

→ 2009^{annual} report



Metro do Porto



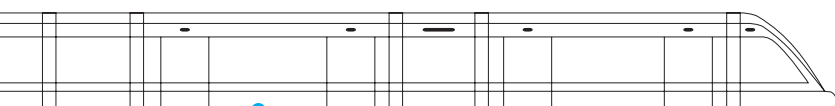
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Metro do Porto



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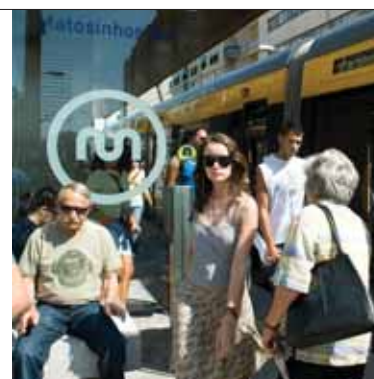
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António Ricardo de Oliveira Fonseca

2009 was a year of consolidation of the Metropolitan Area of Oporto's Light Rail System as well as of progress towards launching the Second Phase.

The contract signed on December the 16th 1998 with the Normetro, ACE consortium ends on March the 31st 2010. The size and complexity of this contract required a thorough and careful analysis of all pending matters which made it possible to celebrate, in November 2009, an overall agreement to close the contract's accounts.

The First Phase having been concluded, the development of the Second Phase will be based on two sub concessions; one for the operation / light maintenance and another one for the construction of the new Lines integrating this expansion phase, as well as for the heavy maintenance of the whole system.

The tender for the operation / light maintenance was launched in April 2009, its bid analysis final report issued in December 2009 and the contract signed in February 2010, for a 5 year term, leading to a substantial cost reduction relative to the previous contract.

During the year significant progress was made in the preparation of the tender documents for the sub concession of the construction / heavy maintenance of

the network's Second Phase. The layouts of the new Lines stabilised, the first versions of their respective preliminary studies were prepared as well as the environmental impact studies required to obtain the Environmental Impact Declarations.

The Memorandum of Understanding, signed by the Ministério das Obras Públicas, Transportes e Comunicações and by the Junta Metropolitana do Porto, set out the launch, as construction contracts, of the Estádio do Dragão – Venda Nova, João de Deus – Santo Ovídio and ISMAI – Trofa extensions, works to be later included in the construction / heavy maintenance sub concession. In September 2009 the contract to extend the Yellow Line to Santo Ovídio was signed and in December the tender to extend the Green Line to Trofa was launched. The execution of the Estádio do Dragão – Venda Nova extension is well advanced.

Thus, as quickly as possible, the network's extension advances, having already been provided with the number of vehicles which will be required by the increased service needs consequent to the construction of the new Lines. At the end of the year the reception of 30 new Tram-Train vehicles (purchased to reinforce the fleet) was concluded.

Metro do Porto seeks in this way to make sure it can provide a service whose quality continues to improve,

wishing that quality continues to be recognised by its Clients, who today give it high marks. According to a specialised company, the level of satisfaction of Metro do Porto's Clients in 2009 was 79.8%, higher than the 75.9% recorded the year before.

That high level of satisfaction must have contributed to the fact that, in spite of the overall recession recorded this year in the use of collective transportation, Metro do Porto enjoyed a 2.2% increase relative to 2008 in the number of trips, in a year when its network was not increased.

The service Metro do Porto provides is based on an investment which reaches 2,405 million euros already. In 2009 it amounted to 168.7 million, 36.3% more than in 2008. However, this investment effort lead to a worsening grant underfunding situation, subsequent to the launch of new construction works no funding having been provided towards them, a fact compounded by an operating deficit supported by patently insufficient compensation subsidies.

The year was closed with a negative Net Worth of 154.6 million euros, worsening a situation inherited from 2008. Therefore, in accordance with article 35 of the Commercial Code, a solution is urgent, as the Company's Net Worth has fallen below half of the Share Capital.

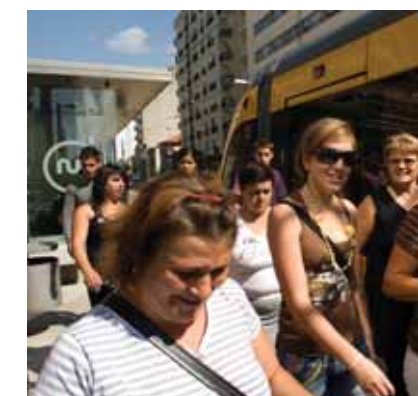
In 2009 the Cover Ratio (Fare Box Income / Direct Operation Costs) stabilised, interrupting an improvement trend previously seen. The growing use of monthly tickets certainly contributed to that outcome, as they generate a lower income per validation.

Net Earnings are negative in the amount of 138,410,598.63 euros. This represents an improvement of about 10.2 million euros (6.9%) relative to 2008 essentially due to the decrease in financial costs, 21.3% less than in the previous year, following the large fall in interest rates.

The final word must be one of confidence that the conditions for the normal development of the Metro do Porto project will continue to exist; also one of appreciation and gratitude to all those who committed their efforts to let the project reach the success today unanimously recognised and who continue working with the same enthusiasm in order that such success is expanded along with the network. Of course, projects can't always advance with the speed that is apparently possible, due to their complexity and to the number of entities involved. But I bear witness to the commitment to the development of these projects devoted not only by the staff of Metro do Porto, S.A. but also by the Local Government bodies and other entities involved.



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in figures

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Network	2003	2004	2005	2006	2007	2008	2009	09/08
Extension (metres)	11,826	15,649	34,505	58,877	58,877	59,593	59,593	0.0%
No. of stations	18	23	45	69	69	70	70	0.0%

Human Resources	2003	2004	2005	2006	2007	2008	2009	09/08
Total staff (end of year)	151	134	138	122	129	129	130	0.8%
Average staff	205.5	142.3	138.1	125.5	126.8	127.6	129.2	1.2%

(values in thousands)								
Demand	2003	2004	2005	2006	2007	2008	2009	09/08
Metro System								
Passengers	5,960	9,843	18,481	38,637	48,167	51,481	52,600	2.2%
Passengers kms	26,476	46,506	95,978	202,473	245,921	259,361	261,117	0.7%
Average travelling distance (metres)	4,443	4,725	5,193	5,240	5,106	5,038	4,964	-1.5%

(values in thousands)								
Supply	2003	2004	2005	2006	2007	2008	2009	09/08
Metro System								
Vehicle kms	1,343	1,941	3,398	6,562	6,974	6,480	6,472	-0.1%
Seat kms	290,076	419,285	733,945	1,417,434	1,506,327	1,399,784	1,398,049	-0.1%
Commercial speed (km/h)	-	-	-	26.70	27.22	26.75	27.02	1.0%
Load factor	9.1%	11.1%	13.1%	14.3%	16.3%	18.5%	18.7%	0.1 pp

Income	2003	2004	2005	2006	2007	2008	2009	09/08
Metro System								
Income (€ millions)	2,766	5,271	10,326	21,263	26,678	29,418	30,065	2.2%
Income/Passenger kms (€ cents)	10.45	11.33	10.76	10.50	10.85	11.34	11.51	1.5%
Income/Seat kms (€ cents)	0.95	1.26	1.41	1.50	1.77	2.10	2.15	2.3%
Operational Cost (m€)	9,423	12,139	24,421	44,245	49,667	48,889	50,475	3.2%
Cost / Passenger km (cent €)	35.59	26.10	25.44	21.85	20.20	18.85	19.33	2.6%
Cost / Seat km (cent €)	3.25	2.90	3.33	3.12	3.30	3.49	3.61	3.4%
Cover Ratio	29.4%	43.4%	42.3%	48.1%	53.7%	60.2%	59.6%	-0.6 pp

(values in thousands euros)								
Results	2003	2004	2005	2006	2007	2008	2009	09/08
Operating results	-9,674	-20,680	-46,234	-81,434	-85,418	-83,016	-87,622	-5.5%
<i>Before Depreciation</i>	6,926	-4,081	-23,575	-40,619	-34,944	-31,128	-33,936	-9.0%
<i>Before operating subsidies</i>	-9,674	-25,411	-48,479	-83,837	-95,777	-94,154	-99,615	-5.8%
Financial results	-16,192	-18,421	-25,696	-41,457	-60,692	-66,247	-53,256	19.6%
Extraordinary results	-110	1,186	636	759	960	673	2,514	273.4%
Net income	-26,032	-37,949	-71,335	-122,155	-145,189	-148,619	-138,411	6.9%



→ 011 2009 events

○ STABILISATION OF THE NUMBER OF VALIDATIONS

No new stretches having come into operation, a fact that had happened before in 2007 only, the year 2009 represented the consolidation of the Metropolitan Area of Oporto (AMP) Light Rail System's position as a mobility factor in the region.

There was some moderate growth in the number of passengers, which reached a total of 52.6 million, 2.2% more than last year.

○ LIMITED TENDER BY PREVIOUS QUALIFICATION FOR THE SUB CONCESSION OF THE CONSTRUCTION AND HEAVY MAINTENANCE OF THE SECOND PHASE OF EXPANSION OF THE METROPOLITAN AREA OF OPORTO'S LIGHT RAIL SYSTEM

The design, build and operate contract signed with the Normetro, ACE consortium established that this entity would operate the System until March the 31st 2009. It was extended by one year, in the terms set out in the contract and in accordance with Base XX of the Concession Bases, as defined in the last version set out in Decree Law n° 192/2008, of October the 1st.

As defined in Base XXI of the above referred diploma, after the prorogation period, i.e., from April the 1st 2010, the operation and maintenance of the system must be conceded through a public tender.

The tender called "Limited Tender by Previous Qualification For The Sub concession of the Operation and Maintenance Services of the Metropolitan Area

of Oporto's Light Rail System" was launched through the publication of an announcement in the Diário da República of April the 1st 2009 and in the OJEU of April the 4th 2009.

The qualification stage ended with the approval of the Jury's report by the Board, in its meeting number 288 on July the 15th 2009, after the bidders stated their opinion on this report. All bidders were qualified.

All the qualified bidders having been invited to present their proposals, only two of them eventually did so, on October the 26th 2009.

In the Board meeting on December the 16th 2009 it was decided to approve the Proposals Analysis Final Report which proposed the award of the tender's object to the bidder consortium formed by Barraqueiro SGPS, S.A., Barraqueiro Transportes, S.A., Arriva Portugal, S.A., Keolis, S.A. and Manvia – Manutenção e Exploração de Instalações e Construção, S.A., for a term of five years from April the 1st 2010.

The contract with this consortium is about to be signed, an event which was delayed due to pending legal proceedings started by the other bidder.

○ RECEPTION AND START OF OPERATION OF THE TRAM TRAIN FLEET

At the end of the year the provisional reception of the thirty Flexity vehicles was concluded. Commonly designated "tram trains", due to their characteristics, these vehicles were purchased to reinforce the rolling stock fleet in service.



The network of the Metro was the stage of some **280 cultural events**.



Santo Ovídio

... The extent of the Yellow Line represents a St. Ovidio architectural and urban transformation...

From the beginning of September to the beginning of October, the vehicle was exhibited at the Trindade, Senhora da Hora and Póvoa de Varzim stations, having been visited by about 7,000 people. The test stage completed, it was possible to start their commercial operation on January the 8th 2010.

These vehicles can reach a top speed of 100 km/hour and provide 20 seats more than the Eurotram vehicles.

The modules at each end follow an urban transportation logic, with a higher number of passengers per square metre and also thanks to their wide, fast opening double doors, whereas the middle module offers more seats, as is more appropriate for a sub-urban, short/medium distance concept.

In terms of equipment and systems, the Flexity has all the technologically most advanced devices – onboard video surveillance, retrovision cameras to enable the screening of in and outgoing passengers, as well as multimedia equipment broadcasting Metro TV's information and leisure content, enabling the development of the client information capabilities already made available by Metro do Porto.

