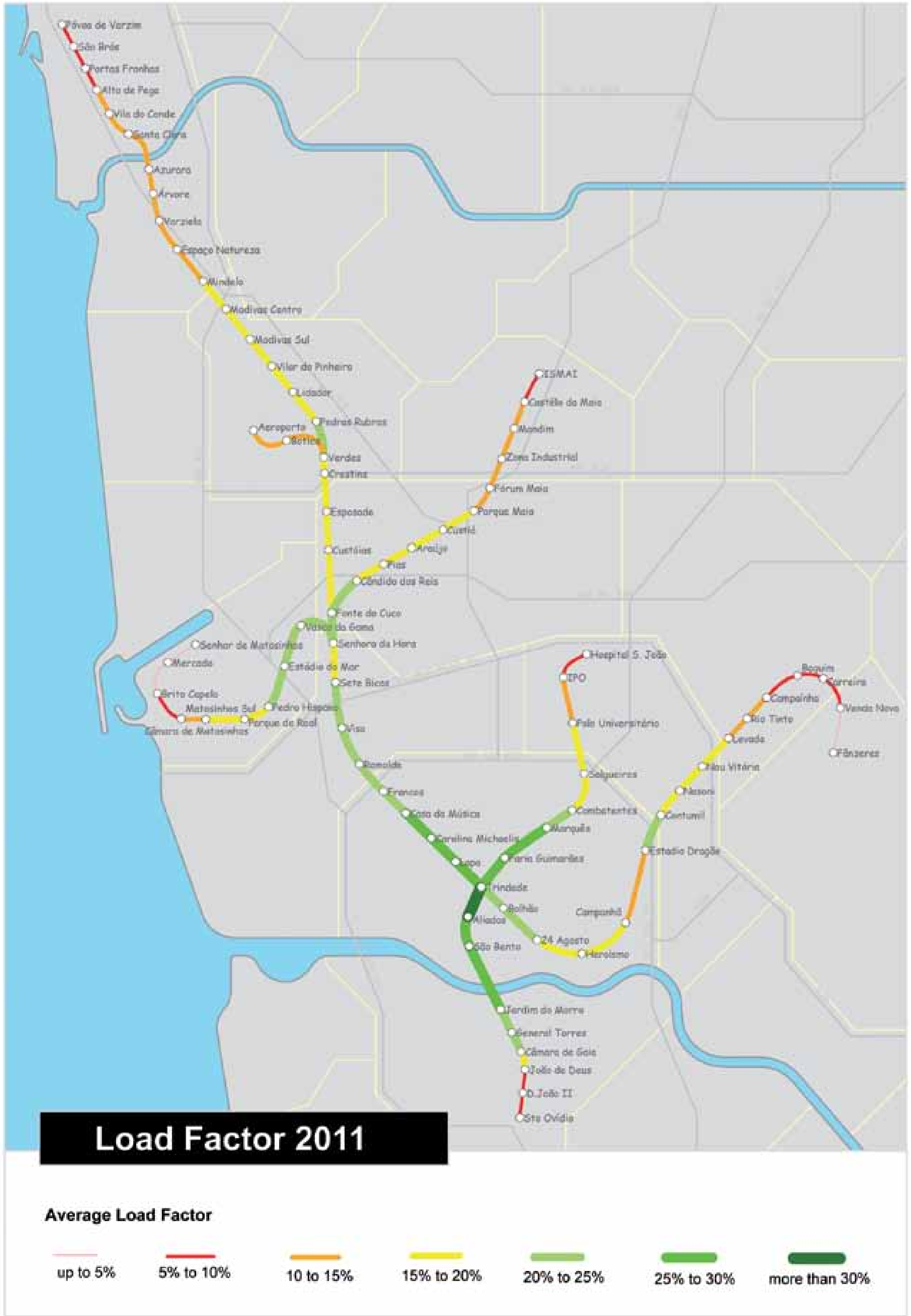
Month	Monthly Average	Peak	Time
January	19.0%	27.4%	8h-9h
February	19.3%	27.8%	13h-14h
March	20.6%	29.4%	13h-14h
April	19.8%	26.5%	13h-14h
May	20.6%	27.8%	13h-14h
June	20.0%	25.6%	18h-19h
July	18.9%	24.5%	14h-15h
August	15.7%	21.3%	14h-15h
September	17.7%	23.9%	8h-9h
October	19.5%	27.8%	8h-9h
November	18.8%	28.3%	8h-9h
December	16.4%	21.6%	14h-15h

Note that these load factors represent monthly averages, considering both working days and weekends and holidays, as well as all parts of the network in both directions. Analyzing the peak occupancy per hour band / stretch / direction, load factors in excess of 70% are consistently achieved (reported to all seven days of the week, not just working days), sometimes above 80%.

Looking at annual averages, average load factors exceed 25% in the urban parts of the light rail system network, particularly in the common trunk between the 24 de Agosto and Sete Bicas stations and in the Yellow Line between the Jardim do Morro and Marquês stations. There are also load factors above 20% in the city of Matosinhos between the Pedro Hispano and Cândido dos Reis stations. The record monthly average load factor rose to 32.6% in section Aliados - Trindade.

At the opposite extreme, it appears that the average number of passengers per vehicle is below 10 between Brito Capelo and Senhor de Matosinhos and between Fânzeres and Carreira (and is even considerably lower most of the time).

There was in 2011 a total of 70 traffic accidents, which represents an increase of 29.6% on the number events recorded in 2010. Relating these occurrences to the level of supply, there is in 2011 a rate of 10.43 accidents per million kms traveled compared to a rate of 8.36 accidents per million kms last year.

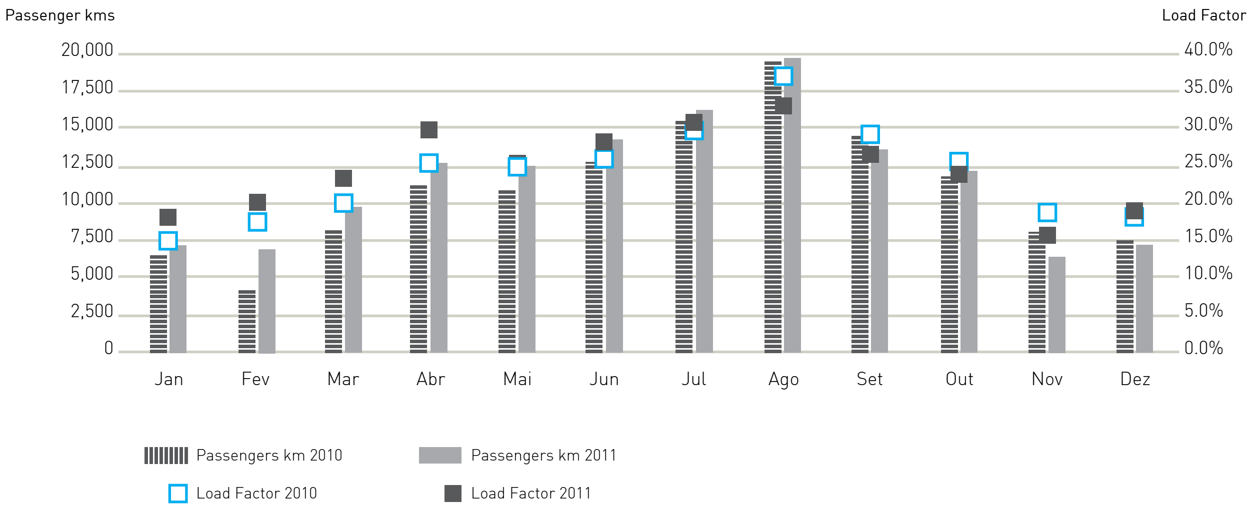


FUNICULAR DOS GUINDAIS

The new operator of this infrastructure became active on January 1st, 2011.

There was in 2011 a total of 39,217 trips offered, corresponding to a supply of 549,038 seat kms, reflecting a growth of 3.3% compared to 2010. To this supply volume corresponded to a 2011 average load factor of 25.1%, up 0.52 percentage points on 2010.

Confirming the pattern of use of the Funicular dos Guindais, load factors at week-ends and holidays amounted to 28.8% (27.4% in 2010), a figure 5.5 percentage points higher than the load factor recorded in working days.



4.3 METRO DO PORTO'S COMMUNICATION AND IMAGE

The activity on media relations, in addition to current information on operational and economic-financial performance of the company, was marked by the communication on work fronts and by the openings of the Orange line between Estádio do Dragão and Fânzeres and of the Yellow Line extension to St. Ovídio.

The various channels of communication show in 2011 a significant growth in demand for online media, an area in which the Metro do Porto is, since September 2011, even better endowed with the launch of the application iMetroPorto.

In 2011, all the tools of direct communication with clients showed a strong increase in demand, also they have contributed a very close management, in real time, maximizing the contact potential between the Metro do Porto and the general public.

The number of accesses to the Portuguese version of the official site in 2011 represents an increase of 37.6% over the 2010. The most visited pages were the network map, frequencies and schedules, travel planning, "Metro in numbers" and travel tickets.

	2009	2010	2011	11/10
Total visits				
Portuguese Website	538,267	631,754	868,989	37.6%
English Website	7,939	52,158	60,663	16.3%
Different visitors				
Portuguese Website	354,927	418,191	596,674	42.7%
English Website	5,977	39,553	45,648	15.4%

In 2011 there were more than 15,000 downloads of documents, especially maps and schedules. At the end of the year, the total number of registered users in the "Vaivem" database is over 20,000, of whom 4,800 registered during the year.

In the social network Facebook, the page of the Metro do Porto recorded in 2011 close to 3 million views, and generated 13,260 reviews and comments over the same period. At the end of 2011 23,114 users are recorded as followers of Metro do Porto, including 13,024 new registered users in 2011.

In the year 2011 there were 47 editions of the digital newsletter "Vaivem", with information on new products and services and the Metro do Porto facts relevant to clients.

Metro Channel SMS, whose database has over 4,000 registered users, generated more than 20,000 contacts in 2011.

Management of Metro TV has benefited from the expansion of the network in 2011, from 3 to 11 stations, generating currently about 9 million daily contacts. Through this channel, all relevant information about the commercial service of Metro, Andante relevant information and promotions related to network events and cultural partnerships are communicated in real time to clients.

With the launch of iMetroPorto, Metro do Porto became the the first national transport company to provide an official mobile application to its clients, which now has about 15,000 active users. The iMetroPorto, presented in Portuguese and English versions, running on all iOS and Android mobile phones and terminals, makes travelling by Metro in Porto even easier.

This tool provides maps of the network and of its six lines, with the possibility to check the frequencies, timetables, parking facilities and services available at each station.

5. METRO AND ITS STAFF

5.1 ORGANISATIONAL STRUCTURE

On May 19th, 2011 was created the Environment, Safety and Quality Office, extinguishing the Safety Office. So, the new organisational chart is:

Board of Directors | Executive Commitee

- Secretariate
- Public Relations
- Legal Counsel
- Environment, Safety and Quality
- Organization and IT Systems
- Planning and Management Control
- Projects
- Administration and Finance
- Infrastructure
  - Platforms and Track
  - Equipment
  - Maintenance
- Operation
  - Transport Services and Inspection
  - Business Development
  - Rolling Stock
- Technical Systems
  - Signalling
  - Operation Support Systems
  - Energy
  - Maintenance

5.2 STAFF

In late 2011, staff in service amounted to 93 employees. More than 70% of employees are technical staff and have higher education.

	2009	2010	2011
Total Staff	121	120	114
Excluding CP/REFER (not part of MP teams)	108	110	104
Excluding CP/REFER (not part of MP teams), seconded to TIP, ACE or other Stste owned companies	98	100	93
Average Total Staff	**94**	**99**	**98**
Technical Staff	80%	71%	72%

6. METRO AND ITS SHAREHOLDERS

6.1 SHAREHOLDING STRUCTURE

There were no alterations in the shareholding structures of Metro do Porto, S.A.

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

Shareholders	Shares	% Shareholding
Portuguese State	600,000	40.0%
Área Metropolitana do Porto [1]	600,000	40.0%
STCP	250,000	16.7%
CP	52,000	3.3%

1 Including the Municipalities of Gondomar, Maia, Matosinhos, Porto, 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 governing bodies for the period 2008 to 2010 were elected. The current governing model assumes 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 and a Remuneration 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 was ratified at the Shareholders Meeting of the Company, dated of May 30th, 2011. Meanwhile, in 2011, there was the resignation of non-executive member, Mr. Marco António Ribeiro dos Santos Costa through a letter dated of June 28th, 2011 and Mr. Mário Hermenegildo Moreira de Almeida through a letter dated of July 21st, 2011. They were not replaced.

The Board of Directors continued performing their functions with the majority of elected members.

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

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 2011 accounts is the responsibility of PriceWaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.

CURRICULUM VITAE - BOARD OF MANAGEMENT

Chairman:
António Ricardo de Oliveira Fonseca

Chairman of the Board
Chairman of the Executive Committee

Departments overseen:
- Legal
- Planning & Management Control
- Environment, Safety and Quality
- Organization & IT Systems
- Communications

Positions in companies where Metro do Porto participates:
- Board Member 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, S.A.
- 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.

Executive Member:
Maria Gorete Gonçalves Fernandes Rato

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

Departments overseen:
- Operations
- Administration and Finance

Positions in companies where Metro do Porto participates:
- President of the Board of Transpublicidade, S.A.
- Board Member of 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 Northen Region, Caixa Leasing e Factoring, S.A.
- Commercial Vice-Director, Locapor, S.A.
- Head of Oporto delegation, Locapor, S.A.
- Sales staff, Euroleasing, S.A.
- Assistant Sales staff, Renault Gest, S.A.

Board Member:
Jorge Moreno Delgado

Board Member
Executive Committee Member

Departments overseen:
• Infra-struture
• 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 da Escola Superior de Tecnologia e Gestão do Instituto Politécnico de Viana.
• Consultant, NEWTON – Consultores de Engenharia, Lda.

Board Member (non-executive):
Fernanda Pereira Noronha Meneses Mendes Gomes

Board Member
Chairman of the Board of STCP

Positions in companies where Metro do Porto participates:
• Chairman of the Board TIP – Transportes Intermodais do Porto, ACE.

1st Degree in Law.

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

National Professional Cartificate for Passenger Bus Driving, 2002.

Professional Experience:
• Metro do Porto, S.A. – Director – not in active service at the moment
• Metro do Porto, SA – Consultant.
• STCP, S.A. - Board Member.
• Coelima, S.A. - Non executive Board Member.
• Norcrédito, S.A. - Chairman of the Board.
• Parvir, S.A. - Chairman of the Board.
• Socifa Investimento, S.A. – 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):
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.
Member "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.

Professional Experience:
• Member of "Porto e Norte de Portugal - Entidade Regional de Turismo".
• 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, E.E.M".
• 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".
• Banco Português de Investimento: Technical staff - segment of large companies.