Since February the 1st 2010, the Red Line service is integrally provided by tram train vehicles, a 40%

increase in the seat kms offered, due to the higher capacity per vehicle, the availability of more seats and the higher proportion of double vehicles used. The availability of the extra tram train vehicles frees up Eurotram vehicles for use in the rest of the network, and consequently increases capacity by 9% in the Blue Line, 30% in the Green line and 20% in the common Senhora da Hora/Estádio do Dragão stretch.

AWARD AND CONSIGNATION OF THE EXTENSION OF THE YELLOW LINE TO SANTO OVÍDIO

The Joint Dispatch of the Ministérios das Finanças e das Obras Públicas, Transportes e Comunicações, of January the 18th 2008, authorized Metro do Porto to launch the Public Tender for the construction of the D. João II – Santo Ovídio stretch, in the municipality of Vila de Nova de Gaia, which happened on June the 13th 2008.

Through the Joint Dispatch n.º 17895/2009 of the Ministérios das Finanças e das Obras Públicas, Transportes e Comunicações, of July the 20th 2009, Metro do Porto received their agreement to the evaluation report presented by the Proposals Analysis Commission as well as the authorisation to award the contract to the consortium formed by Bento Pedroso Construções, S.A., Lena Engenharia e

Construções, S.A., Construtora Abrantina, S.A. and also to incur in the expenses inherent to the project. On September the 26th 2009, the contract was signed, with a construction deadline of 480 days. The consignment occurred on October the 14th 2009.

This 670 metres extension of the Yellow Line comprises a station at Rotunda de Santo Ovídio, which was the object of a particularly careful study from the urban, architectural and technical points of view, taking into account its location, functionality and operability. Its construction will determine the reformulation of the surrounding area to improve significantly both the pedestrian mobility and the road traffic flow.

The project further includes the construction of collective road transport interface next to the D. João II station, the current terminus of the Yellow Line, at the intersection of Avenida da República and Estrada Nacional 222. This interface's project aimed to offer a high degree of comfort during the modal transfer. This lead to a shared platform between the Light Rail and Bus modes, a single cover protecting this area entirely.

LAUNCH OF THE LIMITED TENDER BY PREVIOUS QUALIFICATION FOR THE CONSTRUCTION OF THE EXTENSION OF THE GREEN LINE TO TROFA

Following the Joint Dispatch of the Ministérios das Finanças and the das Obras Públicas, Transportes e Comunicações n.º 21143/2009, of August the 28th, the tender for the construction of the Green Line extension to Trofa was launched on December the 22nd, to connect the ISMAI and Paradela stations.

The Company used for this purpose the Digital Platform, the first time it did so, at the same time as it also published the tender notice in the Diário da República, also on December the 22nd. The tender notice was published in the OJEU on December the 24th. The tender is presently in the application submission stage.

With eight stations and a total length of 10.5 km, this extension will enable the reinforcement of quality public transport provision in the municipality of Trofa, improving its connections with the remaining municipalities of the Metropolitan Area of Oporto already served by the Light Rail System.

Although this is essentially a suburban line, both its layout and stations are projected to provide an urban service in the central area of the municipality of Trofa, particularly from the Pateiras station to the terminal station of Paradela, where it will interface with the trains at the new REFER station with the same name.



culture

... The "Metro Literary Trips" involved thousands of customers in an unprecedented cultural initiative...

STATUS OF THE INTERNATIONALLY ADVERTISED TENDERS

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

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

On February the 17th 2010 the Bid Analysis Final Report was approved and the award made.

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

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

On February the 17th 2010 the Bid Analysis Final Report was approved and the award made.

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

This tender was launched through the publication of its Notice in the Diário da República on February the

10th 2009 and in the OJEU on February the 12th 2009. On February the 22nd 2010 the Bid Analysis Final Report was approved and the award made.

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

This tender was launched through the publication of its Notice in the Diário da República on May the 13th 2009 and in the OJEU on May the 15th 2009.

On February the 1st 2010 the Bid Analysis Final Report was approved and the award made.

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

This tender was launched through the publication of its Notice in the Diário da República on October the 6th 2009 and in the OJEU on October the 7th 2009.

The Bid Analysis Final Report was approved and the bidder's hearing stage is under way.

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

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

The Bid Analysis Final Report was approved. The procedure is on stand-by given the fact that it is not possible to start the works due to a judicial decision.

WORKS EVOLUTION: DRAGÃO – VENDA NOVA

The works having started on March the 2nd 2009, several milestones were overtaken during the year, such as the excavation of the tunnel's vault – West front, the Kiddle structures and the Parque Nascente platform support structures.

In December 2009 the Rio Tinto floods occurred, causing significant delays to the works, given the sizeable damage both in the surrounding urban environment and in the ongoing works themselves.

By the end of 2009 a little over one half of the construction period had passed, the conclusion being expected to occur by the end of 2010.

LIGHT RAIL SYSTEM DEVELOPMENT PROGRAM

Last year the preparation of the tender procedure for the construction and heavy maintenance sub concession, according to number 2 of the Basis XXI of the Concession Bases (published through Decree Law n° 192/2008, of October the 1st), continued. This tender comprehends the construction of the stretches

mentioned in items f) to i) of Basis VI's number 1 (Campo Alegre Line, S. Mamede Line, Extension to Vila d'Este and the Campanhã-Gondomar, via Valbom, Line), a new Depot and a new Command and Control Centre (CCC), and the heavy maintenance of the network currently in operation and of the Lines and extensions which compose the so called 2nd Phase of expansion.

In this context, several actions were undertaken to model the architecture of that tender procedure, in the form of a Limited Tender by Previous Qualification for Sub concession, the object and scope of the tender, the risk transfer, the financing and the sub concession's remuneration.

The highlight of these actions goes to the preparation of the first versions of the preliminary studies of the above referred lines and stretches, the corresponding environmental impact studies, leading to the environmental impact evaluation procedure and to the issue of the environmental impact declaration; to the revision of the Project criteria and to the setting out, within the scope of the tender, of the execution Project rules, which include, besides the stations' architectural Project criteria, the urban insertion, the layout, platform and track, power, traction and catenary, illumination and mid tension power supply, tunnel and works of art, safety, ventilation and



new spaces

... to provide the offer of additional services to customer, improving their comfort and their perception of station security ...

smoke exhaustion, operation support systems, signaling, rush hour demand studies to determine the size of underground stations, definition of maintenance cycles by system, the identification of the works, supplies and other services required for the construction and heavy maintenance included in the tender's object and scope. The costing of these activities was also started. Its final results will enable the tender base price to be determined.

This process's main decision support elements were, besides the preliminary studies themselves and the Project criteria: the integrated study of construction solutions at the network's main points, which also enabled the setting out of tableau of operation parameters, whose subsequent step will be the construction of an operation model for the expansion of the light rail system.

To support the sub concession's contractual model, a remuneration model was developed, associated with a model of the transfer of project risk, construction risk, including geological risk (for whose modeling geological-geotechnical modeling studies were

started), as well as of the transfer of infrastructure availability risk.

The contacts with the European Investment Bank to prepare the participation of that financial institution in the financing model of the sub concession, started last year, were continued.

NAVMETRO - "OPORTO METRO NETWORK PERSONAL INFORMATION AND NAVIGATION SYSTEM FOR VISUALLY IMPAIRED PERSONS"

Phase III of the navigation system's pilot project at the Trindade station was implemented, aiming to make the system available to the public and to prepare its extension to the remaining existing network as well as to any future expansion. Six main underground stations are scheduled to be covered.

It's an important step to improve the general quality of our service, particularly (but not exclusively) regarding the accessibility conditions for clients with special needs.

It was decided to totally integrate Navmetro in the general client support services, on the basis of the creation of a new General Attention Telephone Service, designated as "Fale ao Metro" (Talk to Metro), whose use by visually impaired clients differs from general use only by a previous registration requirement to enable free use. The component which guides clients within Trindade was reserved exclusively to registered clients.

Navmetro's usefulness and innovative character was publicly recognized through a Special Mention in the eighth Edition of the "Eng. Jaime Filipe" Prize, promoted by the Instituto da Segurança Social.

NEW COMMERCIAL SPACES AND OPERATIONAL PLAN FOR THE RETAIL AREA

During the second half of 2009 five new commercial spaces were inaugurated in the network, providing more complementary services and more comfort to clients in the Metro do Porto stations, respecting its homogeneous aesthetical identity and the typology of Project solutions which integrate harmoniously with

the stations' architecture and with the safety of passenger flows.

Continuing the development of this non-transportation business area an Operational Plan for the installation of additional shops was concluded, in partnership with ANA - Aeroportos e Navegação Aérea, S.A. which led to an exchange of technical know-how and of reference contacts. A mixed MP-ANA team was formed, to steer and detail the guidance defined in the Strategic Plan prepared and approved by Metro do Porto, S.A.'s Board beforehand.

The tasks detailed in the above referred Operational Plan included, amongst others, the optimization of flows and layouts, the analysis of assets' profitability potential, the proposal of new business management models, the adaptation of retail concepts to Metro do Porto's operational reality and to its typical client base and the segmentation of businesses by station. The aim of this Operational Plan's implementation is not only to generate additional revenue but also to offer additional services to the clients, contributing to improve the stations' comfort conditions and the perception of security.



The **environmental savings** by the Metro amount to about **215 thousand euros**.

→ 019 metro and the environment

Metro do Porto's Sustainability Report provides detailed information on policies, facts and performance related to the quadrangle: governance, environment, economics and social responsibility.

2009 was a year marked by the restart of works to develop the Metro network, with the beginning of the construction of the Dragão – Venda Nova Line and of the extension of the Yellow Line to Santo Ovídio. Special reference needs to be made to the Company's commitment to communicate with residents, shop owners and motorists affected by the works so as to minimize any negative effects, even resorting to door to door initiatives as a complement to the various other channels commonly used. The network development works have a significant impact in the region's labor market: globally, 1,559 people were involved in 2009, in management (8%); construction (55%); operation, security and surveillance (29%); and in inspection (both of works and of operation) (8%) of the Metro system.

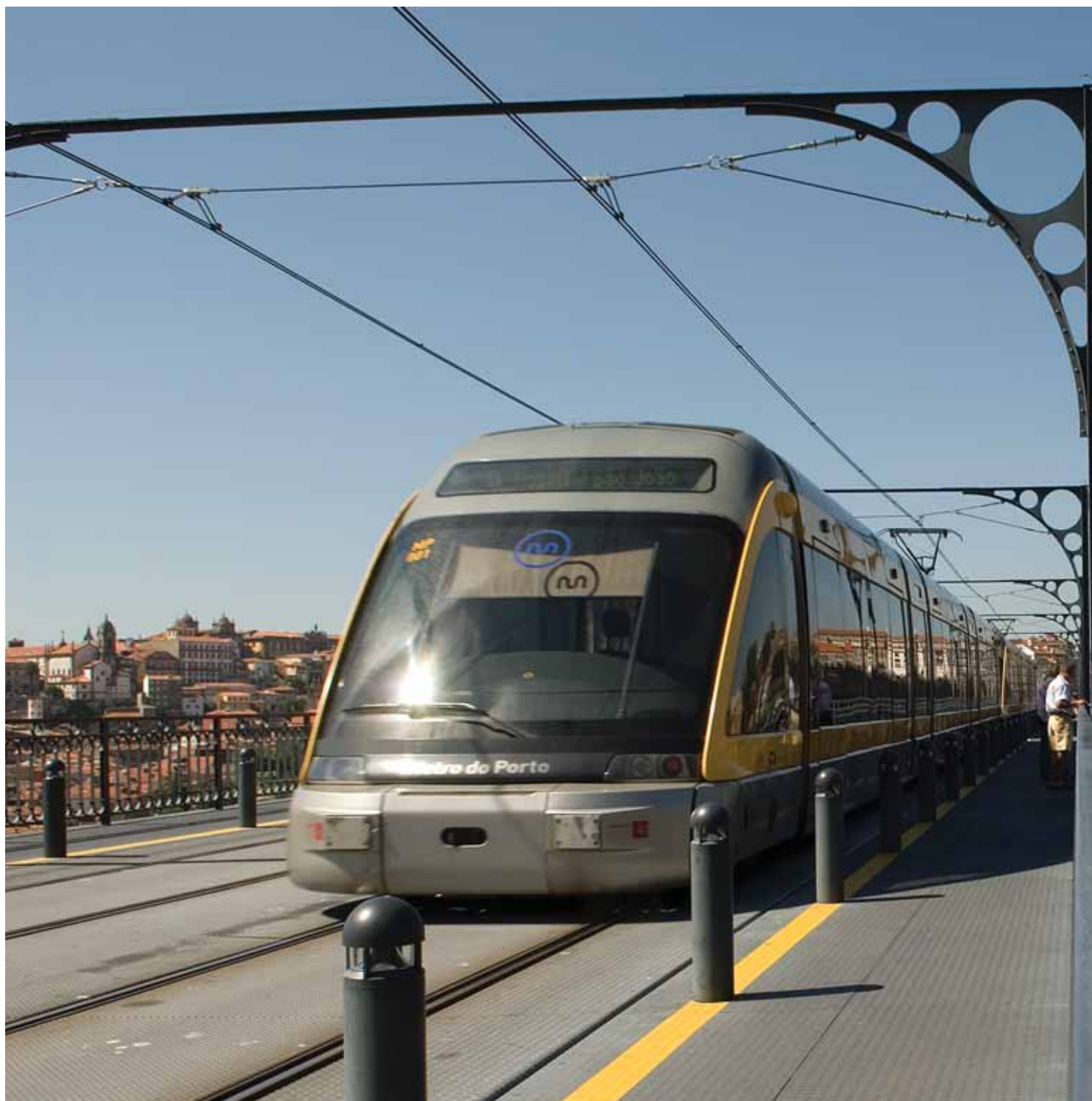
Two research and development projects are in progress, the LEV – modular portable emergency vehicle, to support the activities of firemen in case of emergency and the Regenerative Breaking project – aimed at improving energy efficiency in the network through the temporary storage of energy. Still within the scope of research and development projects, the Navmetro project, previously mentioned, deserves a reference. Metro do Porto is undoubtedly an unequivocal social inclusion factor, be it for its accessibility (100%), for the social tariffs in use, or for the scope of the network (intermodal) and its competitive performance in a large part of the journeys.

In terms of social and environmental benefits, the reduction in carbon dioxide equivalent (CO₂e) emis-

sions is to be highlighted, amounting to about 55 thousand tons locally and to 43 thousand tons when the indirect emissions (not felt in the Oporto Metropolitan Area) stemming from power consumption by metro vehicles is discounted. Each km travelled by a Metro passenger saves the emission of 164gCO₂e. Taking as a reference the value of 5.013 euros per CO₂e ton, the environmental savings by the Metro amount to about 215 thousand euros. The social gains from time saved by Metro clients and from the reduction in car parking pressure in the AMP reached, in 2009, very significant amounts, about 140 million and 9 million euros respectively.

A final note on landscape integration and archaeology and heritage preservation policies. About the former, the highlight goes to the 507 trees planted in 2009, as well as to the implantation of green areas totaling 10,000 square metres. Regarding archaeology, conservation and restoration works were carried out on Bronze Age objects found in excavations made in previous years. Within the scope of the Dragão – Venda Nova Line construction works, the archaeological site of Paço was discovered in Baguim do Monte, a very important discovery for the knowledge of the Pre-Historic Age in Northern Portugal.

The development of these and of other matters related to sustainability can be found in the 2009 Sustainability Report at the www.metrodoporto.pt site.



In 2009, **client satisfaction** reached **79.8%**.

→ 021 metro and its clients

CLIENTS

MP Client Profile and 2009 Satisfaction Level

For the fourth consecutive year, the study "Metro do Porto User Satisfaction" was carried out by a specialised external firm. This study was based on 1,605 field interviews, conducted between November the 16th and 22nd 2009, of which 86.0% turned out to be of frequent users of the Light Rail service.

The factors speed, timeliness and vehicle frequency were identified as the System's strong points. Globally there was an improvement in client satisfaction, since its value - 79.8% - is clearly better than the 75.9% result of the previous year.

The 2009 study data confirm the "typical client" profile of the previous years: a woman aged below 23, single, middle class, a resident of the Municipality of Oporto. The female sex represents 54.0% of the client universe, the weight of young people also being very significant: 41.8% are 15 to 24 years old, 18.1% are 25 to 34 years old and 16.9% are 35 to 44 years old.

In terms of social classes, a majority was found in the high and middle-high bracket (30.7%), followed by

the middle class (28.7%), the middle-low class (26.6%) and the low class (14.0%). Regarding the Municipality of residence, 25.1% of the Metro clients live in Oporto, 23.1% in Vila Nova de Gaia, 17.7% in Matosinhos and 8.4% in Maia.

Demand

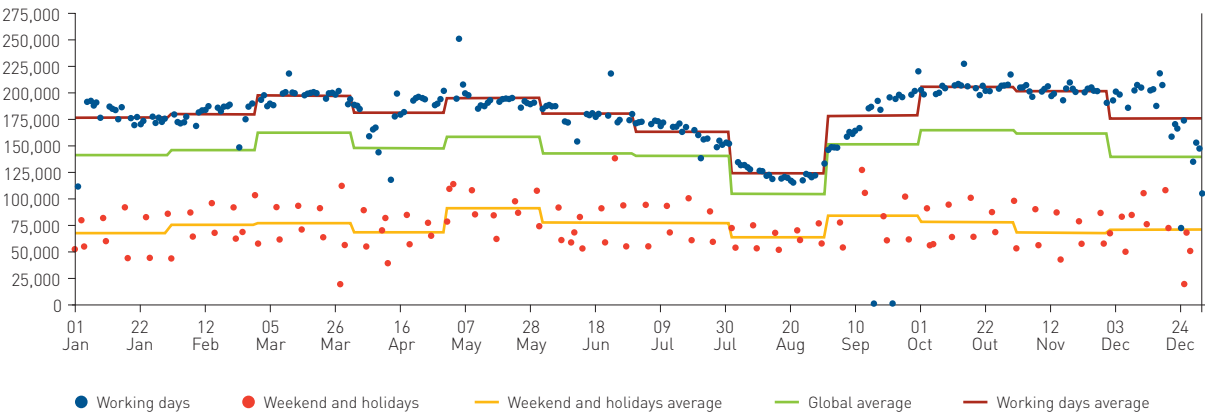
Demand growth was marginal, to which the fact that no stretch was opened to commercial operation in 2009 certainly contributes.

The 52.6 million passengers transported represent a 2.2% growth relative to 2008. They also represent a 9.2% growth relative to 2007, the year from which onwards there were no significant network increases.

A total of 261.1 million passenger kms was recorded, which, due to the 74 metres reduction in the average trip length (1.5% less for an average trip length of 4,964 metres in 2009), represents a 0.7% growth on 2008.



Light Rail System - no. of validations



The validations absolute monthly record continues to be the one set in October 2008, when 5.2 million were recorded, October 2009 taking the second place, with 5.0 million.

The following table shows the evolution of the daily validations average between 2006 and 2009, as well as its quarterly evolution throughout 2009. The 3rd quarter figures witness the seasonal fall in mobility as a result of the holiday period.

Average number of validations	2006	2007	2008	2009	1 st Quart 2009	2 nd Quart 2009	3 rd Quart 2009	4 th Quart 2009
Working Days	128,547	160,085	172,319	176,754	181,845	182,516	141,662	187,518
Weekends and Holidays	57,150	70,046	72,422	72,947	71,319	77,694	67,701	72,760
Monthly	105,856	131,963	140,658	143,867	147,459	146,807	120,190	151,178

Defining as number of regular clients the total number of cards which, in a given month, were validated twenty times or more, and as number of frequent

clients the total number of cards which were validated at least twice the number of week days in that month, one obtains the following averages:

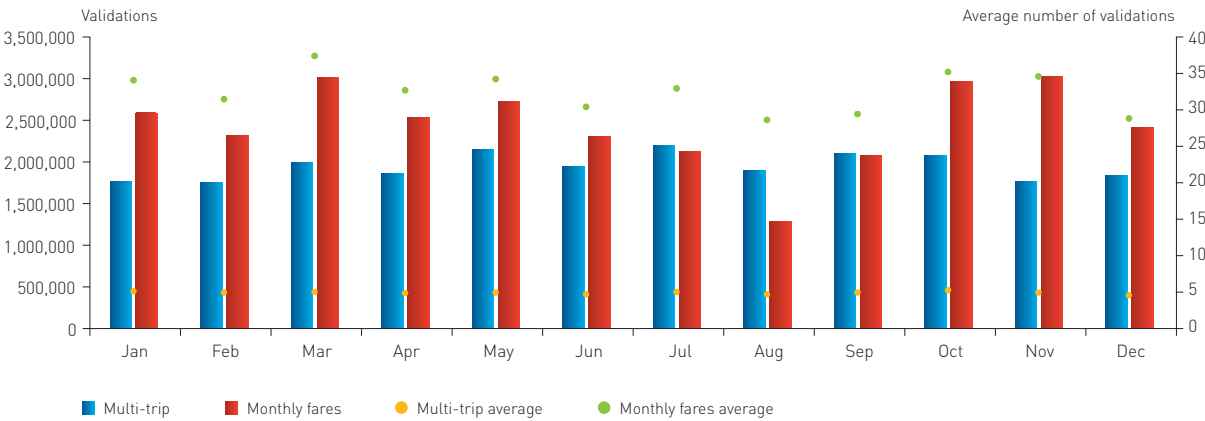
Monthly Average	Regular clients		Frequent clients	
	2008	2009	2008	2009
Metro do Porto	58,542	59,917	25,755	26,467
Andante System	86,674	96,636	51,637	58,142



Of the total validations in the Light Rail, 44.3% refer to validations of multi-trip fares, the remainder to monthly fares. There is a 3.2 pp reduction, relative to 2008, in the share of multi-trip validations, reflecting

a growing fidelity of Light Rail System users. The average monthly number of validations in 2008 was 4.8 for multi-trip tickets and 32.2 for monthly cards.