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
Explanation of objectives and of their degree of achievement	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 specialized 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 24 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 relevant transactions with related entities	This Point of the Annual Report

Information concerning the Governance of the Company to be published in the Annual Report	Location
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 28 of the Annex to the Annual Report
Sustainability Analysis	
Strategies followed	Sustainability Report This Point of the Annual Report
Degree of achievement of set goals	Sustainability Report
Policies followed to ensure the economic, financial, social and environmental efficiencies and to safeguard quality norms	Sustainability Report
Identification of the main risks for the Company's future	Annex to the Annual Report
Guarantees regarding the promotion of equal opportunities, respect for human rights and non discrimination	Sustainability Report
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
Adoption of environmentally correct practices	Sustainability Report
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
Promotion of environmental protection	Sustainability Report
Contribution to social inclusion (employability)	Sustainability Report
Public service and satisfaction of community needs	Sustainability Report
Ways in which the Company's competitiveness was safeguarded, namely through research, development and integration of new Technologies in the productive process	Sustainability Report
Action plans for the future	Point 8 of the Annual Report
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.

The Equality Plan is not yet published. For the AMP's transport ombudsman position, the Company was informed of the decision taken by the Metropolitan Transportation Authority to create it.

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).

	Disclosure			
Information to appear on the SEE website	**Y**	**N**	**N.A.**	**Comment**
Updated statutes (PDF)	x			
History, Vision, Mission and Strategy	x			
Company figures	x			
Company Identification:				
Mission, objectives, policies, public service obligations and funding model	x			
Governance Model / Identification of bodies:				
Governance Model (identification of bodies	x			
Compensation statute set	x			
Remuneration and other benefits	x			
Regulations and Transactions:				
Internal and External Regulations	x			
Relevant transactions with related entities	x			
Other transactions	x			
Economic, Social and Environmental sustainability analysis	x			
Measuring compliance with the PBG	x			
Code of Ethics	x			
Historical and current financial information	x			
State's Financial Effort	x			

	Disclosure			
Information to appear on the Company website	**Y**	**N**	**N.A.**	**Comment**
Existence of Website	x			
History, Vision, Mission and Strategy	x			
Organisational Chart	x			
Bodies and Governance Model:				
Identification of the Bodies	x			
Identification of the Board of Directors's responsability areas	x			
Identification of specialized committees	x			
Identify the risk control systems		x		
Remuneration of the Bodies	x			
Internal and External Regulations	x			
Transactions outside the market conditions	x			
Relevant transactions with related entities	x			
Economic, Social and Environmental sustainability analysis	x			
Code of Ethics	x			
Annual Report	x			
Transport Ombudsman			x	Metro do Porto was informed of the decision taken by the Metropolitan Transportation Authority that will created it.

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 (penalties apply to offenses occurring on passengers public transports);
- 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;
- Resolution of the Council of Ministers n.º 34/2008, of February 14th (Pay on time Program), altered by Dispatch 9870/2009 of the Ministério das Finanças e da Administração Pública, April 6th;
- Resolution of the Council of Ministers n.º 70/2008, of March 27th (Strategic Guidelines for State-owned companies);
- 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;
- Law n.º 12-A/2010, of June 30th (Additional fiscal consolidation measures - PEC);
- Decree-Law n.º 65 -A/2011, of May 17th (Pay on time Program– report of overdue debts);
- Resolution of the Council of Ministers n.º 45/2011, of November 10th (Transport Sector Strategic Plan 2011-2015);
- Law n.º 64 -A/2011, of December 30th (2012-2015 Plan's Great Options);
- Law n.º 64 -C/2011, of December 30th (strategy and procedures to adopt to execute the Budget framework law 2012-2015);
- Resolution of the Council of Ministers n.º16/2012, of February 9th (criteria for state-owned companies management pay);
- 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 2011 were as follows:

Receipts	(euros)
Concedent Instalments - PIDDAC	6,125,000
Operating subsidies - public service	11,860,442
Operating subsidies - andante social tariff	2,831,996

Payments	(euros)
Guarantee fees	1,657,535

Transactions made with the related companies (over 20% owned), in 2011, were as follows:

TIP, ACE	(euros)
Sales or/and Services Rendered	33,375,799
Third-party supplies & services	1,776,012

Transpublicidade, S.A.	(euros)
Sales or/and Services Rendered	279,682

Metro Consultoria, Lda.	(euros)
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. In 2011 the only award that deserves emphasis, because it occurred under special circumstances, resulted of the extension of a contract for the Provision of Technical Advisory Services for Management, Monitoring, Inspection and Construction Reception of the Light Rail System (Completion of Phase I and Execution of Phase II) with the Consulgal / Ferconsult / SENER Consortium in the amount of 1,746,845.00 euros, through the granting of an addendum to the original contract, since it falls within its scope, therefore not subject to other public procurement rules. This is the seventh Addendum to that Contract and it regulates the extension of the term of the contract awarded to the Consulgal / Ferconsult / SENER consortium for the period between 27/05/2011 and 31/03/2012.

Contract	Partie	Euros
7th Addendum to Consulgal / Ferconsult / SENER Consortium Contract (27/05/2011 to 31/03/2012)	CONSULGAL-Consultores de Engenharia e Gestão, S.A.	1,746,845.00

6.3.2 GUIDELINES AND MANAGEMENT OBJECTIVES

No management objectives were defined for 2011. The current Board's mandate ended on December 31st, 2010.

6.3.3 FINANCIAL RISK MANAGEMENT

The company maintains a policy of actively managing its portfolio of debt and financial risk associated to it, as shown in detail in point 7.2 of this Report and notes 16, 17 and 27 to the financial statements.

Fintantial Risk Management - Despatch n.º 101/09-SETF, of 30-01	Fulfilled Y	N	N.A.	Description
Procedures adopted for the assessment of risk and coverage measures				
Diversification of financing instruments	x			Point 7.2 of the Annual Report and Notes 16 and 17 of the annex to the Annual Report
Diversification of forms of interest rate available	x			
Diversification of the creditors	x			Point 7.2 of the Annual Report and Note 16
Hiring of management tools for hedging risks in function of the market condicions	x			Point 7.2 of the Annual Report and Note 17
Adoption of active policy of strengthening permanent capital				
Debt consolidation: short-term debt transformation in Medium/Long-term	x			Point 7.2 of the Annual Report and Note 16
Hiring operations that minimizes the financial cost (all-in-cost)	x			Point 7.2 of the Annual Report and Notes 16 and 17 of the annex to the Annual Report
Minimization of the provision of collateral	x			
Minimization of restrictive covenants	x			
Measures persued with the aim of optimizing the company's financial structure				
Adopt policies that minimize debt allocation to the financial coverage of investments		x		Inadequate Funding Policy - as exposed at point 7,2 of the Annual Report
Option for investment with proven return on social/business, with the benefit of European Funds and Equity	x			Point 7.2 of the Annual Report and Note 14 of the annex to the Annual Report
Use of self-financing and divestment proceeds			x	Company does not generate self-financing - as exposed at point 7.4 - divestments are not applicable
Inclusion on Annual Repot				
Description of the evolution of the average annual funding rate over the past 5 years	x			Note 27 of the annex to the Annual Report
Interest and other costs supported with debt over the past 5 years	x			
Efficiency analysis of the funding policy and the use of instruments for financial risk management	x			Point 7.2 of the Annual Report and Note 17 of the annex to the Annual Report
Inclusion on the Financial Statements of the effect of changes in fair values of swap contracts in the portfolio	x			Point 7.2 of the Annual Report and Note 17 of the annex to the Annual Report

6.3.4 AVERAGE SETTLEMENT TIME EVOLUTION

Further information in point 7.3 of this Report.

Average Settlement Time calculated in accordance with RCM No. 34/2008, as amended by Dispatch No. 9870/2009

	1st Q. 2010	2nd Q. 2010	3rd Q. 2010	4th Q. 2010	1st Q. 2011	2nd Q. 2011	3rd Q. 2011	4th Q. 2011
Average Settlement Time	101 days	101 days	136 days	171 days	213 days	265 days	310 days	236 days

6.3.5 DISCLOSURE OF THE DELAY ON SETTLEMENT

Position on 31/12/2011 of the delay on settlement, in accordance with Decree-Law No. 65-A/2011, of May 17th

Delay on Settlement	0-90 days	90-120 days	120-240 days	240-360 days	> 360 days
Purchases of goods and services	6,197,281	82,887	172,388	7,830	3,566,302
Acquisitions of capital assets	291,741	253,665	5,744,716	15,197,637	1,406,891
Outstanding balance (total)	**6,489,022**	**336,552**	**5,971,104**	**15,205,467**	**4,973,193**

6.3.6 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).

6.3.7 SHAREHOLDERS RECOMMENDATIONS AT THE TIME OF THE APPROVAL OF THE 2010 ACCOUNTS

No recommendations were made by the shareholders at the time of the approval of the 2010 accounts.

6.3.8 NOMINAL WAGES UPDATE

Nominal wages were not updated in 2011.

6.3.9 MANAGEMENT BONUSES

No management bonuses are proposed to Shareholders Meeting for approval for 2011.

6.3.10 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 125,000.00 euros 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.

6.3.11 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 debt stock to 6% in 2011.

The Company's budget meets these objectives. The 2011 execution shows that not only the outlined objectives were reached as indeed there was a reduction of operational costs of about 28%.

6.3.11.1 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:

	2009	2010	2011
Total Costs	459,782	526,636	14.5%
(-) Financial Charges	58,162	163,737	181.5%
(-) Depreciation	49,076	57,333	16.8%
(-) Construction Costs - IFRIC 12	84,461	45,943	-4.6%
(-) Rights of use of fixed installations and rolling stock	0	7,213	-
(-) Net provisions	24,373	54,813	124.9%
(-) Reductions in fair value	158,326	135,669	-14.3%
(-) Stamp Duty	2,813	2,022	-28.1%
(-) Other Costs	1	602	77924.9%
Total	**82,571**	**59,303**	**-28.2%**
(+) 480 thousand Kms revision costs deferral	8,403		
TOTAL without 480k revision costs deferral	**90,974**	**59,303**	**-34.8%**

The relevant costs thus decrease 28.2% (more than 23 million euros) from 2009 to 2011 (34.8% 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:

(thousand euros)

	2009	2011	11/09
Operation Contract	48,885	38,991	-20.2%
Operation and Maintenance of Funicular dos Guindais	708	766	8.2%
Management Sales Commissions (TIP)	1,503	1,664	10.7%
Maintenance and Repairs	5,031	6,497	29.1%
Security and Surveillance	4,206	1,493	-64.5%
Specialised Services	12,755	2,289	-82.1%
Staff Costs	6,168	4,837	-21.6%
Other Costs	3,314	2,766	-16.5%
Total	**82,571**	**59,303**	**-28.2%**

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. The effects of the decreased recourse to external consultancies are also visible.

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.

6.3.11.2 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", 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 2,204,913,575 euros, in SNC:

(thousand euros)

Financial Debt	2010	2011	2012	2013
Limit	2,359,258	2,500,813	2,625,854	2,730,888

In the projected debt subject to the referred variation limits, the bank debt mobilized 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 (is not excluded the debt to cover interest resulting from such financing).

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 projects co-funded:

Financial Debt	2009	2010	2011
Projections (gross debt)	2,211,695,033	2,340,394,873	2,632,531,444
Debt ass. to co-funding	76,658,455	156,070,556	119,564,310
Interest rate subsidies	6,791,458	6,017,585	5,356,038
Projections (net debt)*	2,128,255,121	2,178,306,732	*2,507,611,097*
Debt limit		*2,359,257,526*	*2,500,812,977*
Maximum variation limit		7.00%	6.00%

* Funding at year-end net of amounts incurred to cover:
- The amount not co-funded by PIDDAC and QREN of the João de Deus - D. João II - Santo Ovídio and Dragão - Fânzeres projects
- The interest rate subsidies obtained from the EIB financing operations and LEP

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.

Compliance with the limits laid down until the end of 2013 is subject to compliance by the state of financial obligations to the Company, including the delivery of funds in 2011 under Joint Dispatch of the Ministros das Finanças e do Equipamento Social of 28 June 2001, 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 and the delivery of supplementary funds relating to capital costs in respect of expropriations as laid down in the Light Rail System Concession Bases, specifically in the Base XI. These amounts are best analyzed in section 7.2 of this Report.

6.3.12 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).

6.3.13 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%".*

6.3.14 ARTICLE 19 OF LAW 55-A/2010

What is laid down in Article 19, Law 55-A/2010 - which stipulated the reduction of all total gross monthly earnings, worth over 1,500 euros in: 3.5% on the total amount of remuneration above 1,500 euros and below 2,000 euros, 3.5% of the value of 2,000 euros plus 16% of the value of total compensation in excess of 2,000 euros making a total rate of between 3.5% and 10%, in the case of remuneration equal to or exceeding 2,000 euros to 4,165 euros, and 10% of the total value of remuneration in excess of 4,165 euros - has been complied with.

6.3.15 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.The amount under Deposits results from a transfer received at the IGCP account with a value date of December 31st, 2011.

(million euros)

	Instituto de Gestão de Tesouraria e do Crédito Público	Other Parties
	2010	2011
Financial assets	0.0	0.0
Deposits	89.5	4.1

6.3.16 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 Ministros das Finanças e Transportes.

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

6.3.17 PARAGRAPH I) OF ARTICLE 13.º - A OF DL 300/2007

During 2011 the Board met 23 times, the following deliberations standing out:

- Approval of new funding lines' contracts;
- Approval of the 2010 Management Report and of the 2010 Consolidated Report and of the 2010 Sustainability Report;
- Approval of the Protocol to generalize a single common tariff to all the Collective Transport Operator in the Oporto Metropolitan Area to be signed by the Metropolitan Transport Authority of Oporto (AMTP), ANTROP – Associação Nacional de Transportes Rodoviários de Pesados de Passageiros, CP - Comboios de Portugal, EPE, Metro do Porto, SA, STCP – Sociedade de Transportes Coletivos do Porto, SA and TIP – Transportes Intermodais do Porto, ACE;
- Award to EULEN Portugal de Segurança, SA of the public tender for surveillance, inspection and ticket inspectio and to support the exploration of parking lots in the Light Rail SYstem of the Oporto Metropolitan Area;
- Award to the inspection cosortium CONSULGAL – Consultores de Engenharia e Gestão, SA / FERCONSULT – Consultoria, Estudos e Projetos de Engenharia de Transportes, SA / SENER – Ingerieria y Sistemas, SA (CFS) of the 7th Amendment to the contract for the Provision of Technical Advisory Services for Management, Monitoring, Inspection and Construction Reception of the Light Rail System (Completion of Phase I and Execution of Phase II);
- Approval of the tender documents for the public tender to construct the canal surroundings and the Parque Senhora das Dores station, in Trofa, the effects of this approval remaining dependent on the Ministry's approval;
- Approval of the tender documents for the realization of a public tender by pre-qualification for the supply of a video system for Eurotram vehicles, the progress of this tender to await a convenient opportunity, bearing in mind the financial condition of company and country;
- Approval of the tender to construct the Modivas Norte (Nassica) station of the Red line, comprising architecture, civil engineering, power supply, low tension illumination and exploratiion aid systems , the effects of this approval dependent on the Ministry's authorization to proceed;
- Award to PriceWaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., of the 2010 consolidated accounts audit;
- Award to PriceWaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. of the audit work for the year 2011;
- Approval of the revised Business Plan and Budget of Metro do Porto, S.A. for 2011;
- Approval of Business Plan and Budget of Metro do Porto, S.A. for 2012.