Light Rail System - no. of validations



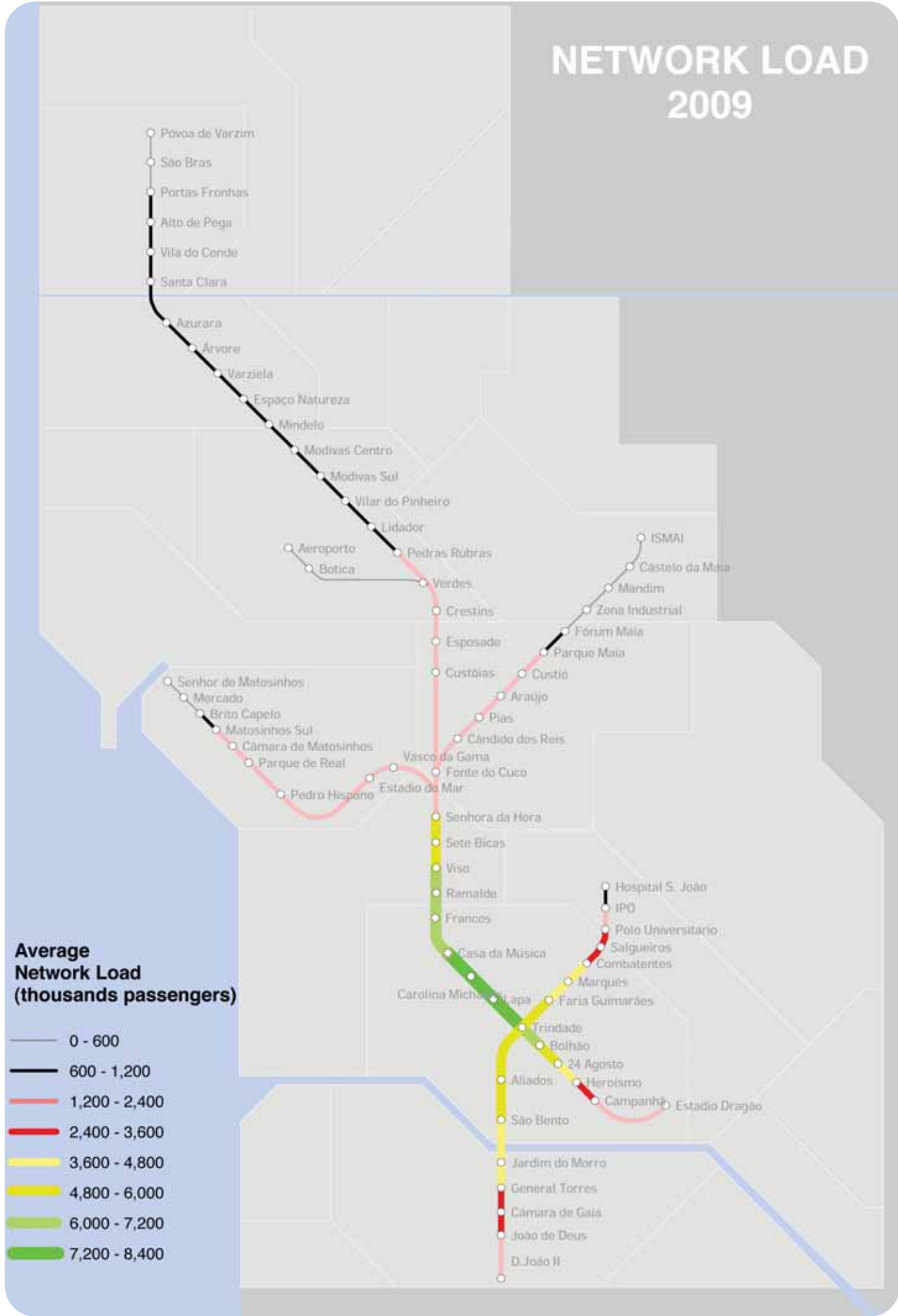
After the launch, in September 2008, by the Ministério das Obras Públicas, Transportes e Comunicações of the new 4_18@escola.tp ticket, available for all students (except Higher Education students) aged between 4 and 18, in September 2009 the new sub23@superior.tp ticket was launched, for Higher Education students aged below 23 years. This ticket, also launched nationally, sets a discount identical to the one in the 4_18@escola.tp ticket, i.e., 50% on the current tariff, a discount shared between the State and the operators, available for regular use of public transportation between residence and school.

Altogether, there were 4.9 million validations in 2009 in the Light Rail System with these tickets, to

which 7.2 million validations with social tickets must be added.

The network loads by stretch, shown in the following graph, correspond to the number of passengers who travelled between each pair of adjoining stations. The loads in the urban stretches of the network are ten times higher than those at the ends.

On average, for all types of days combined and for all hours of operation, it can be noticed that the load peaks occur in the stretch Trindade – Casa da Música, where between 7.2 and 8.4 million passengers were transported in each direction, followed by the stretches of the common trunk between Bolhão



and Trindade and between Casa da Música and Viso, where between 6.0 and 7.2 million passengers per direction were transported. The number of passengers in circulation in the common trunk decreases as one moves towards the extremities, the parts up to to the Senhora da Hora and 24 de Agosto stations recording loads similar to those found in the Yellow Line stretch between Faria Guimarães and São Bento, with loads between 4.8 and 6.0 million passengers per direction.

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	2,332,086	23.2%
Casa da Música	1,920,407	62.0%
Bolhão	1,693,778	72.8%
São Bento	1,543,347	68.5%
João de Deus	1,449,440	80.2%
Campanhã	1,366,596	59.2%
D. João II	1,223,040	81.7%
Estádio do Dragão	1,222,414	74.4%
Senhora da Hora	1,117,470	55.4%
Marquês	1,056,601	78.4%

¹ Comprising both the surface and underground platforms.

The Trindade station, where five of the Light Rail lines cross, is the central point of the System. Considering its two platforms, the underground one for the Yellow Line and the surface one for the common stretch of the remaining Lines, a total of 10.1 million validations occurred in that station, 19.3% of the total validations in the System and 13.7 times the average number of validations per station, very similar to last year. Of the total validations at Trindade, about 76.8% correspond to passengers changing from one line to another. Excluding such transfer validations, i.e., considering just the use of stations as entry points into the Andante system, the three main stations in the network are, besides Trindade (2.3 million journey starts), the Casa da Música (1.9 million) and Bolhão (1.7 million) stations.

Park & Ride

Through Metro do Porto's Park and Ride solution free or low cost car parking is made available to users of the intermodal Andante system at more than one third of the metro stations, contributing to an increased accessibility to the transport system.

The Oporto Metropolitan Area Light Rail System had a total of 24 car parks in effective operation throughout 2009, with a real overall capacity of 2,601 places.

The low cost Park & Ride in use at Metro do Porto since 2006 offers total integration between the transport ticket and the parking ticket made available through the same contactless Andante card.

That access control system has been active at the ParqueMetro interface at the Estádio do Dragão station since August the 15th 2006, having recorded a total of 105,497 users in 2009 (2.1% less than in 2008) and an average daily occupation of 401 vehicles (for a capacity of 850 places). The load factor varied this year between the 30% in the month of August and the 52% in January, March and May.

In the free Park & Ride interfaces, the load factors differ according to location and season: week-day full occupation was commonly found at the Botica station park; above 95% at Senhora da Hora and Parque Maia; and load factors exceeding 70% at Parque de Real and Pedro Hispano; Araújo and Custóias being the stations where on average in week-days more than one half of the places were occupied.

To be noted is the continued availability of the Park& Ride service at the car park next to the Fórum Maia station for monthly pass holders who subscribe this product, thanks to the renewal of the contract initially

signed in 2007 with Empresa Metropolitana de Estacionamento da Maia, E.M., which allows the use of Parque Central da Maia at the price set in the Park & Ride tariff in use at Metro do Porto, directly benefiting frequent clients of Metro do Porto and clients of the intermodal Andante system.

Guindais Funicular

A total of 448,777 validations was recorded at the Guindais Funicular, a 6.2% growth on 2008. Given the 280 metres length of each trip, this corresponds to a total of 125,658 passenger-kms.

Guindais Funicular use profile remained predominantly concentrated on non-week days, in which 37.2% of the total validations occurred, a slightly lower percentage than in the previous year.

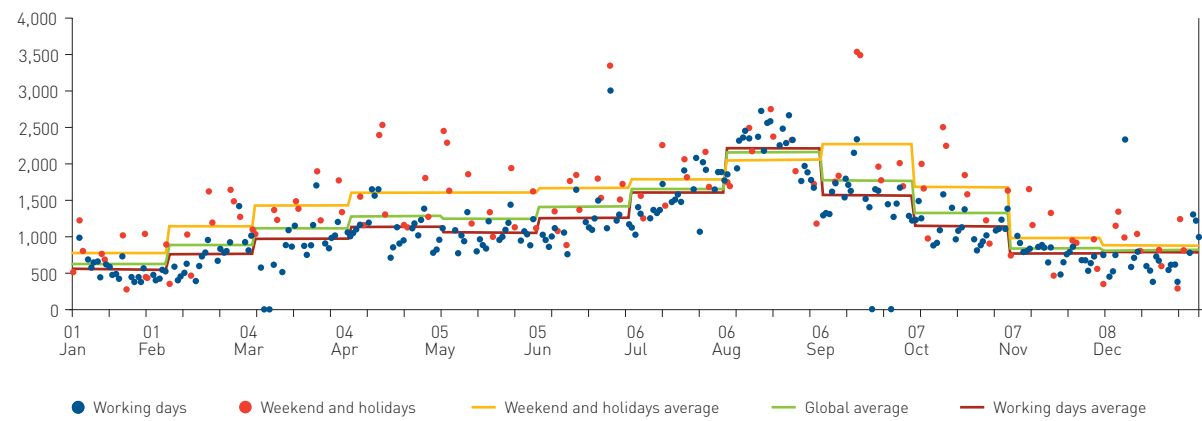
In daily terms, there was an annual average of 1,452 validations in non-week days in 2009 (4.9% more

than in 2008), to compare with an overall annual average of 1,231 validations (6.1% more than in 2008). The average number of week-day validations was 1,129 (6.9% more than in 2008), amounting to 77.7% of the equivalent non-week day figure (76.3% in 2008).

In monthly terms and as in previous years, peak use was in August, with 66.3 thousand validations, 14.8% of the overall use of the Funicular.

The daily peaks occurred at the time of the third edition of the *Red Bull Air Race* between the Oporto and Vila Nova de Gaia banks of the river Douro, on September the 12th and 13th, and of the São João special operation (a local holiday), on June the 23rd and 24th. In these days, taken together, 13,308 validations were recorded, 3.0% of the annual total.

Guindais Funicular - no. of validations



SERVICE
Light Rail System

There was a marginal reduction of 0.1% of the total 2009 kms in commercial service. Maintaining the supply level at a time when the demand exhibited some growth meant some progress was achieved to improve the average load factor of the system.

About 6,472 (equivalent to simple) vehicle kms were offered. With a transport capacity of 216 passengers per Eurotram car (80 of which are seated), this corresponds to about 1,398 million seat kms.

About 37% of the seat kms offered were concentrated in the common stretch of the network (9.6 Kms between the Estádio do Dragão and Senhora da Hora stations) and 22 % in the Yellow Line (8.0 kms). Taken together, the common stretch of the Red and Airport Lines, between the

Senhora da Hora and Verdes stations, and the Red Line antenna, between the latter and the Póvoa de Varzim station, which have a combined length of 24.0 kms, absorb 22% of the total seat kms offered. The Blue and Green Lines antennas, on the other hand, represent 9% each.

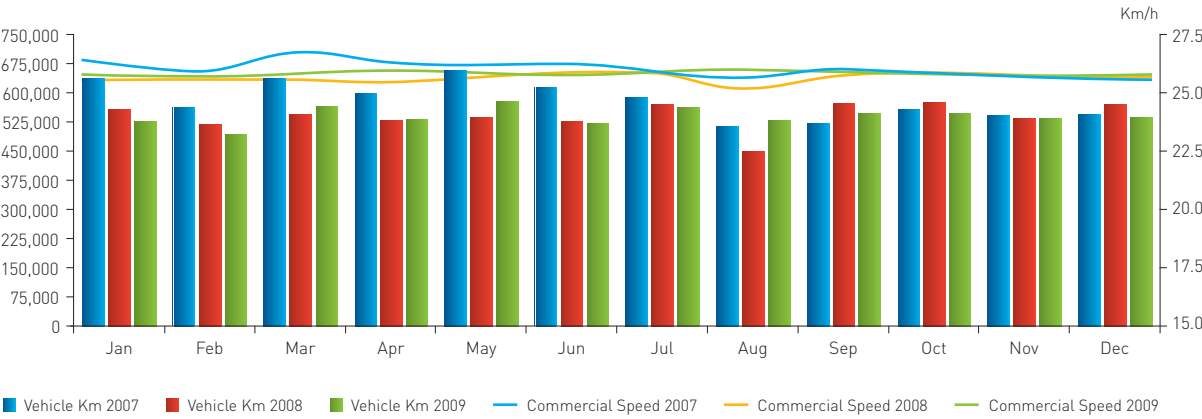
Vehicle km by Stretch	2007	2008	2009	% 09
Common Stretch	2,567,256	2,420,513	2,395,573	37.0%
Blue line antenna	496,133	539,613	590,572	9.1%
Red / Airport Common Stretch	619,304	527,215	515,272	8.0%
Red line antenna	1,225,687	937,037	903,749	14.0%
Green line antenna	737,965	627,777	595,109	9.2%
Yellow line	1,268,807	1,369,219	1,413,829	21.8%
Airport stretch	58,586	59,109	58,345	0.9%
Total	6,973,738	6,480,483	6,472,450	100.0%

In March a new operation model of the Red Line was implemented. Through the introduction of two “Express” connections per hour and the frequency thus achieved of 4 services per hour in the stations where the “Express” service stops, the frequency and the quality of service was improved – with the same journey time. The new “Express” serves the Póvoa de Varzim, Portas Fronhas, Vila do Conde, Varziela, Mindelo, Pedras Rubras stations as well as all the others in the Senhora da Hora – Trindade segment. The “Express” journeys now stop at a dedicated plat-

form in the Trindade station, which was exclusively prepared for the purpose (platform 3).