7. ECONOMIC AND FINANCIAL PERFORMANCE

7.1 INVESTMENT

The level of investment by Metro do Porto in 2011 amounted to 52.3 million euros, a reduction of 57.1% over 2010. The small amount of investment results from the suspension of new contracts and the investment relating mostly to the conclusion of contracts for construction of the connection Estádio do Dragão - Fânzeres and D. João II - Santo Ovídio, as well as to the completion of additional works of the system.

In cumulative terms, the investment in the project reached 2,580 million euros.

The table below shows the average construction costs per km which result from the values (either already booked or estimates for the remaining costs) contained in the underlying Metro do Porto multiyear Investment Budget for the year 2012. These unit costs reconstruct more than 1,800 of the about 2,500 million included in the multiyear Investment Budget. The rest corresponds to items that do not vary obviously with the extension of the network and represents a total of about 700 million euros, mainly rolling stock, Depot, Infante D. Henrique bridge, alternative transport, interfaces, pre-operation, road link Serpa Pinto - VL9.

(million euros)

Line	Cost without special stations / km	Cost / Special Station	Cost with special stations / km
Blue - Surface	20.2	31.9	27.5
Stretch Sr. Matosinhos - Sra. Hora	16.5		
Stretch Sra. Hora - Trindade	21.6	32.3	32.7
Stretch Campanhã - Antas	32.4	31.1	59.1
Blue - Underground	26.1	32.7	75.4
Red	13.8		
Green - Double (FC-ISMAI)	19.0		
Yellow - Surface	35.9	18.2	40.7
Stretch H. S. João - Pólo Universitário	44.2		
Stretch Ponte D. Luís - João de Deus (exc. Bridge)	36.1		
Stretch João de Deus - D. João II	26.4		
Stretch D. João II - Sto. Ovídio	28.5	18.2	67.8
Yellow - Underground	23.2	30.0	78.7
Yellow - Bridge	32.9		
Violet	n.d.	n.d.	27.8
Orange - Surface	27.5		
Orange - Underground	20.7		
Double track surface (global average)	**19.0***	**28.5***	**21.2**
Underground (global average)	**23.8**	**30.9**	**77.4****

*Excluding Airport antenna
**Excluding Gondomar antenna (no special stations)

7.2 FUNDING

At the end of 2011, Metro do Porto, SA's debt amounted to 2,550 million euros. It was contracted to pay, between1994 and 2011, the following (approximate values):

Works	1,800 million euros
Passenger Transport[1]	130 million euros
Project Management	70 million euros
Financial Charges[2]	550 million euros

1 without vehicle leasing rental payments
2 including financial coosts related to vehicle leasing

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". These projects are closed, nothing remaining to be received.

PIDDAC – PROGRAMA DE INVESTIMENTOS E DESPESAS DE DESENVOLVIMENTO DA ADMINISTRAÇÃO CENTRAL

Up to December 31st, 2011, the total accumulated endowment since1996 allocated to the Light Rail System within the scope of PIDDAC amounted to 158.0 million euros, which is equivalent to 11.7% of the total investment amount.

On September 10th, 2010, Metro do Porto was advised that a budget of 7 million had been allocated under PIDDAC 2011, divided into 2 million for the project "Antas - Fânzeres Line" and 5 million to the project "D. João II - Santo Ovídio stretch". It was later reported, on January 3rd, 2011, that 12.5% of the allocation had been blocked, wholly reflected in the project "Antas - Fânzeres Line".

On December 31st, 2011 the overall 6.1 million euros PIDDAC 2011 allocation was totally paid.

In the mean time, on September 15th, 2011, the allocation of a new 2 million euros endowment within the scope of PIDDAC 2012 was advised to Metro do Porto for the project "Obras complementares". Already after the end of 2011, more exactly on January 12th, 2012, Metro do Porto was advised it had been reduced by 12.5%.

(Units: Euro thousands)

Project	1996/08	2009	2010	2011	total
Light Rail System	95,041	8,000	0	0	103,041
Infante Bridge	33,760	0	0	0	33,760
Tram Train	8,000	0	0	0	8,000
Dragão - Fânzeres*	0	0	7,000	1,125	8,125
D. João II - Santo Ovídio	0	0	0	5,000	5,000
Total	**136,800**	**8,000**	**7,000**	**6,125**	**157.925**

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

COHESION FUND

The project called "Ligação do Aeroporto Sá Carneiro à Linha da Póvoa Duplicada", submitted to the Cohesion Fund under the Community Support Framework 2000 - 2006 (QCA III), contains 90.2 million eligible investment reimbursed at 75%.

In 2011 the Final Report of the project was sent to the Sector Management - POVT (Programa Operacional de Valorizção do Território). An advance payment of 50% of Final Balance project in the amount of 6,768,190.18 euros, was also requested, an amount which by December 31st, 2011 remained to be received as a result of pending fiscal execution proceedings relating to VAT as detailed in section 7.3.

QREN

Metro do Porto submitted three applications to QREN under the Regional Operational Programme (ON.2 - O Novo Norte). Recently, and as a result of the reprogramming of POVT, the Company's applications approved by "ON.2 - O Novo Norte" were carried over to this program opening the possibility of further funding beyond the already approved operations.

The reprogramming was approved by the European Commission on December 15th, 2011 and, consequently, the codes of the operations changed, keeping everything else unchanged. The situation at the end of the year of each operation is summarized in the following table:

(values in thousands euros)

			Decision				Execution 31/12/2011		
Operation Code	Operation	Application Date	Approval Date	Eligible Investment	Co-funding rate	Co-funding FEDER	Eligible Investment	Co-funding FEDER	Settled
NORTE-10-0350-FEDER-000001	Extension of the metro network to the D. João II station	07-11-2008	08-07-2009	4,192	70%	2,935	Operation revoked		
NORTE-10-0350-FEDER-000125	Extension of the metro network to the Sto. Ovídio and D. João II Interface	09-12-2009	15-09-2010	28,275	70%	19,792	12,016	8,411	8,411
NORTE-10-0350-FEDER-000130	Extension of the metro network between the Dragão station and Venda Nova*	31-12-2009	09-11-2010	114,086	70%	78,860	86,610	60,627	58,284
Total				**146,553**		**102,587**	**98,626**	**69,039**	**66,696**

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

Extension of the Metro Network to D. João II Station

In March 2011, the Managing Authority sent a letter to the company where notice was given of a revocation decision on this operation, following an audit of the management and control of the Operational Programme Norte 2007-2013. The Managing Authority "decided the ineligibility of the expenditure arising from the works contract and considered the physical and functional goals of the project, including the remaining contracts, unattainable (...)". Not agreeing with this position, Metro do Porto started a special administrative action to reverse the decision of the Managing Authority.

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

Within the scope of this extension, four requests for payment were submitted, validated and reimbursed in 2011, whose eligible investment amounted to 9,120,067 euros, which corresponds to a reimbursement of 6,384,047 euros. In late 2011, the rate of financial execution of this operation amounted to 42%, and the accumulated repayment to 8,411,494 euros.

Extension of the Metro network between Dragão Stadium and Fânzeres

In 2011 six requests for payment were submitted, whose eligible investment amounts to 50,191,397 euros which corresponds to a co-financing of 35,133,978 euros. The rate of financial execution of this operation reached 76% in 2011, or 58,284,055 euros of accumulated refunds. The last two Requests for Payment submitted in 2011, in the amount of 2,342,966 euros, are to be received due to the situation reported in section 7.3 concerning the pending VAT proceedings.

SUPPLEMENTARY FUNDS

Taking into consideration the financing of alterations to the project approved by the government in 2001, the State shareholder provided commitment, by way of the Joint Dispatch by the Ministros das Finanças e do Equipamento Social 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.

CP/REFER PROTOCOL

Under the protocol signed in September 1998 between the Portuguese State, the Metropolitan Area of Oporto, REFER and CP, 255 employees who were assigned to the Póvoa and Trofa lines (operation was closed for completion of the work of implementation of the Light Rail System) were initially transferred to Metro do Porto.

Of the total number of employees originally transferred, are still bound to the Metro do Porto ten employees, taking the Metro do Porto incurred in the wage and indemnity values for terminations that have occurred since that estimate upward, to December 31st, 2011, about 16.7 million euros.

The protocol signed in 1998 provides financial coverage for the state "to pay for the shares under this protocol." The State was repeatedly asked to meet this protocol. The delivery of that value by the state has not yet occurred.

SUPPLEMENTARY FUNDS RELATING TO EXPROPRIATION PROCEDURES

The Light Rail System Concession Bases, approved by Law no. 394-A/98, December 15th, with changes resulting from Law n. 161/99 of September 14th of Decree-Law no. 261/2001 of September 26th of Decree-Law no. 249/2002 of November 19th, the Decree-Law no. No. 33/2003 of February 24th, the Decree-Law no. 166/2003 of July 24th and Decree-Law no. 233/2003 of September 27th, stipulated in Base XI that *"the State bears, through supplementary funds to the concessionnaire, the achievement of fringe benefits of the licensee, the costs inherent to expropriations and the payment of damages or other compensation to the expropriated, and the holders of related buildings, as well as the costs of acquisition through private law of property and rights inherent to it in respect of buildings and plots to expropriate or acquire from private owners."*

With the entry into force of Decree-Law no. 192/2008 of October 1st, Basis XI suffered a change in its text, which now stipulates that the state *"can bear the costs of conducting expropriations and payment of damages or other compensation to expropriated, and the holders of related buildings, as well as the costs of the acquisition by the private law of property and rights inherent to them as regards buildings and plots to expropriate or acquire rom private owners."*

The final amount of expropriation costs related to the concession works determined by the State until October 1st, 2008 is not yet known, as there are still some ongoing expropriations. That amount, up to now fully supported by the Company through bridge financing, is estimated (net of reimbursement from EU funds) at around 104.5 million euros.

After the amendment of the Concession in October 2008, no works were determined by the State which have required the expropriations.

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.

Operations contracted with this entity have an amortization profile with an initial capital grace period, the amortization of the tranche A of the first 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 begins, the year amount for this year having been 28.7 million.

(values in thousands euros)

	Date of Loan	Contract Value	Disbursement
EIB I			
Tranche A	16-11-1998	99,760	79,808
Tranche B	26-03-2001	100,000	100,000
Tranche C	05-11-2001	100,000	100,000
Tranche D	15-05-2002	243,930	243,930
Sub-total		**543,690**	**523,738**
EIB II			
Tranche A	29-11-2004	120,000	120,000
Tranche B	16-12-2004	80,000	80,000
Tranche C	29-10-2008	60,000	60,000
Sub-total		**260,000**	**260,000**
Total		**803,690**	**783,738**

BRIDGE FINANCING

Metro do Porto has resorted continuously and increasingly to medium and long term interim financing solutions, to meet the financing needs resulting from the inadequacy of the funding models of the investments approved by the Government and from the insufficient compensation paid for the public service and the social tariff used. In late 2011, the company's debt to financial institutions amounted to about 2.6 billion euros (including lines of credit contracted with the European Investment Bank and operating leases on rolling stock, in an overall total of about 1.1 billion euros).

Following the signs of exhaustion of this model already in 2010, Metro do Porto met in the course of 2011 the total unavailability of financial institutions to provide new funding solutions, to which was added the exercise of an early termination option of a credit line of 200 million euros in August 2011.

In this context, the State shareholder has ensured the liquidity of the Company through loans from the Treasury, various short term operations having been carried out during the year, later consolidated into a global operation of 593 million with a maturity of 5 years.

Throughout the year 2011 was only possible to achieve one debt consolidation operation with commercial banks amounting to 100 million and a maturity of one year, this operation benefiting from a Guarantee of the Republic.

Given the liquidity provided by the Treasury, there was also a reduction in the use of short-term credit lines, 30 million euros being utilized at the end of year, compared to 65 million as at December 31st, 2010, and a reduction in the amount of such facilities available to the Company was further seen.

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 Porto 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, which must be the object of public programme contracts or of public service contracts"*.

MANAGEMENT POLICY ON EXPOSURE TO INTEREST RATES RISK

The year 2011 was characterized 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 characterized by (i) monitoring the performance of hedging structures held: (ii) analysis of its evolution, (iii) the search for solutions to ensure benefits maximization. As a result of the posture adopted during the year it was possible to carry out the restructuring of one 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 2011.

7.3 BALANCE SHEET

The financial statements of 2011 have been prepared assuming the continuation of business as a going concern - dependent on the continued support of financial institutions or the State in the current situation of unavailability of financial institutions to support the State owned companies, as well as the allocation of adequate compensation for the social service, since, despite the efforts made 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.

In the Legal Certification of Accounts for fiscal year 2010 a reserve was included for limitation of scope, because the valuation models used in the valuation and accounting of the mark-to-market of derivative financial instruments in the portfolio were not obtained.

As best explained by Metro do Porto in the Annual Report 2010, the value used for these operations was the result of the valuation reported by counterparties in each transaction.

Not being able to obtain the valuation models used by counterparties, an independent entity was hired to evaluate the portfolio of derivatives, with effect from 2009, resulting in valuations different from those in the 2010 accounts.

The previous estimates of fair value and those subsequently obtained from the independent entity is the following:

(thousand euros)

	2009	2010
Counterparties valorization	-578,171	-747,081
Independent entity valorization	-344,597	-514,282

The 2010 accounts are presented restated to reflect the fair value of derivatives obtained with effect from 2009, as estimated by an independent entity.

(thousand euros)

	2010	2010 (restated)	2011	11/10
Non Current Assets	**2,221,890**	**2,221,890**	**2,217,125**	**-0.2%**
Tangible assets	3,980	3,980	3,686	-7.4%
Intangible assets	2,217,613	2,217,613	2,213,165	-0.2%
Financial Investments - equity method	296	296	274	-7.4%
Current Assets	**54,969**	**62,754**	**178,252**	**184.1%**
Costumers	6,282	6,282	12,349	96.6%
State and other public entities	11,058	11,058	20,384	84.3%
Other accounts receivable	2,949	2,949	2,708	-8.2%
Deferrals	81	81	10,639	13035.2%
Other financial assets	11,710	11,710	10,047	-14.2%
Derivative financial instruments	20,905	28,690	28,441	-0.9%
Cash and banks	1,984	1,984	93,685	4622.3%
ASSETS	**2,276,859**	**2,284,643**	**2,395,377**	**4.8%**
Paid-up capital	7,500	7,500	7,500	0.0%
Adjustments on financial instruments	-10,144	-10,063	-15,539	-54.4%
Retained earnings	-1,305,321	-1,071,814	-1,424,393	-32.9%
Adjustments on financial investments	835	835	818	-2.1%
Investments subsidies	500,902	500,902	559,205	11.6%
Other changes in equity	339	339	339	0.0%
Net income/loss	-351,790	-352,579	-397,199	-12.7%
EQUITY	**-1,157,678**	**-924,880**	**-1,269,269**	**-37.2%**
Non-Current Liabilities	**3,117,358**	**2,892,344**	**3,375,729**	**16.7%**
Provisions	189,920	189,920	276,249	45.5%
Funding obtained	2,159,452	2,159,452	2,414,539	11.8%
Derivative financial instruments	767,986	542,972	684,941	26.1%
Current Liabilities	**317,179**	**317,179**	**288,917**	**-8.9%**
Suppliers	33,331	33,331	20,580	-38.3%
Investment suppliers	80,532	80,532	28,708	-64.4%
State and other public entities	324	324	375	15.9%
Funding obtained	180,943	180,943	217,992	20.5%
Other accounts payable	21,473	21,473	20,256	-5.7%
Other financial liabilities	577	577	1,005	74.3%
LIABILITIES	**3,434,537**	**3,209,523**	**3,664,646**	**14.2%**
EQUITY & LIABILITIES	**2,276,859**	**2,284,643**	**2,395,377**	**4.8%**

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.