Throughout 2009 there were 35 special operations, responding to peaks in demand, among which 23 for football matches at Estádio do Dragão, as well as the traditional operations of Queima das Fitas, São João, Senhor de Matosinhos, *Red Bull Air Race* and New Year. Globally in these 23 operations there was an increase of about 245,000 validations relatively to the equivalent figure for the previous year.

Light Rail Operation



The average global commercial speed calculated from the sensor based records was in 2009 of 27.0 km/h. The

average passenger speed (commercial speed weighted by the occupation per stretch) was of 27.2 km/h.



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

Commercial Speed	Km/h			
	2006	2007	2008	2009
Blue Line	23.54	23.18	22.75	22.70
Red Line	31.16	32.17	32.02	32.32
Green Line	27.48	27.28	27.69	27.72
Yellow Line	21.58	21.47	20.52	19.53
Violet Line	27.02	27.31	27.26	27.97
Global	26.70	27.22	26.75	27.02
Passengers	28.03	28.03	27.87	27.22

The calculation of this speed indicator takes into account the time taken to travel between stations and stoppage times at stations (except for stoppage time at the terminus stations).

The global load factor was 18.7%, a growth of 0.15 pp versus 2008.

Light Rail System Load Factor



The monthly peak was seen in October, the month with the highest number of validations in 2009, with a load factor of 20.8%. The monthly average peak hourly load factor was reached also in October, as well as in November, 33.2% between 08.00 and 09.00

hours. With the exception of August and December (typical school holiday months), the monthly average peak hourly load factor throughout 2009 was in the 08.00-09.00 hour bands.

Load Factor	Month	Average Peak	Time
January	18.5%	29.6%	8h - 9h
February	18.5%	28.8%	8h - 9h
March	20.1%	32.6%	8h - 9h
April	18.7%	28.9%	8h - 9h
May	19.3%	29.5%	8h - 9h
June	18.7%	27.7%	8h - 9h
July	17.9%	25.6%	8h - 9h
August	14.9%	21.2%	18h - 19h
September	19.0%	28.0%	8h - 9h
October	20.8%	33.2%	8h - 9h
November	20.1%	33.2%	8h - 9h
December	17.4%	26.3%	17h - 18h

The values indicated above correspond to the average load factor in the System, considering all the days of the week, the whole network and both directions. Analysing the peaks in occupation by hour/stretch/direction, load factors consistently over 65% are achieved (over the seven days of the week, not just working days), sometimes over 80%.

Throughout the year there were 87 traffic accidents, twelve more than in 2008. Taking into account the level of supply, a rate of 0.13 accidents per 10,000 vehicle kms was recorded in 2009 (0.12 in 2008).

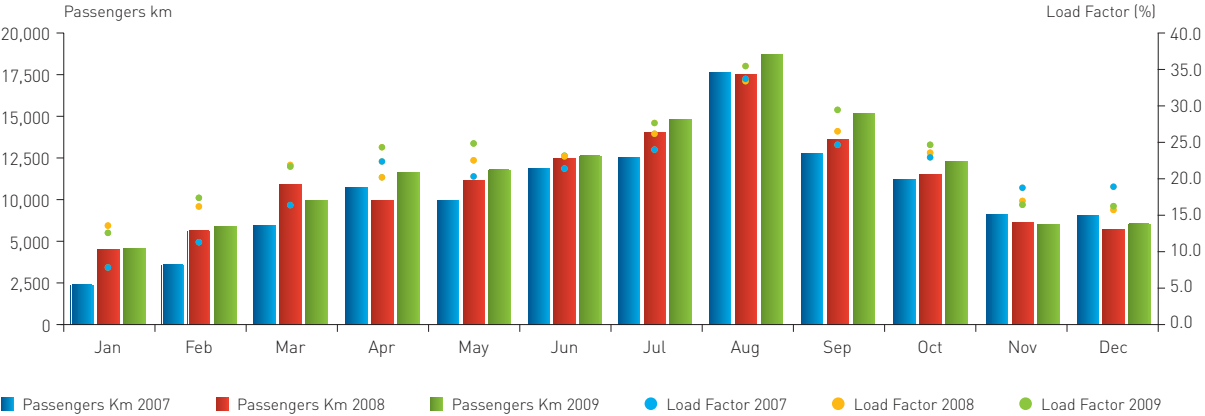


Guindais Funicular

There were 38,498 circulations in 2009, which corresponds to 538,972 seat kms, 0.7% more than in 2008. The 2009 supply volume determined an average load factor of 23.3%, 1.21 pp more than in 2008, similar to the growth between 2007 and 2008.

Reflecting the Guindais Funicular's pattern of use, load factors are higher on non-weekdays, with an annual average of 25.8%, 4.1 pp above the 21.8% average on weekdays.

Funicular Guindais Load Factor





METRO DO PORTO'S COMMUNICATION AND IMAGE

At the time of the introduction of the Red Line's new operation model, in March 2009, a strong communication campaign directed at both clients and non-clients was developed, involving direct contact with the population of the Municipalities of Póvoa de Varzim, Vila do Conde, Maia and Matosinhos served directly by the Red Line.

Metro do Porto developed a partnership with ANA – Aeroportos de Portugal to present information on timetables and frequencies of the Light Rail System inside the Francisco Sá Carneiro Airport, as well as to make permanently available real time information on flight arrivals and departures.

Between May the 2nd and the 10th 2009, Metro do Porto again implemented a continuous operation during the whole Queima das Fitas week, seeking the preference of the University community and providing their safe transport. This operation's outcome was highly favorable: a new demand record, thanks to the 265,847 validations on May the 5th, about 555 thousand additional validations, and an overall demand growth rate of 17.1% compared to the 2008 Queima das Fitas.

The upgrade in service level at the time of the popular festivities of Senhor de Matosinhos, held between May and June, and the continuous service during São João (the night of June the 23rd to the 24th) are already a feature of these celebrations. The Senhor de Matosinhos special operation involves an increase in the level of service of the Blue Line, with extended operating hours during week-ends and at night.

In 2009, the Red Bull Air Race took place for the third time in the Oporto and Vila Nova de Gaia banks of the Douro, an event which attracts thousands of visitors. The increase in the number of validations on the day of the race is estimated at 105 thousand.

Metro do Porto participated in the European Mobility Week with an initiative to promote public transportation, opening the System to free use on September the 16th and the 22nd, the first and last days of the Mobility Week. Similar initiatives were undertaken by STCP, Carris and Metropolitano de Lisboa.

On April the 30th the new Metro do Porto site was launched, enabling real time access to actual network traffic conditions, and thus an easier planning of trips and a substantial increase of interactivity.

As from May, Metro do Porto is present in the social networks Facebook and Twitter. By the end of 2009, Metro had over 1,500 followers in Facebook and over 700 in Twitter.

Following technical developments within the scope of the partnership with Google Inc., Metro do Porto has been a part since May of Google Transit, an online tool to facilitate the planning of trips using public transportation. Metro do Porto was one of the first fifty operators worldwide to be present in this application.

Metro do Porto launched in July a trilingual Tourist Guide, in Portuguese, English and Spanish, with a circulation of 100 thousand. This Guide associates the Light Rail network to ticket information as well as to information on various (cultural, gastronomic and leisure) tourist destinations and attractions, located in the vicinity of stations.

Throughout 2009, the beginning of regular operation of the corporate Metro TV network was prepared, together with the widening of its coverage. Besides the start of the works to enable the broadcasts to reach ten stations and of the essays to broadcast the channel inside the new tram train vehicles, the

approach to the market to select a partner to provide content to Metro TV and to exploit its publicity business was prepared. It is expected that this market consultation will take place in the first quarter of 2010.

The beginning of the year coincided with the start of the "Metro Literary Trips", a project to promote reading during metro journeys. Between January the 30th and April the 30th, the Company distributed national and international literary classics on board the Red Line vehicles and in Andante shops at Trindade, Casa da Música and Póvoa de Varzim. Through a registration system based on the Andante cards (both monthly and multitrip), about one thousand clients adhered to this project, registering and requesting quite often the over 800 available books.

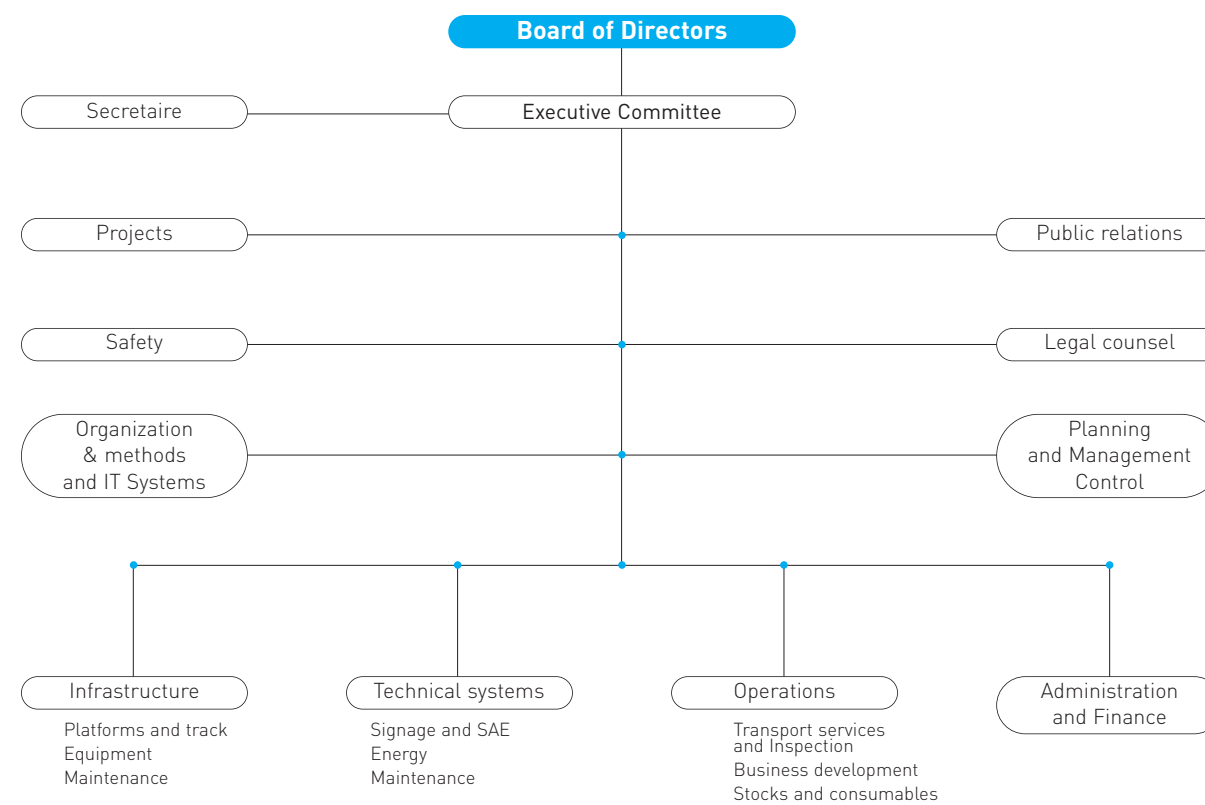
In 2009, there were 278 leisure and cultural animation events in the network, promoting and in association with numerous noteworthy events held in the Metropolitan Area of Oporto.





→ 035 metro and its staff

ORGANISATIONAL STRUCTURE





STAFF

Metro do Porto's staff structure remained stable relative to what it was at the end of 2008. At the end of 2009 it had 130 collaborators (of which 107 were

working in the Company), for an average number of 103 collaborators employed in the Company throughout the year.