Regarding the Current Assets, there is an increase in 96.6% of receivables to a value of 12.3 million euros, about being owed by the TIP, ACE. Also noteworthy was the increase of 84.3% of the debts of the State and other public entities to a value of 20.4 million euros.

As a result of the financing, credit consolidation and advance of funds transaction to ensure the financial commitments of Metro do Porto, there is a value of bank deposits, mostly in the IGCP account itself, amounting to 93.7 million euros as a result of a transfer received at the IGCP account with a value date of December 31, 2011.

Finally the deferred value of 10.6 million euros is highlighted, corresponding to the value to be invoiced to the ViaPorto consortium as a result of application of the bonus / malus mechanism in the contract and in the application of which a malus of that amount was calculated for the years 2010 and 2011 (the latter still provisionally).

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 recognized in the income statement in accordance with the amortization profile of the related asset. The variation of this line in 2011 is the result of funds received from European Union funds and PIDDAC and of the reduction by allocation of subsidies for investments.

On the liabilities side, there was a strong effort of settlement of debts to current and investment creditors with a reduction of 56.7% of the debts at year end compared to those recorded at December 31st, 2010.

The average settlement period, calculated according to the RCM no. 34/2008, as amended by Dispatch no. 9870/2009, shows a significant increase between 2010 and 2011. This increase is due to a significant reduction of purchases compared to 2010 (-39%) not accompanied by a reduction in debts to suppliers of the same magnitude (-16%). Also noteworthy is the fact that debts to suppliers, for the purposes of calculating the average settlement period according to the legislation referred to earlier, are calculated based on the average debt recorded at the end of each quarter of 2011 (higher at the beginning of 2011 than in the end), which does not show the effort to reduce debts to suppliers made by the Company during the year. If one considers only debts to suppliers at year-end the average settlement time in 2010 would be 242 days and in 2011 it would be 168 days.

Average Settlement Time Evolution	2009	2010	2011
Average settlement time (Dispatch no. 9870/2009)	90 days	171 days	236 days

The value under Provisions is mostly composed of the amount estimated for the renovation of infrastructure and its financial actualization, under the new accounting standards underlying the financial statements. They have been strengthened in the year by 61.3 million euros.

The evolution of the line non-current loans obtained reflects financing operations concluded in 2011, net of the transfer to current loans of the amounts to be paid in 2011 totaling 186.6 million euros (relating to amortization of loans and lines of EIB funding) and the early amortization of a credit line of 200 million euros in August. As a result of the new accounting standards, the operating lease contracted between 2002 and 2004 began to be booked as bank funding operations, as have the financial leases and interest relief on EIB financing lines.

At the end of 2011 were several proceedings were outstanding relating to VAT liquidations which were the subject of legal challenges following the non acceptance of the position of the Tax Administration. The Company was then convinced that it would be able to obtain a declaration of regularity of its tax situation - essential for its normal functioning in some aspects - if necessary through the provision of guarantees.

Already in 2012, having studied in detail the possibility of providing guarantees in the process, it was concluded that such legal expedients would not be effective in time, so it opted to pay all tax liquidations as presented by the Tax Administration to date, amounting to 29.4 million euros plus 1.2 million related to tax and interest.

This decision, which allows the afore mentioned declaration to be obtained immediately, makes possible the entry of funds inhibited by its absence. It does not affect the regular progress of the appeal filed by the Company, whose outcome will determine the repayment of the sums now paid, plus interest at an annual rate of 4%.

There are no outstanding debts to the State related to Social Security.

7.4 OPERATION

There has been in 2011 a further significant increase in the operational cover ratio of the Light Rail System, which compares tariff revenues with major direct operating costs - which include the cost of the operation / subconcession service, the cost with the operation inspection team (a function now internalized by Metro do Porto) as well as commissions paid to TIP, ACE for managing the ticketing system.

If the improvements seen in 2010 were mainly justified by cost reduction achieved with the new operation contract (which came into force on April 1st, 2010) and the internalization of its inspection, the improvement seen in 2011 is justified both by these factors (decrease of 5.8% of cost of sales and services) and by the increase in revenue from ticket sales (revenues up 14.1%).

Overall in 2011 the system had an operational cover ratio of 88.7%, 15.5 percentage points above the figure recorded in 2010 and 28.9 percentage points above the figure recorded in 2009. In chapter 7.5 of this report this analysis is widened to encompass the company's global activity with the analysis of a global cover ratio indicator.

(values in thousands euros)

METRO PROFIT & LOSS ACCOUNT	2009	2010	2011	11/10
Sales	30,065	31,141	35,546	14.1%
Cost of Sales	50,257	42,570	40,080	-5.8%
Gross margin	-20,192	-11,428	-4,534	-60.3%
Sales to Cost of sales ratio	**59.8%**	**73.2%**	**88.7%**	**15.5pp**

In absolute terms the year recorded a gross margin deficit of 4.5 million euros, 60.3% lower than the previous year, reflecting savings of 6.9 million.

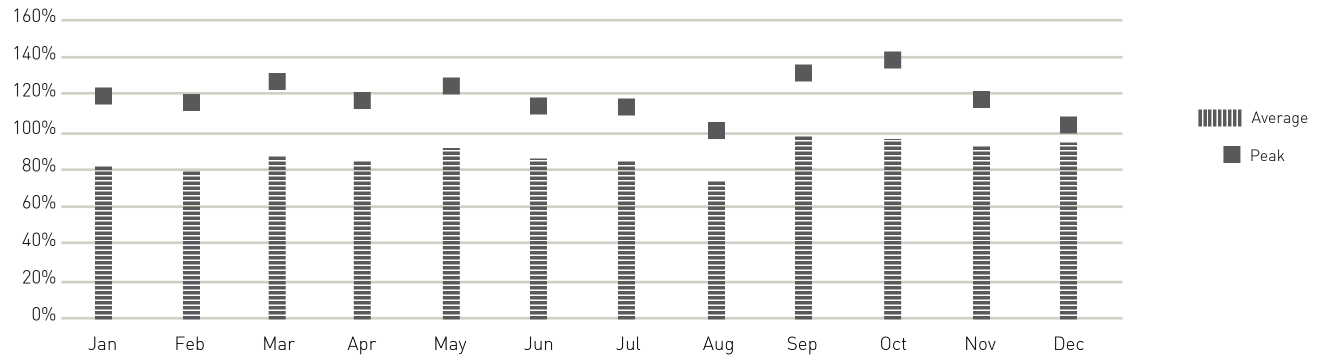
Revenue per validation increased in 2011 about 9.7% to 63.77 cents (58.16 cents in 2010). Due to the 4.6% rise in the average distance travelled per validation, revenue per passenger km increased 4.9% to 12.23 cents (11.66 cents in 2010).

There was a reduction of 10.5% in the operating cost per seat km offered, and the operating cost per passenger km reduced 13.5% to 13.79 cents (15.94 cents in the previous year).

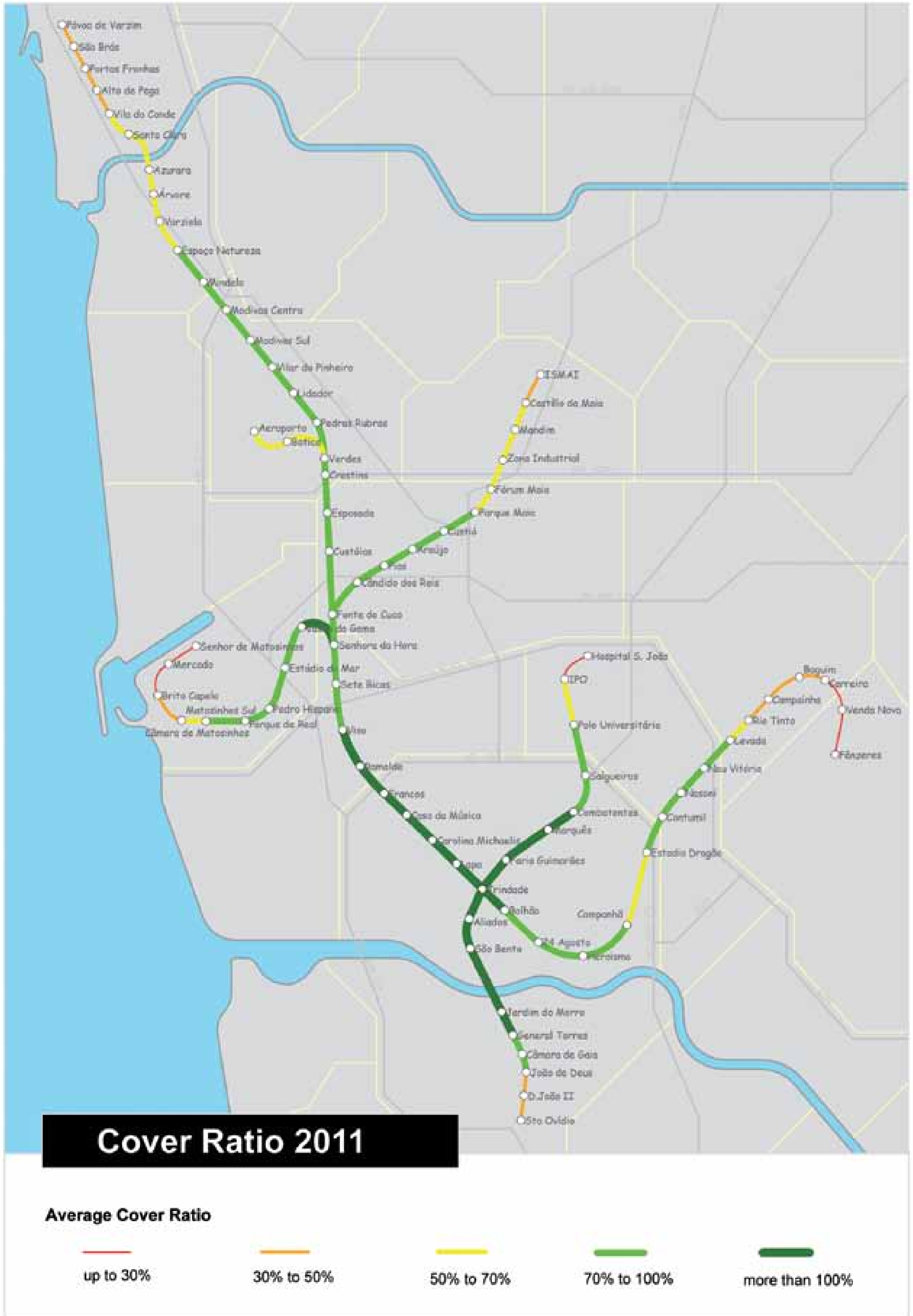
Analyzing the coverage rate per hour band, there were consistently higher than 100% cover ratios in the 8h - 9h, 13h - 15h and 17h - 18h slots (except in August) and figures above 100% were recorded in some other slots in some months.

The monthly peak cover ratios are all above 100% with an October 2011 peak at 138.2%.

Cover Ratio 2011



An analysis of the cover ratios per stretch on an average monthly basis shows ratios below 30% at the ends of the Yellow line (after IPO), the Blue line (after Brito Capelo) and the Orange line (between Carreira and Fânzeres). There are cover ratios between 50% and 100% in the Red antenna up to the Vila do Conde station, the Green antenna up to Castêlo of Maia, the Violet antenna, the Blue antenna between Vasco da Gama and Matosinhos Sul, the Orange antenna up to Rio Tinto, the Yellow line in sections Combatentes - IPO and General Torres - João de Deus, as well as in the common trunk in the sections Fonte do Cuco - Viso and Bolhão - Estádio do Dragão. Cover ratios above 100% are achieved in the more urban sections of the network, including the Yellow line between Combatentes and General Torres, the common trunk between Viso and Bolhão and in the Blue line section Senhora da Hora - Vasco da Gama.



Revenue arising from transport public service in the Light Rail System (excluding advertising) amounted in 2011 to 35.5 million euros, an increase of 14.1% over the previous year, combining the impacts of tariff increases and increased demand.

Cost of sales and services amounted to 40.1 million euros, representing a decrease of 5.8% over the previous year. This development is a result of the reduction of 4.0% in the operation contract of the system (with a weight of 95.9% in the cost structure) and the absence of external inspection costs as a result of that contract not having been renewed in 2010 and this function having been internalized. The commissions paid to TIP, ACE for sales network management grew by 7.9%, in line with the growth of validations and revenue.

The operating account of Funicular dos Guindais shows in 2011, an improvement in the average annual cover ratio of 1.6 percentage points, to an average of 41.8% (against 40.3% in 2010).

(values in thousands euros)

FUNICULAR PROFIT & LOSS ACCOUNT	2009	2010	2011	11/10
Sales	253.0	268.6	303.2	12.9%
Cost of Sales	656.8	667.2	724.5	8.6%
Gross margin	-403.8	-398.6	-421.3	5.7%
Sales to Cost of sales ratio	**38.5%**	**40.3%**	**41.8%**	**1.6pp**

The revenue from the Funicular dos Guindais transport service amounts to 303.2 thousand euros, which corresponds to a value of 55.22 cents per seat kilometre (9.2% more than in 2010) and 2.20 euros per passenger km, 7.0% above that recorded in 2010.

The Funicular dos Guindais has an operating cost of 1.32 euros per seat km offered (5.1% up compared to 2010) and 5.25 euros per passenger km (2.9% up compared to 2010).

7.5 RESULTS

The profit and loss account of the Metro do Porto in 2011 reflects the continued efforts to reduce operating costs, with a significant drop in the use of outsourcing through the internalization of some of the tasks previously performed by external consultants and the transfer of surveillance and security functions to the new operator of the Light Rail System which started its activity in April 2010.

As in 2010, and as a result of accounting standards (SNC) the company expense additionally include the items "Reductions in fair value of derivative financial instruments" (135.7 million) and "Provisions for renewal of the concession assets" (40.3 million).