	2006	2007	2008	2009
Total Staff (31.12)	122	129	129	130
Excluding CP / REFER	106	113	113	117
Excluding CP / REFER & on Seconded to TIP, ACE or other State owned companies	93	101	102	107
Average Total Staff	126	127	128	129
Technical Staff	71.8%	71.3%	71.3%	72.3%

The December the 31st overall total includes eight collaborators seconded at TIP, ACE; also two requested to be part of the Board of another State-owned Company. That total also includes 16 pending cases of ex-REFER and ex-CP employees transferred to Metro do Porto through the contract signed in September 1998 by the Portuguese State, the Metropolitan a Area of Oporto, CP and REFER. As a result of this contract, Metro do Porto incurred so far in a total cost of 15.7 million euros (in wages and dismissal settlements). This contract sets out that the State will fund "the actions defined in this contract".

To reach an overall solution for the 16 workers transferred from CP and REFER whose situation remains undefined, Metro do Porto has been in contact with their representative structures.

In this way, three possible solutions were identified: definitive resolution of the work contract; integration in the operating Company; integration in some of Metro do Porto's teams, e.g. in the Document Centre or in the fraud handling team.



Thirteen collaborators have made multifunctional exams at Fernave to possibly take up positions in the operating Company and, on November the 2nd 2009, three other actually began traineeships in the above referred areas of Metro do Porto. A growth rate of 24.1% in total training hours was observed, thus reaching an absolute value in the current year of 2,520 training hours.

A high level of qualification remains a feature of Metro do Porto's staff, of which 77.8% (excluding ex-REFER or CP employees not presently integrated in MP teams) had a higher education degree at the end of the year. The average age of these collaborators was 39, at that time.

Through an agreement with Universidade do Minho, within the scope of the Mestrado Integrado em Psicologia da Justiça, two Master students were enrolled for six months beginning on November the 17th 2009 to improve the internals skills in the domains of Security and Vandalism, as well as to create those skills in the petty criminality and in petty criminality induced (personal and organizational) stress and conflict management.

„
...improve the internals skills in the domains of Security and Vandalism, as well as to create those skills in the petty criminality and in petty criminality induced stress and conflict management.



Gondomar Line construction experienced a strong boost throughout the year.



→039 metro and its shareholders

○ SHAREHOLDING STRUCTURE

There were no alterations in the shareholding structures of Metro do Porto, S.A., where the Portuguese State maintains its 40% share, to which accrues the indirectly held participation of 20% through the shares of Sociedade de Transportes Colectivos do Porto (16.7% of the share capital) and Caminhos de Ferro Portugueses (3.3%), these Companies being

fully owned by the State, in addition to being strategic partners of Metro do Porto in the Oporto Metropolitan Area intermodal project.

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

Shareholder	Shares	% shareholding
Portuguese Stat	600,000	40.0
Área Metropolitana do Porto ¹	600,000	40.0
STCP	250,000	16.7
CP	50,000	3.3

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

○ COMPOSITION OF GOVERNING BODIES

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

General Meeting Board

- President**
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**
Rui Fernando da Silva Rio
- Non Executive Member**
Mário Hermenegildo Moreira de Almeida
- Non Executive Member**
Marco António Ribeiro dos Santos Costa

Audit Committee

President

Maria Fernanda Joanaz Silva Martins

Effective Member

Guilherme Manuel Lopes Pinto

Effective Member (ROC)

Carlos Alberto Freitas dos Santos, em representação da “António Magalhães & Carlos Santos – SROC”

Substitute Member (ROC)

José Rodrigues de Jesus

Remuneration Committee

President

Filomena Maria Amaro Vieira Martinho Bacelar

Effective Member

Sara Alexandra Ribeiro Pereira Simões Duarte Ambrósio

Effective Member

Manuel Castro de Almeida

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



CHAIRMAN

António Ricardo de Oliveira Fonseca

Chairman of the Board
Chairman of the Executive Committee

DEPARTMENTS OVERSEEN

- Legal
- Planning & Management Control
- Safety
- Organization & IT Systems
- Communications

POSITIONS IN COMPANIES WHERE METRO DO PORTO PARTICIPATES

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

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

PROFESSIONAL EXPERIENCE

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



BOARD MEMBER

Maria Gorete Gonçalves Fernandes Rato

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

DEPARTMENTS OVERSEEN

- Operations
- Finance & Administration

POSITIONS IN COMPANIES WHERE METRO DO PORTO PARTICIPATES

- Chairman of the Board of Transpublicidade, S.A.
- Board Member da TIP – Transportes Intermodais do Porto, ACE

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

Executive MBA, Instituto de Estudos Superiores Financeiros e Fiscais

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

PROFESSIONAL EXPERIENCE

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



BOARD MEMBER

Jorge Moreno Delgado

Board Member
Executive Committee Member

DEPARTMENTS OVERSEEN

- Infra-structure
- Technical Systems
- Projects

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

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

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

PROFESSIONAL EXPERIENCE

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



BOARD MEMBER

Fernanda Pereira Noronha Meneses Mendes Gomes

Board Member
Chairman of the Board, STCP

1st Degree in Law

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

National Professional Certificate for Passenger Bus Driving, 2002

PROFESSIONAL EXPERIENCE

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



BOARD MEMBER (NON-EXECUTIVE)

Rui Fernando da Silva Rio

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

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

PROFESSIONAL EXPERIENCE

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



BOARD MEMBER (NON-EXECUTIVE)

Mário Hermenegildo Moreira de Almeida

Board Member
President of the Municipality of Vila de Conde

1st Degree in Civil Engineering

PROFESSIONAL EXPERIENCE

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



BOARD MEMBER (NON-EXECUTIVE)

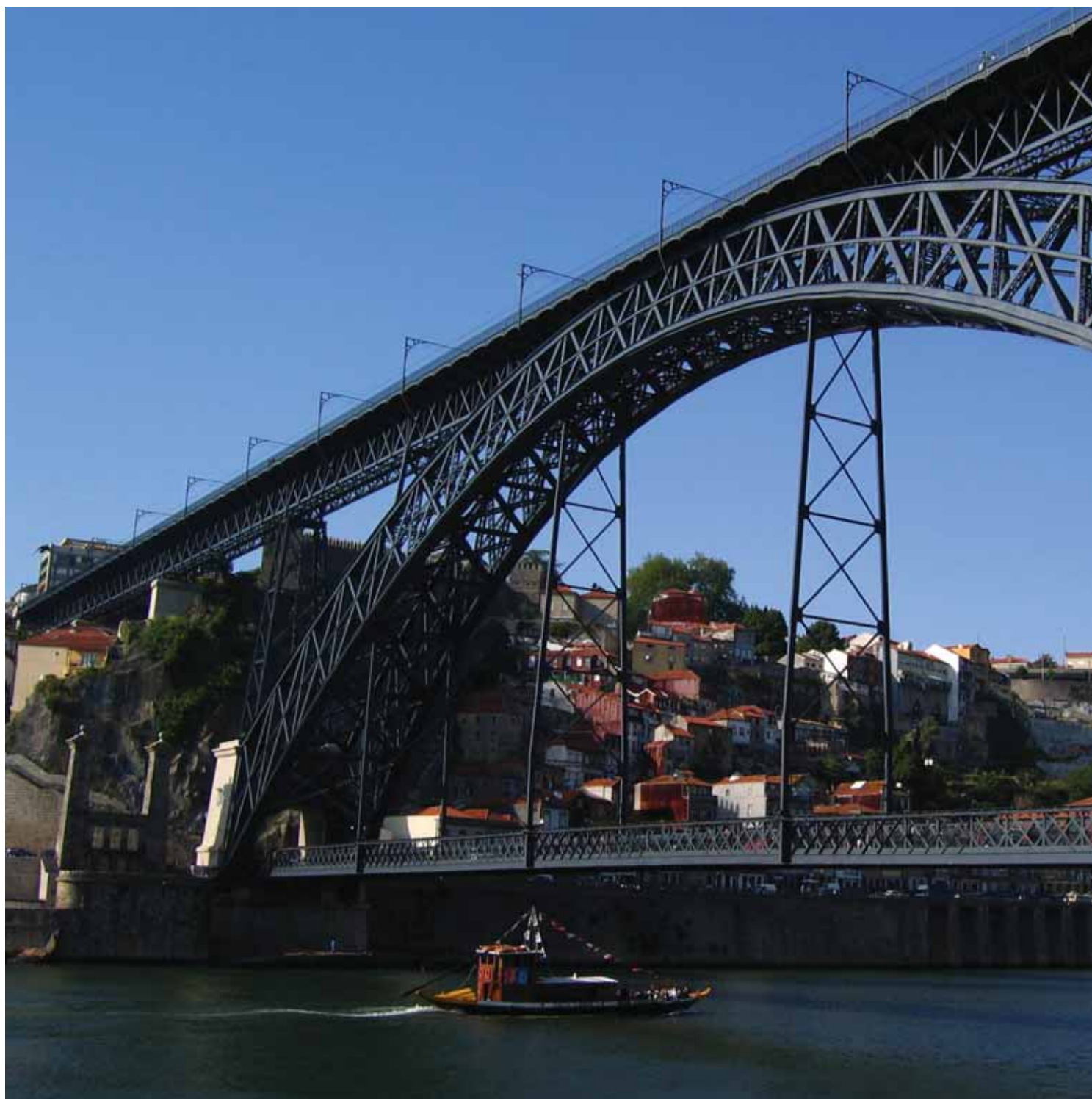
Marco António Ribeiro dos Santos Costa

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

1st Degree in Law, Universidade Católica do Porto

PROFESSIONAL EXPERIENCE

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



The adoption of **integrated sustainability strategies** ensures high performance levels.

→ **043** **good**
governance principles

INTERNAL AND EXTERNAL REGULATIONS THE COMPANY IS SUBJECTED TO

- Directive 2004/17/CE of the European Parliament and Council, of March the 31st 2004, in respect of the coordination of the awarding of contracts in the water, power supply, transportation and postal service sectors;
- General ERDF and Cohesion Fund Regulations;
- Decree-Law n.º 69/2007, of March the 26th – (transposing into internal law the Commission Directive 2005/81/CE, of November the 28th, in respect of transparency in the financial relationships between member States and State owned companies);
- Decree-Law n.º 148/2003, of July the 11th – (transposing into internal law the Commission Directive 2000/52/CE, of July the 26th, in respect of transparency in the financial relationships between member States and State owned companies);
- Decree-Law n.º 71/2007, of March the 27th (State Owned Company Manager Status);
- Law n.º 28/2006, of July the 4th (sanctions regimen for transgressions occurred in public transportation);
- Decree-Law n.º 192/2008, of October the 1st (Concession Bases and Metro do Porto's By-Laws);
- Resolution of the Council of Ministers n.º 49/2007, of February the 1st (Good Governance Principles for State Owned Companies)
- Decree-Law n.º 371/2007, of November the 6th 2007 (available Complaints Book compulsory).
- Decree-Law n.º 231/2007, of July the 14th (Rail Safety)
- Decree-Law n.º 300/2007, of August the 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 18/2008 which approved the Código da Contratação Pública and associated regulations.

AUTHORITY POWERS

In accordance to what is set out in paragraph g) of article 13.º-A of Decree-Law 300/2007 of August the 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-I determined and approved through Decree-Law n.º 394-A/98, of December the 15th, as defined by Decree-Law n.º 192/2008, of October the 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 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 inance and Transport Ministers.

Within the scope of its concession Metro do Porto, S.A. has maintained with regularity and effectiveness the passenger public transportation service, on the basis of a contract which follows the mandate to sub concede the operation; a contract signed on December the 16th 1998, extended through an amendment signed on March the 31st 2009 with the Normetro Consortium–Agrupamento Metropolitano do Porto, ACE, effectively using all the above mentioned rights.

(values in thousands euros)		
Contracts	Partie	Value
7 th -A Amendment to the Design, Construction, Equipment and Operation of the Light Rail System of the Metropolitan Area of Oporto	Normetro, ACE Consortium	33,468
8 th -A Amendment to the Design, Construction, Equipment and Operation of the Light Rail System of the Metropolitan Area of Oporto	Normetro, ACE Consortium	5,628

The 7th-A Amendment celebrated with the Normetro, ACE Consortium regulates the extension of the light rail system operation period (from April the 1st 2009 to March the 31st 2010), requiring the ACE to operate and maintain the System since its First Part entered service until March the 31st 2010;

The 8th-A Amendment regulates the guarrantees extension in respect of civil engineering works and of electro-mechanical equipment and the values of the extension of the period of cover of insurance contracts, as well as of bonds and retentions, not already agreed in the 8th Amendment.