(values in thousands euros)

	2010	2010 (restated)	2011	11/10
Revenues				
Sales and services rendered (construction - IFRIC 12)	122,480	122,480	48,661	-60.3%
Sales and services rendered (public passenger transport	30,957	30,957	35,662	15.2%
Other sales and services rendered	5,678	5,678	7,914	39.4%
Right to use infrastructures and rolling stock	*5,041*	*5,041*	*7,213*	*43.1%*
Other	*638*	*638*	*701*	*9.9%*
Other Revenues				
Operating subsidies	11,867	11,867	11,869	0.0%
Gains on subsidiaries and associated companies	93	93	0	-100.0%
Other income and gains	12,733	12,733	25,062	96.8%
Imputation of investment grants	*12,006*	*12,006*	*12,490*	*4.0%*
Benefits from contractual penalties	*122*	*122*	*12,257*	*9935.6%*
Others	*605*	*605*	*315*	*-47.8%*
Costs ans Losses				
External supplies and services (construction - IFRIC 12)	-114,071	-114,071	-45,943	59.7%
Other external supplies and services	-62,037	-62,037	-61,548	0.8%
Light rail system subcontract	*-44,090*	*-44,090*	*-46,393*	*-5.2%*
Surveillance and security	*-4,086*	*-4,086*	*-1,493*	*63.5%*
Maintenance and Repairs	*-1,995*	*-1,995*	*-6,497*	*-225.6%*
Management Sales Comissions (TIP)	*-1,528*	*-1,528*	*-1,664*	*-8.9%*
Operation and Maintenance of Funicular dos Guindais	*-602*	*-602*	*-766*	*-27.2%*
External specialized works	*-7,311*	*-7,311*	*-2,420*	*66.9%*
Other	*-2,425*	*-2,425*	*-2,316*	*4.5%*
Staff costs	-5,848	-5,848	-4,837	17.3%
Other costs	-1,849	-1,849	-2,755	-49.0%
Provisions	-32,081	-32,081	-54,813	-70.9%
Reductions in fair value	-159,239	-160,028	-135,669	15.2%
Earnings before interest, taxes, depreciation and amortization	**-191,317**	**-191,105**	**-176,397**	**8.2%**
Expenses / reversals of depreciation and amortization	-52,649	-52,649	-57,333	-8.9%
Earnings before interest and taxes (EBIT)	**-243,965**	**-244,754**	**-233,730**	**4.5%**
Interest and similar gains	415	415	369	-11.2%
Interest ans similar losses	-88,669	-88,669	-136,643	-54.1%
Financial provisions update (IFRIC 12)	-19,508	-19,508	-27,094	-38.9%
Pre-tax profit/loss	**-351,727**	**-352,515**	**-397,098**	**-12.6%**
Corporation tax of the year	-63	-63	-100	-58.6%
Net profit/loss	**-351,790**	**-352,579**	**-397,199**	**-12.7%**

On the revenue side, there is a significant increase in the revenue generated by the passenger transport service (15.2% more), a reflex of the growing use of the system and of the tariff changes decided by the Government. Revenue from ancillary services increased 9.9%.

Resulting from the adoption of SNC accounting standards, revenues are recognized on infrastructure and equipment construction services, according to the degree of completion of the construction activity, measured at fair value of the right to exploit the system during the concession period. As a result of sharp reduction in the volume of investment in the year 2011, there was a significant reduction of 60.3% on this line. This development was accompanied by a reduction of 59.7% in the cost item related to the adoption of that accounting standard.

The amounts of compensation to be distributed to companies providing public services were defined by Resolution of Council of Ministers No. 53/2011 of November 24th, the Metro do Porto compensation for the transportation service amounting to 11,860,441.51 euros (net of VAT at 6%). This amount represents an average contribution of 4.1 cents per passenger km (down 0.3 cents on 2010 and 0.7 down compared to 2009). The budget allocation was fully transferred in December 2011.

Due to the adoption of new accounting standards (SNC) the company's income includes additionally a heading for the allocation of investment grants. In 2011 this item amounted to 12.5 million euros, up 4.0% yoy, due to the increase in operating assets and in investment grants received.

In 2011 benefits from contractual penalties totaling 12.3 million euros are recorded in the accounts, of which 10.6 million euros as a result of the application of bonus malus mechanism provided for in the Light Rail System operation contract, that amount relating to the years 2010 and 2011. The value calculated for 2010 amounts to 4.7 million euros, while the value provisionally calculated for the year 2011 is 5.9 million.

In the cost components, and as evidenced above, there are the reductions of 66.9% in Specialized Works supplied by third parties and 63.5% with the surveillance and security expense resulting from the transfer of services to the sphere of the operating company and therefore the reduction had no impact on the safety of passengers.

On the other hand, there is a significant increase in the item Maintenance and Repairs. The variation is explained by the constitution at the end of 2010 of a provision for renewal of assets net of expenses incurred during the year, no amount relating to the maintenance of the fleet of rolling stock having been registered in the Maintenance and Repairs account in 2010. The amounts recorded as expenditures in 2011 (5.9 million) have direct counterpart in the account of reversal of provisions.

The evolution of the heading Management Sales Commissions (TIP) is a reflection of greater use of the system and of the larger revenue managed by this entity.

If to the Supplies and Services costs the income from the Right of Use of Infrastructure and Rolling Stock resulting from the Light Rail System operation contract (classified as services rendered) is deducted, as well as the heading of Maintenance and Repairs, a 13% reduction of costs would be seen, reflecting savings of 7.2 million.

A reduction of 17.3% in personnel costs was also achieved, resulting from the implementation of legislative measures for wage restraint described in paragraphs 6.3.12 and 6.3.13 and from staff reductions also evidenced in section 5.2.

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

In the previous section of this annual report an analysis of the profitability of the Light Rail System operation is presented, and the direct cover ratio was used comparing the revenues generated by the exploration of the Light Rail System (without subsidies) with the main direct costs of its operation, namely: operator / subconcessionaire cost, fees charged by the TIP, ACE for the management of intermodal ticketing system and the operation supervision costs (internalized in the last quarter of 2010).

This analysis was particularly relevant at a time when the revenue generated for the system was well below the main direct costs incurred. Now that revenue almost equals those costs, it becomes interesting to widen the scope of analysis and monitor the global cover ratio of Metro do Porto, in an analysis that incorporates a number of structural and current (including some services purchased which are actually associated with the construction activity) costs, detailed in the table below.

(values in thousends euros)

Costs	2009	2010	2011
ViaPorto/Normetro	48,885	39,049	39,179
Funicular	708	602	766
Management Sales Comissions TIP	1,503	1,528	1,664
Surveillance and security	4,206	4,086	1,493
Maintenance and Repairs	2,824	1,995	6,497
Staff costs (without end-of-contract compensation)	5,835	5,813	4,798
Other current expenses (SNC 62)	15,595	9,736	4,736
Sub-total	**79,556**	**62,810**	**59,133**
Revenues			
Light Rail / Funicular	29,971	30,957	35,662
Supplementary revenues	667	638	701
Fines	835	453	266
Sub-total	**31,473**	**32,048**	**36,628**
Global cover ratio	39.6%	51.0%	61.9%
GAP	48,083	30,762	22,505

There has been a significant improvement of the global cover ratio from 2009 to 2011, reducing the income gap from 48.1 million euros in 2009 to 30.8 million in 2010 and 22.5 million euros in 2011.

Between 2011 and 2010 the improvements in the previous year were consolidated, despite an increase of 4.5 million in the costs of maintenance and repair, it having been possible nevertheless to finish the year with a reduction of 8.3 million in the revenue gap. This improvement was sustained by a rise of 4.7 million euros of revenue generated by the system and the reductions recorded under surveillance and security (with the transfer of powers in this area to the new operator of the Light Rail System), personal expenses (resulting from the application of wage cuts and the voluntary reduction in the number of the Company's employees), as well as the continued reduction of other current expenses.

8. FINAL NOTE

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 Ministro das Obras Públicas, Transportes e Comunicações was present;
- Sixth amendment: it refers to single track works in the ISMAI-Trofa stretch which were agreed not to be executed;
- Seventh amendment: if 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.

The compliance by the State with financial obligations to the Company is yet to occur, including the delivery of funds subsequent to the:

- Joint Dispatch of the Ministros das Finanças e do Equipamento Social of June 28th, 2001, amounting to 49.9 million euros;
- the protocol signed in September 1998 between the Portuguese State, the Metropolitan Area of Porto, CP and REFER in connection with the transfer of CP / REFER employees to Metro do Porto, the costs of which, up to December 31st, 2011, are estimated at EUR 16.7 million, and;
- n.º 2 of Basis XI of the Concession Bases, related to the assumption by the State of the costs of expropriations, whose amount is estimated at EUR 105.4 million (net of investment grants).

9. PROPOSAL FOR THE ALLOCATION OF RESULTS

The Board proposes that the net result of 2011, amounting to -397,198,622.60 euros, be integrally transferred to the Retained Earnings Account.

Oporto March 13th, 2012

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

YEAR 2011 FINANCIAL STATEMENTS

BALANCE SHEET AT DECEMBER 31ST, 2011

(units: euros)

	Notes	31/12/2011	31/12/2010 (Restated)	31/12/2010 (Stated)
Assets				
Non Current Assets				
Tangible assets	6	3,685,679	3,980,456	3,980,456
Intangible assets	7	2,213,164,908	2,217,612,966	2,217,612,966
Financial investments - equity method	8	274,236	296,258	296,258
		2,217,124,822	**2,221,889,680**	**2,221,889,680**
Current Assets				
Costumers	10	12,348,845	6,282,448	6,282,448
State and other public entities	11	20,383,796	11,057,730	11,057,730
Other accounts receivable	12	2,707,631	2,949,000	2,949,000
Deferrals		10,639,223	80,998	80,998
Derivative financial instruments	17	28,441,143	28,689,875	20,905,370
Other financial assets	16	10,046,885	11,709,623	11,709,623
Cash and banks	5	93,684,952	1,983,884	1,983,884
		178,252,475	**62,753,556**	**54,969,051**
Total Assets		**2.395,377,298**	**2,284,643,236**	**2,276,858,731**
Equity & Liabilities				
Equity				
Paid-up capital	13	7,500,000	7,500,000	7,500,000
Adjustments on financial instruments	14	(15,538,840)	(10,062,841)	(10,143,561)
Retained earnings		(1,424,392,962)	(1,071,814,351)	(1,305,320,895)
Adjustments on financial investments	14	817,989	835,189	835,189
Investments subsidies	14	559,205,173	500,902,294	500,902,294
Other changes in equity		338,649	338,649	338,649
Net income / loss		(397,198,623)	(352,578,611)	(351,790,108)
Equity		**(1,269,268,614)**	**(924,879,672)**	**(1,157,678,433)**
Liabilities				
Non Current Liabilities				
Provisions	15	276,248,944	189,920,227	189,920,227
Funding obtained	16	2,414,539,204	2,159,451,641	2,159,451,641
Derivative financial instruments	17	684,940,911	542,972,012	767,986,267
		3,375,729,059	**2,892,343,880**	**3,117,358,136**
Current Liabilities				
Suppliers	18	20,579,944	33,330,757	33,330,757
Investment Suppliers	19	28,708,272	80,532,119	80,532,119
State and other public entities	11	375,110	323,701	323,701
Funding obtained	16	217,992,240	180,943,232	180,943,232
Other accounts payable	20	20,256,350	21,472,619	21,472,619
Other financial liabilities	16	1,004,937	576,600	576,600
		288,916,853	**317,179,029**	**317,179,029**
Total Liabilities		**3,664,645,912**	**3,209,522,909**	**3,434,537,164**
Total Equity & Liabilities		**2,395,377,298**	**2,284,643,236**	**2,276,858,731**

Chartered Account & Registered Auditor: Vitor Manuel Gomes Castelo de Carvalho | **Board of Directors:** 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.

PROFIT & LOSS ACCOUNT BY NATURE YEAR 2011 AND 2010

(units: euros)

	Notes	2011	2010 (Restated)	2010 (Stated)
Revenues				
Sales and services rendered (construction - IFRIC 12)	23	48,661,449	122,480,251	122,480,251
Sales and services rendered (public passenger transport)	21	35,661,591	30,956,872	30,956,872
Other sales and services rendered	21	7,914,329	5,678,106	5,678,106
Other Revenues				
Operation subsidies		11,868,637	11,866,960	11,866,960
Gains on subsidiaries and associated companies			92,869	92,869
Other income and gains	25	25,062,281	12,732,927	12,732,927
Costs and Losses				
External supplies and services (construction - IFRIC 12)	23	(45,942,686)	(114,071,168)	(114,071,168)
Other external supplies and services	21	(61,548,160)	(62,037,094)	(62,037,094)
Staff costs	24	(4,837,420)	(5,847,558)	(5,847,558)
Losses on subsidiaries and associated companies	8	(283,008)	(25,791)	(25,791)
Other operating costs and losses	26	(2,472,021)	(1,822,866)	(1,822,866)
Provisions	16	(54,812,675)	(32,081,097)	(32,081,097)
Reduction in fair value	17	(135,669,425)	(160,027,733)	(159,239,229)
Earnings before interest, taxes and depreciation and amortization (EBIT)		**(176,397,109)**	**(192,105,321)**	**(191,316,818)**
Expenses / reversals of depreciation and amortization	6 e 7	(57,332,838)	(52,648,549)	(52,648,549)
Earnings before interest and taxes (EBITDA)		**(233,729,947)**	**(244,753,871)**	**(243,965,367)**
Interest and similar gains				
Interest and similar losses				
Financial provisions update (IFRIC 12)		368,905	415,270	415,270
	27	(136,643,177)	(88,669,012)	(88,669,012)
Pre-tax profit / loss	27	(27,094,198)	(19,507,834)	(19,507,834)
Corporation tax for the year		**(397,098,417)**	**(352,515,448)**	**(351,726,944)**
Net profit / loss		(100,205)	(63,164)	(63,164)
		(397,198,623)	**(352,578,611)**	**(351,790,108)**

Chartered Account & Registered Auditor:
Vitor Manuel Gomes Castelo de Carvalho

Board of Directors:
Chairman:
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Members:
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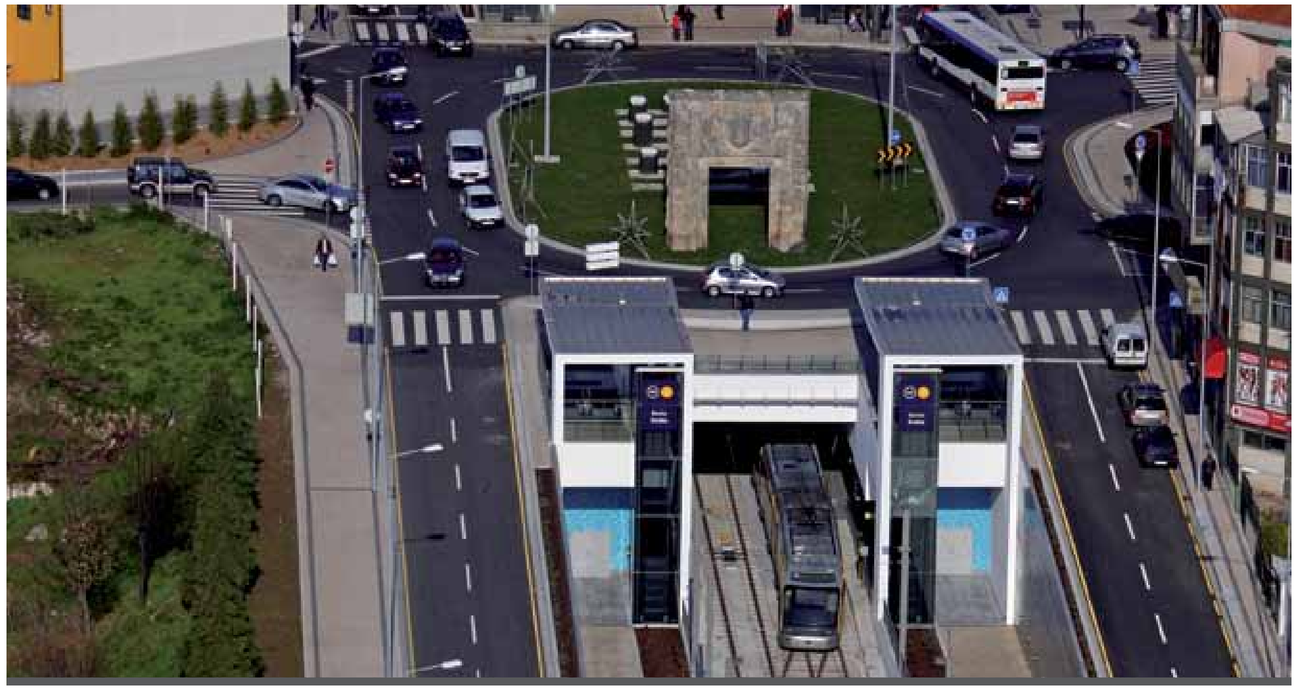
Jorge Moreno Delgado
Fernanda Pereira Noronha Meneses Mendes Gomes
Gonçalo Nuno de Sousa Mayan Gonçalves

CHANGES IN EQUITY FROM JANUARY 1ST, 2010 TO DECEMBER 31ST, 2011

(units: euros)

		Notes	Paid-up Capital	Adjustments on financial instruments	Retained earnings	Adjustments on financial investments	Investment subsidies	Other changes in equity	Net income / loss	TOTAL
Equity at 01/01/2010	1	2	**7,500,000**	**(8,417,300)**	**(777,639,514)**	**194,466**	**500,859,381**	**-**	**(294,122,868)**	**(571,625,835)**
Changes in 2010:										
Application of results			-		(294,174,837)	51,970			294,122,868	**0**
Variation of hedging instruments		17		(1,645,541)						**(1,645,541)**
Variation of investments subsidies		14					42,913			**42,913**
Other changes recognized in equity		14				588,753		338,649		**927,402**
	2		**-**	**(1,645,541)**	**(294,174,837)**	**640,723**	**42,913**	**338,649**	**294,122,868**	**(675,226)**
Net income / loss 2010	3								**(352,578,611)**	**(352,578,611)**
Total result 2010	4 = 2 + 3									**(353,253,837)**
Equity at 31/12/2010 (Restated)	6		**7,500,000**	**(10,062,841)**	**(1,071,814,351)**	**835,189**	**500,902,294**	**338,649**	**(352,578,611)**	**(924,879,672)**
Changes in 2011										
Application of results					(352,578,611)				352,578,611	**0**
Variation of hedging instruments		17		(5,475,999)						**(5,475,999)**
Variation of investments subsidies		14					58,302,879			**58,302,879**
Other changes recognized in equity		14				(17,200)				**(17,200)**
	7		**-**	**(5,475,999)**	**(352,578,611)**	**(17,200)**	**58,302,879**		**352,578,611**	**(52,809,681)**
Net income / loss 2011	8							**-**	**(397,198,623)**	**(397,198,623)**
Total result 2011	9 = 7 + 8									**(344,388,942)**
Equity at 31/12/2011	10		**7,500,000**	**(15,538,840)**	**(1,424,392,962)**	**817,989**	**559,205,173**	**338,649**	**(397,198,623)**	**(1,269,268,614)**



Chartered Account & Registered Auditor:

Vitor Manuel Gomes Castelo de Carvalho

Board of Directors:

Chairman:

António Ricardo de Oliveira Fonseca

Members:

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Fernanda Pereira Noronha Meneses Mendes Gomes

Gonçalo Nuno de Sousa Mayan Gonçalves

CASH FLOW STATEMENT YEAR 2011 AND 2010

(units: euros)

	2011	2010
Operating activities cash flow:		
Received from costumers	37,514,861	40,119,582
Payments to suppliers	(83,430,594)	(41,892,566)
Payments to employees	(5,281,984)	(5,899,395)
Inflow/outflow from operation	(51,197,717)	(7,672,379)
Payment/receipt of corporation tax	(75,831)	285,308
Other receipts in respect of operating activity	23,832,643	11,861,243
Net Inflow/outflow from operating activities (1)	**(27,440,906**	**4,474,172**
Investment activities cash flow:		
Payments in respect of:		
Tangible fixed assets	(83,740)	(138,541)
Intangible assets	(109,344,539)	(66,233,188)
Receipts from:		
Tangible fixed assets	38,196	34,939
Intangible assets	0	44,863
Investment subsidies	70,793,102	12,049,087
Net cash Inflow/outflow from investment activities (2)	**(38,596,981)**	**(54,242,839)**
Financing activities cash flow:		
Receipts from:		
Loans	892,628,719	154,338,551
Payments in respect of:		
Loans	(601,638,842)	(26,754,982)
Interest ans similar losses	(133,250,922)	(77,150,556)
Net cash Inflow/outflow from financing activities (3)	**157,738,955**	**50,433,013**
Increase/decrease in cash & cash equivalents (1+2+3)	**91,701,069**	**664,346**
Cash & equivalents at the beginning of the period	**1,983,884**	**1,319,538**
Cash & equivalents at the end of the period	**93,684,952**	**1,983,884**

Chartered Account & Registered Auditor:
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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 fulfillment 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. Such tasks constituted the main activity of the Company, to which the beginning of the commercial exploration of the Light Rail System was added in 2003, with the start of the operation of the Blue Line. Since then, the commercial exploration has come to suffer a significant expansion, as a result of the opening of the Trindade – Estádio do Dragão section, in 2004, Senhora da Hora- Pedras Rubras (of the Póvoa line), Fonte do Cuco- Forum Maia (of the Trofa line) and of the Yellow line (between the of João de Deus and Polo Universitário stations), in 2005 and of the openings, in 2006, of the sections Pedras Rubras – Póvoa de Varzim, Polo Universitário - Hospital São João, Forum Maia - ISMAI and Verdes - Francisco Sá Carneiro Airport, in 2008 the opening of the João de Deus - D. João II section in Vila Nova de Gaia and, in 2011, the inaugurations of the sections Estádio do Dragão- Fânzeres and D. João II - Santo Ovídio, resulting in a consistent increase of the demand, again observed this 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.

The Concession Bases of the Light Rail System, approved for the Law n.º 394-A/98, of December 15th, with the alterations of the Law n.º 161/99, of September 14th, the Decree n.º 261/2001, September 26th, the Decree n.º 249/2002, November 19th, the Decree n.º 33/2003, February 24th, the Decree n.º 166/2003, July 24th and the Decree n.º 233/2003, of September 27th, stipulated in Basis XI that, *"the State bears, through supplementary funds to the concession-*

naire, the value of accessory benefits of the tenant, the costs inherent to expropriations and the payment of damages or other compensation to the expropriated, and the holders of related buildings, as well as the costs of acquisition through private law of property and rights inherent to it in respect of buildings and plots to expropriate or acquire from private owners."

With the Decree n.º 192/2008, of October 1st, Basis XI suffered an alteration in its text, which now says that the State *"can bear the costs of conducting expropriations and payment of damages or other compensation to expropriated, and the holders of related buildings, as well as the costs of the acquisition by the private law of property and rights inherent to them as regards buildings and plots to expropriate or acquire from private owners."*

At the end of the financial year of 2011 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 13rd, 2012. 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, 2011, 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 in these Financial Statements are wholly comparable with the ones of the previous year, inasmuch as the comparative elements of 2010 were reexpressed to reflect the fair value estimate of the derivative financial instruments obtained, with effect from 2010, through the evaluation of independent entity.

Profit & Loss Account by Nature Restated	**2010 (Stated)**	**Variation**	**2010 (Restated)**
Increases/Reductions in fair value	(159,239,229)	(788,504)	(160,027,733)
Net profit/loss	**(351,790,108)**	**(788,504)**	**(352,578,611)**
Balance Sheet Restated			
ASSETS:			
Derivative financial instruments	20,905,370	7,784,505	28,689,875
Total Assets	**2,276,858,731**	**7,784,505**	**2,284,643,236**
EQUITY			
Adjustments on financial instruments	(10,143,561)	80,720	(10,062,841)
Retained earnings	(1,305,320,895)	233,506,544	(1,071,814,351)
Net income/loss	**(351,790,08)**	**(788,504)**	**(352,578,611)**
Total Equity	**(1,157,678,433)**	**232,798,760**	**(924,879,673)**
LIABILITIES			
Derivative financial instruments	767,986,267	(225,014,256)	542,972,012
Total Liabilities	**3,434,537,164**	**(225,014,256)**	**3,209,522,909**
Total Equity & Liabilities	**2,276,858,731**	**7,784,505**	**2,284,643,236**

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 unrealized 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 recognized 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 recognized 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 of 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 recognized 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 periods when the hedged item affects earnings. The ineffective portion of the hedge is recorded in results as they occur.

3.7 Costumers and Other accounts receivable

Costumers and other receivables items are recognized 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 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 liabilities which constitute loans received, accounts payable (suppliers, 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 derecognized 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 recognized 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 recognized 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 recognizes subsidies of the Portuguese State, the European Union or of similar entities at their value when the grant is 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 recognized 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 subsidized 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 recognized 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 recognized 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 recognized 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 service

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 are registered 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.

Also booked were 2,831,996 euros (2,250,708 euros in 2010) corresponding to the compensation for the company´s participation in the Social Tariff Agreement celebrated on June 29^{th}, 2006, between the transport operators participating in the Andante intermodal system. These amounts were allocated through R.C.M. n.º 53/2011 de 16/12 and 96/2010 de 2/12, respectively.

c) Compensatory allowances

During the year the amount of 11,860,442 euros (the same in 2010) was recorded in Operating Subsidies, a compensation to offset the decline in revenue by due to providing a public service as defined in the Concession Bases. These amounts were allocated through R.C.M. n.º 53/2011 de 16/12 and 96/2010 de 2/12, respectively.

In the absence of the programme contract or public service contract provided for in the Concession Bases, which would regulates 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.

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:

Relevant accounting estimates

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. The Company hired an independent entity to estimate the fair value of the derivative instruments.

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, structured operations of long-term financing from financial institutions and, more recently, of Instituto de Gestão do Crédito Publico.

5 Cash Flows

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

On December 31st, 2011, the detail of cash and cash equivalents is as follows:

	2011	2010
Bank deposits	93,683,430	1,982,361
Cash	1,523	1,523
Cash and equivalents	**93,684,952**	**1,983,884**

The amount under Bank Deposits at the Balance sheet date corresponds to cash at Instituto Gestão Crédito Público and relates to one of the tranches of the 593 million euros loan by the Portuguese State. The amount of that tranche was made available on January 3rd, 2012 but booked with December 30th, 2011 value date.

6 Fixed tangible assets

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	275,210	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 depreciations	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**

During the year ending December 31st, 2011 the movements recorded in fixed tangible assets were as follows:

Movements in fixed tangible assets – 2011

	Land and Natural Resources	Buildings and Other Constructions	Basic equipment	Transport equipment	Tools	Administrative equipment	TOTAL
January 1st, 2011							
Acquisition cost	956,585	3,687,236	275,210	531,008	177,906	2,889,680	**8,517,625**
Accumulated depreciations	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**
December 31st, 2011							
Increases	0	0	0	0	0	83,001	**83,001**
Disposals	0	0	0	(214,945)	0	(3,346)	**(218,291)**
Depreciations - Financial year	0	(70,663)	(27,171)	(41,188)	(3,078)	(233,638)	**(375,738)**
Depreciations - disposals	0	0	0	214,077	0	2,173	**216,250**
Net value	**0**	**(70,663)**	**(27,171)**	**(42,056)**	**(3,078)**	**(151,810)**	**(294,778)**
December 31st, 2011							
Acquisition cost	956,585	3,687,236	275,210	316,063	177,906	2,969,335	**8,382,335**
Accumulated depreciations	0	(1,378,508)	(218,014)	(309,340)	(167,076)	(2,623,719)	**(4,696,657)**
Net value	**956,585**	**2,308,728**	**57,196**	**6,723**	**10,830**	**345,616**	**3,685,678**

In the year ending December 31st, 2011 and December 31st, 2010 the net value of tangible fixed assets acquired under financial leases are as follows:

	2011	2010
Gross value	17,927	262,891
Accumulated depreciations	(11,204)	(214,242)
	6,723	**48,649**

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 192/2008 of October 1st. Development for the periods presented is as follows:

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)**
Transfers and write-offs	147,234,851	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**

Movements in intangible assets – 2011

	Operation rights	Others	Assets in progress	TOTAL
January 1st, 2011				
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**
December 31st, 2011				
Increases	30,644,104	46,444	21,819,021	**52,509,569**
Disposals	(2,854)	0	0	**(2,854)**
Transfers and write-offs	195,133,872	0	(195,133,872)	**0**
Amortization - Financial year	(56,879,694)	(75,591)	0	**(56,955,285)**
Amortization - Disposals	512	0	0	**512**
Net value	**168,985,940**	**(29,147)**	**(173,314,851)**	**(4,448,058)**
December 31st, 2011				
Acquisition cost	2,511,320,744	259,165	59,246,022	**2,570,825,931**
Accumulated amortization	(357,550,669)	(110,354)	0	**(357,661,023)**
Net value	**2,153,770,075**	**148,811**	**59,246,022**	**2,213,164,908**

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

	2011	2010
Yellow Line	506,522,382	465,581,325
Common trunk	414,812,000	425,654,683
Red Line	289,161,724	286,830,274
Eurotram vehicles	207,966,932	213,591,457
Green Line	192,481,492	193,914,692
Orange Line	147,441,914	0
Tram-Train vehicles	127,027,934	129,068,402
Blue Line	100,543,624	103,253,478
Depot (PMO)	91,280,123	93,671,583
Infante D. Henrique bridge	33,585,456	34,493,171
Violet Line	33,369,836	33,853,338
General	9,576,658	4,961,730
	2,153,770,075	**1,984,874,133**

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:

	2011	2010
Green Line	23,889,237	25,495,307
Boavista Line	16,870,078	16,870,078
Yellow Line	6,565,892	36,713,224
Red Line	4,172,434	3,225,000
Gondomar Line	3,473,016	143,662,138
General	1,226,067	4,837,973
Depot (PMO)	1,122,367	0
Violet Line	1,000,000	1,000,000
Leça-Exponor Line	908,245	757,152
Blue Line	18,686	0
Tram-Train vehicles	0	0
	59,246,022	**232,560,873**

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 6.5%;
- 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, 2011 and December 31st, 2010, investments in associated entities were as follows:

	% Held	2011	11/10
Traspublicidade, S.A.	40.00	268,231	288,856
Metro do Porto, Consultoria Unipessoal, Lda.	100.00	6,005	7,402
TIP - Transportes Intermodais do Porto, A.C.E.	33.33	0	0
		274,236	**296,258**

The movements in financial investments in associated entities in 2010 and 2011 were the following:

	Metro do Porto Consultoria, Lda.	Transpublicidade. S.A.	TOTAL
January 1st, 2010	**695**	**314,248**	**314,942**
Acquisitions	6,885	0	6,885
Profit/Losses	(178)	(25,392)	(25,570)
December 31st, 2010	**7,402**	**288,856**	**296,258**
Profit/Losses	(1,397)	(20,624)	(22,021)
December 31st, 2011	**6,005**	**268,232**	**274,236**