EVALUATION OF THE ADHESION TO GOOD GOVERNANCE PRINCIPLES

With the alteration in shareholding structure occurred on March the 25th, Metro do Porto, S.A.

INFORMATION ON OTHER TRANSACTIONS

Metro do Porto, S.A. follows the procedures set by the law in connection with the purchase of goods and services. Exceptionally, given the complexity and urgency in the execution of some works, in 2009 some contracts were awarded whose amounts exceed what is normally applicable for the form of awarding that was used. The exceptional adoption of these procedures was due to at least one of the following reasons:

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

The contracts awarded in these circumstances were the following:

became an “empresa pública” (State owned company). The Council of Ministers Resolution 49/2007, of March the 28th 2007, defining the Good Governance Principles for the State owned sector, became therefore applicable from that moment on.

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 the 28th 2007:

Information concerning the Governance of the Company to be published in the Annual Report		Location
Mission, Objectives and Policies		
Explanation of mission and of how it is carried out		Sustainability Report Chapter: Along the Sustainability Report
Explanation of objectives and of their degree of achievement		Along the Sustainability 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		Annex to the Annual Report
Indication of the overall compensation received by each member and of the remaining benefits provided by the Company		Annex to the Annual Report
Internal and External Regulations		
Summary reference to these regulations, presenting the most important and relevant points		Point 7.1. of the Annual Report
Information on relevant transactions with related entities		
Procedures followed for the purchasing of goods and services		Point 7.3. of the Annual Report
Universe of transactions occurred outside market conditions		Point 7.3. of the Annual Report
List of suppliers representing more than 5% of goods and services purchased (should that percentage exceed 1 M€)		Annex to the Annual Report
Sustainability Analysis		
Strategies followed		Sustainability Report Chapter: Strategy and Sustainability Along the Sustainability Report
Degree of achievement of set goals		Along the Sustainability Report
Policies followed to ensure the economic, financial, social and environmental efficiencies and to safeguard quality norms		Sustainability Report Chapter: What we achieved...
Identification of the main risks for the Company’s future		Annex to the Annual Report and Sustainability Report Chapter: Corporated Governance
Guarantees regarding the promotion of equal opportunities, respect for human rights and non discrimination		Sustainability Report Chapters: Corporated Governance Social Responsibility
Adequate management of the Company’s human capital, promoting individual enrichment, setting up systems that uarantee welfare and compensate the merit of staff		Sustainability Report Chapter: Social Responsibility
Adoption of environmentally correct practices		Sustainability Report Chapter: Environment
Creation of shareholder value (increased productivity, client focus, reduction of risks stemming from the environmental, economic and social impact of the activities carried out, etc.)		Sustainability Report Chapter: What we achieved...
Promotion of environmental protection		Sustainability Report Chapter: Environment
Contribution to social inclusion (employability)		Sustainability Report Chapter: Social Responsibility
Public service and satisfaction of community needs		Sustainability Report Chapter: Economic Prespective
Ways in which the Company’s competitiveness was safeguarded, namely through research, development and integration of new Technologies in the productive process		Sustainability Report Chapter: Social Responsibility
Action plans for the future		Along the Sustainability Report and Point 9 of the Annual Report
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

The Company's Ethical Code is available at www.metrodoporto.pt.

In 2010 the Company shall publish the equality plan.

Also in 2010 a Client's Ombudsman shall be nominated, who shall be freely accessible, and who will be available for clients and citizens in general to use their right to complain, as well as to present suggestions.

Paragraph i) of article 13.º - A of DL 300/2007, of August the 2nd 2007

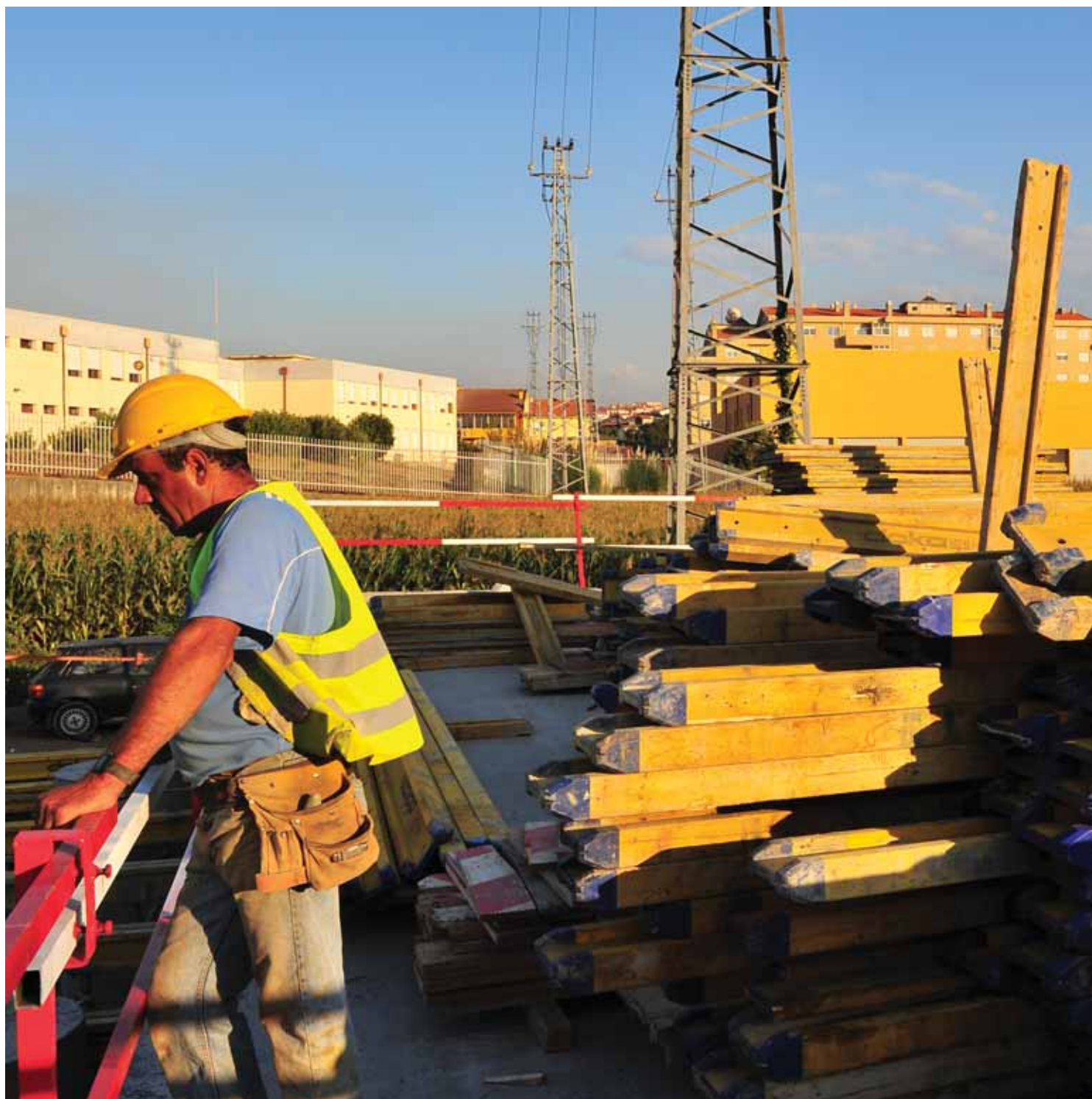
In what follows relevant information in connection with the fulfillment of what is prescribed in paragraph i) of article 13.º - A of Decree-Law 300/2007, of August the 2nd 2007 is presented. That paragraph prescribes that State owned Companies' Annual Reports contain "the indication of the number of Board meetings with reference to the most relevant decisions taken by the Board during the year".

During 2009 the Board met 23 times, the following deliberations standing out:

- Approval of new loan contracts;
- Approval of the Annual Report and of the Sustainability Report for the year 2008
- Approval of the purchasing model for the Signaling System for the Gondomar Line, Estádio do Dragão - Venda Nova stretch: public tender for the components for which several proposals may be obtained; direct negotiation with Bombardier Transportation Portugal, S.A. for the components for which this is regarded as the only feasible supplier;
- Approval of the launch of the tender for the Limited Tender through Previous Qualification for the installation of a Signaling System for the Gondomar Line, Estádio do Dragão - Venda Nova stretch
- Approval of the integration in the Project and in the contract of the Gondomar Line of several adaptations derived from the new Plano de Pormenor de Contumil;
- Award to M. Couto Alves, SA the Execution of the Urban insertion works in the surroundings of Viaduto Maia Norte;
- Award to the consortium formed by EMEF - Empresa de Manutenção de Equipamento Ferroviário, S.A. and Bombardier Transportation Portugal, S.A. (EMEF/Bombardier) of the execution of the services of the 480,000 Km inspection in twenty five "Eurotram" vehicles;
- Award to Bombardier Transportation Portugal, S.A. of the supply of ATP - Automatic Train Protection for the "Tram - Train" vehicles;
- Award to the Consortium Bento Pedroso Construções, S.A., Lena Engenharia e Construções, S.A. and Construtora Abrantina, S.A., of the Construction of the Extension of the Yellow Line to Santo Ovídio, including the Interface at D. João II station;
- Approval of the Preliminary Report of Bidders Qualification for the Limited Tender through Previous Qualification for the 2nd Phase of Urban Insertion in Vila do Conde
- Approval of the Preliminary Report of Bidders Qualification for the Limited Tender through Previous Qualification for the 3rd Phase of Urban Insertion in the Vila do Conde - Póvoa de Varzim Stretch
- Approval of the Preliminary Report of Bidders Qualification for the Limited Tender through

Previous Qualification for the Construction of an Interface in Vila do Conde

- Approval of the 7th-A Amendment to the Project, Construction, Equipment and Operation of the Light Rail System of the Metropolitan Area of Oporto, extending the period of the contract from April the 1st 2009 to March the 31st 2010;
- Approval of the 8th-A Amendment to the Project, Construction, Equipment and Operation of the Light Rail System of the Metropolitan Area of Oporto, whose object is the extension of guarantees in respect of civil engineering works and of electro-mechanical equipment;
- Approval of the General Agreement in respect of Accounts to Close the Contract with Normetro, ACE;
- Award to Alberto Couto Alves, S.A., of the Works to complete the road link between the Serpa Pinto and General Torres streets, in Vila Nova de Gaia;
- Approval of the solutions detailed in the proceedings of the Steering Committee of the Western Line of Oporto as a basis for the Project development work;
- Approval of the 5th Amendment to the Technical Assistance, Control, Inspection and Reception of the Light Rail System's Construction Services contract (Conclusion of the 1st Phase and Execution of the 2nd Phase), extending the contract's period until March the 31st 2010;
- Approval of the Green Line extension to Trofa file, and of its submittal do the Government for approval, so ohat the tender may e launched;
- Award to Prosegur - Companhia de Segurança, Lda., of the Oporto Metropolitan Area Light Rail System's Tickets Inspection and Control Services contract;
- Approval of the launch of the limited tender through previous qualification for the inspection, monitoring and health and safety coordination of the works of the 2nd Phase of urban insertion between Vila do Conde and Póvoa de Varzim;
- Award to the Consortium Barraqueiro, SGPS, S.A. / Barraqueiro Transportes, S.A. / Arriva Portugal, S.A. / Keolis, S.A. / Manvia - Manutenção e Exploração de Instalações e Construção, S.A. of the Sub concession to Operate and Maintain the Light Rail System of the Metropolitan Area of Oporto, subject to approval by Dispatch to be proffered by His Excellency the Secretary of State for Transport;
- Award to PriceWaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda., of the Financial Year 2009 external audit;
- Approval of the Ethics Code of the Company;
- Approval of the Plan of Activities and Budget of Metro do Porto, S.A. for 2010



In 2009, the network extension works and the metro operation helped maintain and/or **create 1,559 jobs**.