As at December 31st, 2011 the TIP - Transportes Intermodais do Porto, ACE presents a negative net worth of 3,081,186 (1,766,257 in 2010), a provision of 278,186 (681,622 in 2010) 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, 2011 and 2010, 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, 2011, 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
2006	118,251,857	2012
2007	141,098,189	2013
2008	146,378,974	2014
2009	135,659,062	2015
2010	288,285,826	2014
2011	308,346,302	2015

10 Costumers

In the years ending December 31st, 2011 and December 31st, 2010, the item Costumers (current balances) is broken down as follows:

	2011	2010
Investment activity - Costumers	3,035,649	1,632,535
Operating activity - Costumers	9,313,196	4,649,913
Total Costumers	**12,348,845**	**6,282,448**

11 State and other public entities

In the years ending December 31st, 2011 and December 31st, 2010, the balances of the heading "State and other public entities" were as follows:

	2011		2010	
	Debtor	Creditor	Debtor	Creditor
Corporate income tax	412,469	110,305	336,637	73,263
Personal income tax	891,311	73,490	891,311	119,251
Value Added Tax - VAT	19,074,814	97,257	9,824,580	0
Contributions to the social security	5,202	94,058	5,202	131,187
	20,383,796	**375,110**	**11,057,730**	**323,701**

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

	2011	2010
Estimated tax	100,205	63,163
Corporate income tax - Fiscal transparency	10,100	10,100
	110,305	**73,263**

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

12 Other accounts receivable

In the years ending December 31st, 2011 and December 31st, 2010, the item other accounts receivable is broken down as follows:

	2011	2010
Andante social tariff	2,646,048	2,681,806
Others	61,583	267,194
Other accounts receivable	**2,707,631**	**2,949,000**

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

13 Capital

Paid-up Capital

On December 31st, 2011, 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, 2011 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, 2011 and 2010 were as follows:

	Concedent Instalments	Subsidies	TOTAL
January 1st, 2010	**472,047,323**	**28,812,058**	**500,859,381**
Increases	12,049,087	0	**12,049,087**
Regularisations in results	(11,269,324)	(736,850)	**(12,006,174)**
December 31st, 2010	**472,827,086**	**28,075,208**	**500,902,294**
Increases	70,793,102	0	**70,793,102**
Regularisations in results	(11,752,785)	(737,438)	**(12,490,223)**
December 31st, 2011	**531,867,403**	**27,337,770**	**559,205,173**

The "Concedent Instalments" received in 2011 amounted to 70,793,102 euros (12,049,087 euros in 2010) and originated in the State budget and European Funds (QREN).

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, 2010	**(8,484,517)**	**194,466**	**500,859,381**
Changes in the Period:			
Allocation of results	0	51,970	0
Variation of hedging Instruments	(1,578,324)	0	0
Variation of Investment Subsidies	0	0	42,913
Others	0	588,752	0
Equity portion at December 31st, 2010	**(10,062,841)**	**835,189**	**500,902,294**
Changes in the Period:			
Allocation of results	0	(17,200)	0
Variation of hedging Instruments	(5,475,999)	0	0
Others	0	0	58,302,879
Equity portion at December 31st, 2011	**(15,538,840)**	**817,989**	**559,205,173**

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:

	2011	2010
Assets renewal - IFRIC 12	237,889,387	176,928,093
Other provisions	38,359,557	12,992,135
	276,248,944	**189,920,228**

	Assets renewal (IFRIC 12)	Other provisions	Total
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
January 1st, 2011	**176,928,093**	**12,992,135**	**189,920,228**
Allocation of provisions – Other provisions	0	27,898,764	**27,898,764**
Allocation of provisions IFRIC 12 – Operation	40,319,676	0	**40,319,676**
Allocation of provisions IFRIC 12 – Financial	27,094,198	0	**27,094,198**
Reversal of provisions	0	(2,531,342)	**(2,531,342)**
Use of provisions	(6,452,580	0	**(6,452,580)**
December 31st, 2011	**237,889,387**	**38,359,557**	**276,248,944**
Current balance	0	0	0
Non-current balance	237,889,387	38,359,557	276,248,944
	237,889,387	**38,359,557**	**276,248,944**

The changes recorded in the financial year 2011 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 67,413,874 euros;

ii) Use of provisions previously set up as per the previous paragraph, amounting to 6,452,580 euros, due to costs incurred in maintaining assets during the period 2011;

iii) Predictions of future responsibilities to be assumed by the Company, resulting from litigation and expropriation procedures in the amount of 27,620,578 euros;

iv) Use of previously set up provisions resulting from the assumption of responsibilities for the financial year 2011 (2,531,342 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 278,185 euros.

16 Funding obtained

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

			2011			2010
	Current	Non-current	Total	Current	Non-current	Total
Current loans	30,000,000	0	30,000,000	65,000,000	0	65,000,000
Loan contracts	152,500,000	1,407,500,000	1,560,000,000	102,500,000	1,117,000,000	1,219,500,000
Bond loans	0	50,000,000	50,000,000	0	50,000,000	50,000,000
European Investment Bank (EIB)	28,679,623	755,058,169	783,737,792	6,650,639	783,737,792	790,388,431
Leasing	8,552	0	8,552	61,221	0	61,221
Rolling stock operational lease contracts (LEP)	6,101,376	197,327,686	203,429,062	5,998,575	203,429,062	209,427,636
EIB bonus	376,231	1,602,577	1,978,808	402,882	1,978,809	2,381,691
LEP bonus	326,457	3,050,772	3,377,229	329,915	3,305,978	3,635,894
Total	**217,992,239**	**2,414,539,205**	**2,632,531,444**	**180,943,232**	**2,159,451,641**	**2,340,394,873**

All loans are in euro and variable-rate interest.

Variable interests	2011	2010
Current	217,992,239	180,943,232
Non-current	2,414,539,205	2,159,451,641
	2,632,531,444	**2,340,394,873**

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 28,679,623 euros for the reimbursement of EIB funding, 152,500,000 euros for the reimbursement of loan contracts and 30,000,000 euros for bridging loans.

At year-end 2011, all credit lines were used.

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	2011	2010
Up to 1 year	217,992,239	180,943,232
Between 2 and 5 years	255,000,000	555,000,000
More than 5 years	2,159,539,205	1,604,451,641

The portfolio of debt with a maturity exceeding 1 year, to December 31st, 2011, has the following composition:

a) European Investment Bank

Contracts	Amount contracted	Amount outstanding
BEI I		
Tranche A	99,759,579	73,157,025
Tranche B	100,000,000	93,333,333
Tranche C	100,000,000	93,333,333
Tranche D	243,930,128	243,930,128
BEI II		
Tranche A	120,000,000	114,782,609
Tranche B	80,000,000	76,521,739
Tranche C	60,000,000	60,000,000
Total	**803,689,708**	**755,058,168**

The EIB loans are in Euros and bear interest as per the EIB variable rate scheme (consistently lower craty 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.

On December 31st, 2011, 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 e 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

On 2010 a 75 million euros loan was contracted with a 7 years maturity, to be repaid in one bullet payment.

During 2011 a 593 million euros loan was contracted with maturity in 2016.

On December 31st, 2011 the loan contracts had the following composition:

Original Entity	Amount outstanding	Maturities
Deutsche Bank	105,000,000	2014
Nomura	75,000,000	2014
IGCP	593,000,000	2016
Barclays	75,000,000	2017
BNP Paribas	100,000,000	2018
JP Morgan	120,000,000	2023
DEPFA	87,500,000	2027
Deutsche Bank	126,000,000	2028
Goldman Sachs	126,000,000	2028
Total	**1,407,500,000**	

Of the total amount presented in the previous table, 426 million euros were 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 250 million euros. 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.

Contract	Vehicles	Amount contracted	Amount outstanding	Maturitiest
Tranche 2002	28	97,222,222	77,884,107	2022
Tranche 2003	35	121,527,777	99,251,869	2023
Tranche 2004	9	31,250,000	26,293,086	2024
Totals	**72**	**250,000,000**	**203,429,062**	

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 (until March 2011) of the January 2007 operation was carried out with a third financial institution.

17 Derivative Financial Instruments

On December 31st, 2011 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 recognized in the results of the year, as evidenced below:

	Hedge instruments for accounting purposes	Non Hedge instruments for accounting purposes	Total
Fair Value January 1st, 2010	**(8,563,914)**	**(336,033,028)**	**(344,596,942)**
Fair value variation – Reserves. Financial Instruments	(1,646,866)	0	(1,646,866)
Fair value variation – Net income/losses	0	(160,027,733)	(160,027,733)
Portion attributable to financing costs	(150,774)	(7,859,822)	(8,010,596)
Fair Value December, 31st 2010	**(10,361,554)**	**(503,920,583)**	**(514,282,137)**
Fair value variation – Reserves. Financial Instruments	(5,475,999)	0	(5,475,999)
Fair value variation – Net income/losses	0	(130,917,898)	(130,917,898)
Portion attributable to financing costs	(120,136)	(5,703,597)	(5,823,733)
Fair Value December, 31st, 2011	**(15,957,689)**	**(640,542,078)**	**(656,499,767)**

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 2011, 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.

It being impossible to determine the intrinsic value of the derivatives portfolio in integrated terms, as at December 31st, 2011, the values presented correspond to each one of the individually evaluated swap positions. Therefore it is not possible to estimate a measure of risk of the portfolio that adequately reflects the effect of diversification, resulting from the exposure to risk factors not positively and perfectly correlated which, as is well known, differ from the weighed mean of these risk factors.

In addition, the mark-to-market determination of for each one of the instruments separately obtained is the responsibility of a independent entity hired for that purpose. 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 was centred in the protection of its cash-flow (until 2009), inevitable translated into the minor consideration given to that market value, which signifies merely the fair value of a sale, on December 31st, 2011, of instruments that Metro do Porto will, by contract, hold to maturity.

On December 31st, 2011 and December 31st, 2010 the derivative financial instruments is the following:

	2011	2010
Derivatives financial instruments - non hedge instruments for accounting purposes	28,441,143	28,689,875
Total fair value - Asset	**28,441,143**	**28,689,875**
Derivatives financial instruments - hedge instruments for accounting purposes	(15,957,689)	(10,361,554)
Derivatives financial instruments - non hedge instruments for accounting purposes	(668,983,221)	(532,610,458)
Total fair value - Debt	**(684,940,911)**	**(542,972,012)**
Net Fair Value	**(656,499,767)**	**(514,282,137)**

18 Suppliers

On December 31st, 2011, the most significant supplier balances refer to the following entities:

Description	2011	2010
Prometro, S.A.	13,711,950	12,117,807
Normetro, ACE	2,836,160	12,471,794
Bombardier Transportation Portugal, S.A.	1,924,639	3,831,099
TIP - Transportes Intermodais do Porto, ACE	985,630	515,549
Others	1,121,565	4,394,508
Total suppliers balance - currents	**20,579,944**	**33,330,757**

19 Investment suppliers

On December 31st, 2011, the most significant investment supplier balances refer to the following entities:

Description	2011	2010
Normetro, ACE	14,224,614	17,218,401
GACE. Gondomar, ACE	5,726,519	41,402,754
Bento Pedroso - Construções, SA	2,058,960	4,061,021
Lena - Engenharia e Construções, SA	2,058,960	4,061,021
Others	4,639,219	13,788,922
Total suppliers balance - currents	**28,708,272**	**80,532,119**

This item refers mainly to the values invoiced due to the acquisition of equipment and materials incorporated into assets in construction.

20 Other accounts payable

On December 31st, 2011, the detail of other accounts payable (current balances) is the following:

	2011	2010
Other creditors		
Several suppliers	3,038,895	6,178,794
Accrued costs		
Loan interests	11,556,803	11,532,789
Remunerations	331,223	701,849
Others	5,329,429	3,059,187
Other accounts payable	**20,256,350**	**21,472,619**

21 Services rendered

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

	2011	2010
Services rendered – internal market		
Construction (application of IAS11)	48,661,449	122,480,251
Passengers transport	35,661,591	30,956,872
Others	7,914,329	5,678,106
Services rendered	**92,237,369**	**159,115,229**

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.

22 External supplies and services

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

	2011	2010
Subcontracts (IAS 11)	45,942,686	114,071,168
Subcontracts (Operation and Maintenance)	46,392,848	44,089,610
Maintenance and Repairs	6,496,883	1,995,074
Other subcontracts	2,430,189	2,130,158
Specialised works	2,419,575	7,311,081
Surveillance and security	1,492,623	4,086,489
Rents	980,670	907,408
Insurance	213,567	237,112
Advertising	58,329	46,217
Others	1,063,476	1,233,946
External supplies and services	**107,490,846**	**176,108,262**

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

	2011	2010
Subcontracts	48,823,037	46,219,768
Maintenance and Repairs	6,496,883	1,995,074
Other specialised works	4,512,729	12,103,479
Several services	1,501,170	1,429,829
Energy and Fluids	145,515	210,500
Others	68,826	78,444
	61,548,160	**62,037,094**

23 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:

	2011	2010
Services rendered – Construction (FRIC 12)	48,661,449	122,480,251
Services rendered – Construction (FRIC 12)	**48,661,449**	**122,480,251**
Direct Construction Spending (IFRIC 12)	45,942,686	114,071,168
External supplies and services - Imputable to construction	1,735,102	5,820,965
Staff costs - Imputable to construction	983,661	2,588,118
Financial costs - Imputable to construction	0	0
Costs imputable to construction	**48,661,449**	**122,480,251**
Construction Margin - IFRIC 12	**0**	**0**

24 Staff costs

The staff expenses incurred during the financial year 2011, were as follows:

The average number of employees of the company in 2011 was 98 (118 in 2010).

	2011	2010
Remunerations		
Corporate Bodies	394,618	632,740
Employees	3,377,907	4,002,602
	3,772,525	**4,635,342**
Compulsory social security		
Charges over remunerations	794,400	980,522
Cost of social action	106,214	103,406
Indemnities	39,363	35,000
Others	124,918	93,286
	1,064,895	**1,212,216**
Staff costs	**4,837,420**	**5,847,558**

Salaries and other benefits (annual figures in euros)

1. General Meeting Board

2011	President Valentim Santos de Loureiro	Vice-President Alberto João Coraceiro de Castro	Secretary Luís Artur de Miranda Guedes Bianchi de Aguiar
Presence Fee	600.00	500.00	400.00
Reduction Law 55-A/2010	0.00	0.00	40.04
Andante Pro	943.68	943.68	943.68

2. Audit Committee

	2010		
Audit Committee	**President Maria Fernanda Joanaz Silva Martins**	**ROC** António Magalhães & Carlos Santos - SROC*- Represented by Dr. Carlos Alberto Freitas dos Santos**	**Member Guilherme Manuel Lopes Pinto**
Base remuneration/Fixed (€)	18,200	21,500	0
Reduction Law 55-A/2010 (€)	N.A.	N.A.	N.A.
Effective remuneration (€)	18,200	21,500	0

	2011		
Audit Committee	**President Maria Fernanda Joanaz Silva Martins**	**ROC** António Magalhães & Carlos Santos - SROC*- Represented by Dr. Carlos Alberto Freitas dos Santos**	**Member Guilherme Manuel Lopes Pinto**
Base remuneration/Fixed (€)	18,200	21,500	0
Reduction Law 55-A/2010 (€)	1,820	1,908	0
Effective remuneration (€)	16,380	19,592	0
Statutory consolidated accounts for the year 2010, made in 2011 (not required for the year 2009)	N.A.	4,000	N.A.
Reduction Law 55-A/2010	N.A.	390	N.A.
Effective remuneration (€)	N.A.	3,610	N.A.

**In 2011 was applied Article 22 of Law 55-A/2011 (Law OE/2011) Yes X No___

3. Board of Management

2011	President	Executive Member	Executive Member		Non Executive Member	Non Executive Member
	António Ricardo de Oliveira Fonseca	**Maria Gorete Gonçalves Fernandes Rato**	**Jorge Moreno Delgado**		**Fernanda Pereira Noronha Meneses Mendes Gomes**	**Gonçalo Nuno de Sousa Mayan Gonçalves**
1 - Remuneration						
1.1 - Base remuneration/Fixed (€) a)	150,122	136,472	136,472		0	0
1.2 - Reduction by Law 12-A/2010 (€)	7,506	6,824	6,824		1,950	0
1.2 - Reduction by Law 55-A/2010 (€)	14,262	12,965	12,965		2,928	0
1.4 - Base remuneration/Fixed (1.1. - 1.2. - 1.3.) (€)	128,354	116,684	116,684		[1]	0
1.5 - Presence Fee (€)	0	0	0		0	0
1.6 - Accumulation of management functions (€)	Yes	Yes	No		Yes	Yes
1.7 - Variable remuneration (€)	0	0	0		0	0
1.8 - IHT (Grant Waiver Working Hours) (€)	0	0	0		0	0
1.9 - Other (identify in detail) (€)	0	0	0		0	0
2 - Other benefits and compensations						
2.1 - Annual limit for telephone expenses (€)	n.a.	n.a.	n.a.		n.a.	n.a.
2.2 - Telephone expenses (€)	188	242	471		0	0
2.3 - Travel allowance (€)	0	0	0		0	0
2.4 - Meal allowance (€)	1,455	1,455	1,429		0	0
2.5 - Other (identify in detail) (€)						
Expenses	0	0	521		0	0
Reversible Remuneration [2]	0	0	0		39,810	0
3 - Social benefits charges						
3.1 - Ordinary social security (€)	14,297	14,297	8,192		0	0
3.2 - Health insurance (€)	788	394	940		0	0
3.3 - Life insurance (€)	0	0	0		0	0
3.4 - Personal accident insurance (€)	0	0	0		0	0
3.5 - Other (identify in detail) (€)						
Workmen's Compensation Insurance	514	468	468		0	0
Andante Pro	1,096	944	1,248		944	944
4 - Vehicle fleet						
4.1 - Brand	Volvo	BMW	Mercedes		n.a.	n.a.
4.2 - Model	S 80	E91 320d	E 220 CDI		n.a.	n.a.
4.3 - Registration	67-ES-20	44-JX-45	23-BO-45		n.a.	n.a.
4.4 - Mode of Use (Acquisition/ALD/Renting/Leasing)	Acquisition	Renting	Acquisition		n.a.	n.a.
4.5 - Reference value of the vehicle (new) (€)	69,967	50,304	61,500		n.a.	n.a.
4.6 - Start year	n.a.	2010	n.a.		n.a.	n.a.
4.7 - Term	n.a.	2013	n.a.		n.a.	n.a.
4.8 - No. of Instalments b)	n.a.	48	n.a.		n.a.	n.a.
4.9 - Residual value (€)	n.a.	n.a.	n.a.		n.a.	n.a.
4.10 - Annual rent of service car (€)	n.a.	10,922	n.a.		n.a.	n.a.
4.11 - Petrol spent by company car (€)	4,157	1,196	5,917		n.a.	n.a.
4.12 - Annual limit for petrol expenses (€)	n.a.	n.a.	n.a.		n.a.	n.a.
4.13 - Other (identify in detail) (€)	0	0	0		0	0
5 - Additional information						
5.1 - Option for remuneration of previous employment (s/n)	No	No	No		No	No
5.2 - Annual net remuneration of previous employment (€)	n.a.	n.a.	n.a.		n.a.	n.a.
5.3 - Ordinary social security						
5.3.1 - Social security (y/n)	Yes	Yes	No		n.a.	n.a.
5.3.2 - Other (y/n)	No	No	CGA		n.a.	n.a.
5.4 - Paid employment outside of the group (y/n)	No	No	No		Yes	Yes
5.5 - Other (identify in detail)	n.a.	n.a.	n.a.		n.a.	n.a.

a) Corresponds to the gross annual salary earned as a result of the remunerations 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 Reduction on reservible remuneration, indicated in point 2.5.
2 Corresponds to the remuneration of the representative of the shareholder STCP and was paid directly to the 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).

4. External Auditor

	2010	2011**
PricewaterhouseCoopers & Associados		
Annual remuneration	17,500	17,000

**In 2011 Article 22 of Law 55-A/2011 (2011 State Budget Law) was applied Yes ___ No___ Not Applicable X

25 Other income and gains

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

	2011	2010
Investments subsidies imputation	12,490,223	12,006,174
Benefit from contractual penalties	12,256,614	122,132
Fines received from costumers	260,679	439,226
Gains from sale of tangible assets	39,412	36,948
Other additional income	5,338	29,268
Others	10,015	99,179
Other operational income	**25,062,281**	**12,732,927**

26 Other expenses and losses

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

	2011	2010
Taxes	2,047,943	1,784,443
Fines handed to IMTT	385,300	0
Membership fees	26,975	24,955
Others	11,803	13,468
Other operational expenses	**2,472,021**	**1,822,866**

27 Interest and similar expenses incurred

The detail of the "interest and similar expenses incurred" for the years 2011 and 2010 is as follows:

	2011	2010
Loan Interests	133,402,991	89,436,151
Financial Provisions Update (IFRIC 12)	27,094,198	19,507,834
Others	3,240,186	(767,138)
	163,737,375	**108,176,847**

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**
2011	5.47%	133,402,991
2010	3.95%	89,436,151
2009	2.76%	58,233,775
2008	4.15%	66,859,647
2007	4.26%	58,778,929
	Total	**406,711,493**

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.

28 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:

The only supplier representing more than 5% of external supplies and services in 2011 (should that percentage exceed 1,000,000 euros) is Prometro, S.A.

Entities	Scope	Amount contracted	Executed value	%
Prometro, S.A.	Operate and maintain sub-concession	186,072,651	73,676,934	40%
Consortium GACE	Gondomar Line construction	122,608,135	96,517,881	79%
Bombardier/Vossloh	Rolling stock supply and maintenance	114,921,223	109,552,000	95%
Consortium CFS	Supervision	60,055,866	59,999,543	99%
Consortium BAL	Extension Yellow Line to Sto. Ovídio	30,391,228	29,102,703	96%

29 Contingencies

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

Beneficiary	Object	2011	2010
Tribunal Vila Conde	Expropriation process	1,852,817	2,256,482
Tribunal Porto	Expropriation process	1,763,523	2,026,535
Tribunal Gondomar	Expropriation process	407,118	429,382
Tribunal Póvoa Varzim	Expropriation process	280,542	280,542
Tribunal Gaia	Expropriation process	122,556	122,556
Tribunal Maia	Expropriation process	73,566	383,018
Tribunal Matosinhos	Expropriation process	5,788	354,865
EDP Distribuição - Energia, S.A.	Electricity supply	2,482	4,573
EDP - Serviço Universal S.A.	Electricity supply	0	133,786
Direcção-Geral Impostos - DSR I.V.A.	Claims for VAT refund	0	531,318
		4,508,392	**6,523,057**

The disputes in which the Company is involved as at December 31st, 2011 refer to legal proceedings by third parties and amount globally to 46.9 million euros.

The possible existence of future contingencies unfavourable to the Company will not affect sheet 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.

30 Related parties

30.1 Transactions between related parties

(a) Nature of relationship with related parties:

Shareholders:
State
Área Metropolitana do Porto
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:

	2011	2010
Services rendered		
State	2,831,996	2,250,708
	2,831,996	**2,250,708**
Services acquired		
STCP	165,849	188,107
CP - Comboios de Portugal	49,664	36,705
	215,513	**224,812**

At the end of 2011, the balances resulting from the transactions carried out with related parties are as follows:

	2011	2010
Debit balances		
State	2,646,048	2,681,806
CP - Comboios de Portugal	5,910	5,910
	2,651,958	**2,687,716**
Credit balances		
STCP	103,709	69,397
CP - Comboios de Portugal	211	3,553
	103,920	**72,950**

ii) Associates:

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

	2011	2010
Services rendered		
TIP – Transportes Interm. Porto, ACE	33,375,799	28,287,819
	33,375,799	**28,287,819**
Services acquired		
TIP – Transportes Interm. Porto, ACE	1,776,012	810,333
	1,776,012	**810,333**

At the end of 2011, the balances resulting from the transactions carried out with the associated entity TIP – Transportes Intermodais do Porto, ACE are as follows:

	2011	2010
Debit balances		
TIP – Transportes Interm. Porto, ACE	6,340,218	2,857,326
	6,340,218	**2,857,326**
Credit balances		
TIP – Transportes Interm. Porto, ACE	1,056,932	571,153
	1,056,932	**571,153**

31 Subsequent events

By the end of the year there was a legal dispute between the Company and the Tax Administration in respect of tax liquidations served by that entity.

Already in 2012, with the objective of enabling the immediate inflow of funds inhibited by the inexistence of a declaration of regularity the Company's tax situation, the Company opted to pay of all the VAT liquidations served to date by the Tax Authority, amounting to 29.4 million euros, plus 1.2 million euros on interest.

The Board, with the support of its legal and fiscal advisers, believes its position is entirely right and stands by the impugnation proceedings launched against these liquidations, does not waive its legitimate right of plea and maintains its expectation of full recovery of this sum.

The favorable judicial sentence of such proceedings will determine the reimbursement of the amounts paid, plus interests at the rate of 4% per year.

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, 2011, which include: the Balance Sheet as at December 31st, 2011 (showing a total of 2,395,377 thousands euros and a negative total equity of 1,269,269 thousands euros, including a net loss of 397,199 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 Cod
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. 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.

OPINION

7. In our opinion 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, 2011, 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

8. 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

9. Without affecting the opinion statement made in paragraph 7, we would like to draw your attention to the following:

9.1 – The Legal Certification of Accounts and the Audit Report, referring to the previous year, contained a Reservation for limitation of scope relating to the lack of detailed information on some models underlying the valuation at fair value of financial instruments. In fiscal year 2011, according to notes in paragraphs 2.3, 14 and 17 of the Annex, an independent entity evaluated and provided the valuation model of those financial instruments, resulting in the restatement of comparative figures and as such the existence of that Reservation is no longer justified.

9.2 - The Company continues to be in 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.

9.3 – In the Concession Bases it is mentioned that the financing of investment and of the activity of the Company shall be ensured by the State, which will allow the financial balance of the Company. Impairment tests for the concession rights recognized in assets, amounting to 2213 million euros, are based on the assumption that financial support exists. Note 16 of the Annex contains the information that the State, through IGCP, granted funding of 593 million euros.

Oporto, March 13th, 2012
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,

Complying with the mandate given to us and in accordance with the laws and by-laws, the Audit Committee of "METRO DO PORTO, SA" (the Company), hereby submits the report of its activity in the fiscal year ended December 31, 2011, and its opinion on the financial documents, including the Management Report and
Financial Statements, relating to that year and presented by the Board

We consider relevant facts in the exercise the completion of the Estádio do Dragão - Fânzeres and D. João II – Santo Ovídio extensions' works and the containment of operational costs.

Throughout the year, we monitored the activity of the Company, attending formal meetings of the Board of Directors and informal Executive Committee meetings, but especially through the periodic verification of accounting records, supporting documentation and consultation and analysis, as we considered appropriate, of further documentation in order to assess compliance with the legal and statutory norms in force, including the dissemination of standards relating to Corporate Governance, in accordance with Art 245 ° of the Securities Code. We conducted further tests and other procedures in relation with the goods and assets of the Company, maintaining contact with the Board and with other services, having requested and obtained all the information and explanations we considered necessary, a collaboration that deserves our recognition and for which we are grateful.

As part of our work, we examined the financial statements composed of the Balance Sheet, the Income Statement by Nature, the Statement of Changes in Capital Equity, the Statement of Cash Flows and the Annex, concluding that they fall within the legal and statutory requirements, so that we agree with the accounts.

Attention must be drawn to the breach of the provisions of Art 35 of the Companies Code. The Board of Directors in Section 7.3 of its Report and the Annual General Meeting Notice mention the situation and propose a deliberation on this breach.

We also carried out the appreciation of the Management Report for the year ended December 31,
2011, issued by the Board, of the LEGAL CERTIFICATION OF ACCOUNTS AND AUDIT REPORT issued by the Chartered Accountants firm, a member of this governing body, which earned the approval of the Audit Committee.

Accordingly, in our opinion:

1º the 2011 Management Report and the Financial Statements should be approved;
2º The proposal for the allocation of results contained in the Management Report can be approved.

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 13th, 2012
Audit Committee
Maria Fernanda Joanaz Silva Martins – President
Guilherme Manuel Lopes Pinto- Member
António Magalhães & Carlos Santos – S.R.O.C., represented by
Carlos Alberto Freitas dos Santos – R.O.C. nº 177

AUDIT REPORT

INTRODUCTION

1. We have examined the financial statements of Metro do Porto, S.A. which comprise the Balance Sheet as at December 31st, 2011 (showing a total of 2,395,377,298 euros and a negative total equity of 1,269,268,614 euros, including a net loss for the year of 397,198,623 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. 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: (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.

OPINION

7. In our opinion, 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, 2011, 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

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

EMPHASIS

9. Without affecting the opinion statement made in paragraph 7, we would like to draw your attention to the following:

i) As stated in the Management Report and in the introduction to the financial statements, the financial stability of the company is based on the financial support for by the State as well as in the allocation of compensation over the life of concession, in order to support the operation and debt service needs. The impairment tests of the concession rights booked on the assets side, amounting to about 2213 million, also have the assumption that financial support exists. As referred to in Note 16 the State has granted in 2011, through IGCP, funding amounting to 593 million.

ii) The Audit Report for the year 2010 included a reservation for limitation of scope due to the absence of financial instruments valuation models, estimate of fair value having been made by counterparties. In the current year evaluations carried out by independent entities were obtained, as well as the respective valuation models, the comparative financial information having been restated as mentioned in note 2.3 of the notes to financial statements.

Oporto, March 13th, 2012
PricewaterhouseCoopers & Associados, SROC, Lda.
represented by: Hermínio António Paulos Afonso, R.O.C.

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INAUGURAÇÃO DO TROÇO ESTÁDIO DO DRAGÃO - FÂNZERES
MEIA DE LEITE DIRECTA
CINEMA AO AR LIVRE
MÚSICA NA RUA
DIA MUNDIAL DA MÚSICA
ABERTURA DO PROLONGAMENTO DA LINHA AMARELA A SANTO OVIDIO
EXPOSIÇÃO "HOMELESS"
EXPOSIÇÃO DE FOTOGRAFIA "DOURO NATURAL"
PERFORMANCE "CETTE IMMENSE INTIMITÉ"
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PERFORMANCE "CETTE IMMENSE INTIMITÉ"
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