→049 economic and financial performance

MACROECONOMIC ENVIRONMENT

The scenario of a collapse of the international financial system and consequent worsening of the world economic situation, more intensely feared in the first half of 2009, vanished gradually along the second half of the year. The ready intervention, often coordinated, of the main central banks, adopting aggressive expansionist monetary policies, combined with the generalised launch of budgetary and fiscal packages to stimulate the economy, may have been decisive to counter the 2008 recessive framework and to create the conditions for the gradual recovery of the world economy. The first signs of détente of the world financial and economic crisis suggest the recovery of the international trade, however shy, under the impulse of the Asian economies' performance and of the stabilisation of the remaining economies. Nevertheless, the heavy legacy of what turned out to be one of the most serious crisis in recent history, particularly in what concerns unemployment, private demand debility and the prevalence of expressive public debt levels, leads to the anticipation of anemic growth by the advanced economies in general in 2010.

According to the forecasts of the World Economic Outlook of the International Monetary Fund, a contraction of the World GNP of around 1.1% is estimated to have occurred, as opposed to the 3.0% growth recorded in 2008, reflecting a strong dis-acceleration of world economic activity and trade, estimated at 11.9%, with most impact in the advanced economies in general. According to these projections a recovery of the world GNP is expected already in 2010, of

around 3.1%. According to the same source, the 2009 estimate of inflation was around 0.1% in advanced economies, expected to increase slightly up to 1.1% throughout 2010, largely reflecting the increasing trend in raw materials' prices.

At the world economy level, the advanced USA and Eurosystem economies stand out, showing the first signs of stabilisation. Throughout the third quarter of 2009, some signs of recovery appeared in the North-American economy, the engine of the world economy, although the risks derived from the expansion of unemployment persist, discouraging private consumption, as well as from the low rates of utilisation of productive capacity, a disincentive to investment. The forecasts published in the World Economic Outlook of the International Monetary Fund estimate that a reduction in the order of 2.7% of the North-American GDP has occurred in 2009, to be followed by a 1.5% growth in 2010.

In the euro area, still according to the forecasts published in the World Economic Outlook of the International Monetary Fund, the GDP decrease for the Eurosystem economies was 4.2%, a slight GDP recovery being estimated for 2010, of around 0.3%. The favorable performance of the Euro area economies notwithstanding, particularly of German exports, doubts about the dynamism of the future economic recovery persist, namely about some components of aggregate demand. The threat of growing divergence within the Euro area economies hovers, too, the financial difficulties of the periphery

economies standing out. In spite of structural differences amongst these, they all face high budget deficits and debt levels. In early 2010 they are under heavy pressure through the appreciation of their sovereign debt’s risk premia.

Similarly to its peers in the Euro area, the evolution of the Portuguese economy suffered with the present international conjuncture. A persistent set of weaknesses of a structural nature, the high degree of openness of the economy and the worsening of the so called budget problem render the Portuguese economy more vulnerable to absorb external shocks, According to the 2009 Winter Bulletin published by the Bank of Portugal, a reduction of 2.7% of the Portuguese GDP is expected as is a slight 0.7% growth in 2010, reflecting a gradual, moderate economic recovery scenario on a global scale. According to the same institution the 2009 inflation rate was – 0.9% and the 2010 rate is expected to be 0.7%, a consequence mainly of the evolution of the price of oil and of non-energy raw materials.

The money market was characterised by the persistence of extraordinary liquidity cession measures, whose implementation began in 2008, resulting in the generalised decrease of interest rates across all terms. During 2009, the American Federal Reserve kept its interest rate policy stable, the federal funds rate remaining at 0.25%. In the European Union, the European Central Bank increased the pace of the cycle of downward moving interest rates. Having started January 2009 with a 50 bps reduction to 2%, the main Euro system funding rate ends the year at 1%, after three additional revisions, of 50 bps in March and of 25 bps in April and in May. The Bank of England followed the same trend of interest rate cuts, decreasing its reference rate to 0.5% throughout 2009 (2% in January 2008).

In the sovereign debt segment, as a consequence of continuing high public debt levels in the advanced economies in general, the pressure on risk premia has been intensifying since the last quarter of 2009, a fact which will be worse in 2010, translating into the devaluation of Government bonds and into the increase of interest rates. The appearance of some positive signs related to the reestablishment of markets notwithstanding, and in a context where the extraordinary measures taken in 2009 and 2010 seem

to be exhausted, strong reservations about the future sustainability of the global economy’s recovery in profile for 2010 still hover in the air.

INVESTMENT

Metro do Porto’s investment effort was reinforced in 2009, namely through the continued execution of the contract to supply thirty tram-train units, through the start of the Dragão – Venda Nova extension construction works and through the conclusion of the System’s complementary works.

The investment level amounted to 168.7 million euros in 2009, 36.3% more than in 2008. In accumulated terms, the investment in the Project reached 2,405 million euros.

FUNDING

The situation of lacking non-reimbursable funding of the project was made worse in the last years due to the approval of new construction works with no suitable funding being simultaneously provided. Therefore Metro do Porto resorted to bank loans, the last ones penalised by the financial turmoil prevailing throughout the world economy, which reflected in the possibilities and conditions of funding.

A grant of up to 100.0 million euros only was defined for Oporto Metropolitan Area’s Light Rail System in the scope of the QREN - Quadro de Referência Estratégico Nacional 2007 – 2013, namely within the Programa Operacional Norte through Axis IV – Qualification of the Urban Environment, corresponding to a maximum supported investment level of 200 million euros.

The situation of lacking non-reimbursable funding of the project is compounded by the underfunding of the system’s operating deficit, which results from the operation hours and the social prices in use. The contract to regulate such funding, mandated by the Concession Bases, still does not exist.

ERDF –European Regional Development Fund

In this point the project called “Oporto Metropolitan Area Light Rail System and Complementary Works – 2nd Phase”, the object of an ERDF application within the scope of the Quadro Comunitário de Apoio 2000 – 2006 (QCA III), will be covered.

At the end of 2008 the European Commission approved the reprogramming application submitted by Metro do Porto on October the 19th 2007, increasing the eligible investment from 821.1 million euros to 832.8 million euros, the co-funding rate remaining at 38.45%, which results in an increase of 4.5 million euros in the co-funding amount.

Subsequently four payment requests were submitted in 2009 (from the 20th to the 23rd), representing a total investment of 56.5 million euros, so that the total eligible accumulated investment submitted in payment requests reached 890.4 million euros, 57.6 million euros more than the approved eligible amount.

Although the European Commission had communicated, at the end of 2008, that a financial correction of only 11,726,009.22 euros should be applied, as a result of a 25% correction on the amount of expenses deemed irregular from the point of view of public

purchasing rules (9,504,078.19 euros in co-funding amount) and of 100% on the remaining contested expenses (2,221,930.03 euros in co-funding), an additional correction was made in the 22nd payment request as indicated by CCDRN’s (ERDF’s management authority), which amounted to 28,447,540.80 euros in co-funding amount terms (73,985,801.83 in eligible investment terms), corresponding to the additional correction of the 75% amount of the expenses deemed irregular from the point of view of public purchasing rules.

In October 2009 Metro do Porto sent the project’s final report to the Regional Coordinator of Measure 3.15 – Accessibility and Transportation. The last reimbursement was transferred to Metro do Porto in December 2009, with which the 320.2 million euros mark in accumulated co-funding amounts was reached.

The following table shows the evolution of ERDF – QCA III funding:

Requests	(values in thousands euros)				
	Eligible Investment	Co-funding	Co-funding limit	Settled	To be settled
Situation as at 31.12.2008	833,882	320,628	320,224	284,482	35,743
20 th Request	70,974	27,290			
21 th Request	7,863	3,023		35,743	0
22 th Request	-47,923	-18,427			
23 th Request	25,612	9,848			
	890,408	342,362	320,224	320,224	0

The project’s financial execution completed, it can be observed that on average 524 days lapsed between Metro do Porto paying its suppliers and receiving the corresponding Community co-funding.

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

The total accumulated endowments by PIDDAC to the Light Rail System projects from 1996 to December the 31st 2009 amounted to 144.8 million euros.

Project	(values in thousands euros)					
	1996/05	2006	2007	2008	2009	Total
Light Rail System	78,391	9,250	0	7,400	8,000	103,041
Infante Bridge	33,760	0	0	0	0	33,760
Tram Train	0	0	8,000	0	0	8,000
Total	112,150	9,250	8,000	7,400	8,000	144,800

On September the 3rd 2008 the allocation of 8 million euros to the “Antas – Gondomar stretch (Dragão-Venda Nova)” project within PIDDAC 2008 was

announced. Of this a share of 7.5% was subsequently blocked, as announced to Metro do Porto on January the 6th 2009.

On September the 17th 2008 Metro do Porto requested an alteration of this allocation, consisting of the transfer of the available 7.4 million euros available within PIDDAC 2009 to the “Light Rail System” project, as the submission and approval of a grant application to QREN of the Antas – Gondomar stretch (Dragão-Venda Nova)” project, a necessary condition of the allocation of the PIDDAC grant, was not expected to occur soon enough. This alteration was approved by a Dispatch of the Transportation Minister of September the 23rd 2009.

On October the 27th 2009 Metro do Porto was informed of the release of the blocked 600 thousand euros. On December the 31st 2009 the overall 8 million euros PIDDAC 2009 allocation had been totally received.

On December the 14th 2009 the allocation of a new 8 million euros to the “Antas – Venda Nova Line” project within PIDDAC 2010 was announced.

Cohesion Fund

In this point the project called “Francisco Sá Carneiro Airport Connection to a Double Track Póvoa Line”, the object of a Cohesion Fund application within the scope of the Quadro Comunitário de Apoio 2000 – 2006 (QCA III), will be covered.

Following the European Commission’s final decision on the audit of the project (known at the end of 2008),

which set a 25% financial correction on the amount of the expenses deemed irregular from the point of view of public purchasing rules, (representing 7,855,327.83 euros of co-funding) and of 100% of the remaining contested expenses (representing 156,277.50 euros of co-funding) the correction of the outstanding amount was made.

In March 2009 the European Commission approved (through a reprogramming request) the extension to December the 31st 2010 of the term to conclude the project, with no change to the amount of eligible investment nor to the co-funding rate, which remained at 90.2 million euros and 75%, respectively).

In 2009, the 16th payment request was reformulated (decreasing from 7.8 to 7.1 million euros), no further payment requests having been submitted. 8,305,560.83 euros were reimbursed, corresponding to the outstanding payment requests net of the financial corrections derived from the audit as previously explained.

Considering the maximum co-funding amount approved, 67.7 million euros, the project’s financial execution at the end of the year is of 85%.

The following table presents the evolution of the funding from the Cohesion Fund:

Requests	(values in thousands euros)			
	Eligible Investment	Co-funding	Settled ¹	To be settled
Situation as at 31.12.2008	76,267	57,200	42,818	14,382
2009			8,306	
	76,267	57,200	51,124	6,077

¹ This amount includes the 7.4 million euros advance received in September 2004, which was adjusted to 2.8 million euros in 2009

It can be observed that, up to the 15th payment request, on average 616 days lapsed between Metro do Porto paying its suppliers and receiving the corresponding Community co-funding.

QREN

Within the QREN - Quadro de Referência Estratégico Nacional 2007 – 2013, the national programs designed to fund transport infrastructures are the Programa Operacional para a Valorização do Território (POVT), Programa Operacional do Norte (PO NORTE) and the Programas Operacionais da Cooperação Trans-fronteiriça Portugal – Espanha, Espaço Atlântico and

Espaço Sudoeste Europeu, the latter not applicable to Metro do Porto projects, given the geographical area they are intended for.

Regarding the Programa Operacional para a Valorização do Território (POVT), no intention to support Metro do Porto, S.A. projects is known. Funding within the QREN to the Company’s projects is therefore restricted to PO NORTE, which announced a co-funding intention through Eixo Prioritário IV – Qualificação do Sistema Urbano, for the Oporto Metropolitan Area Light Rail System in a maximum total investment amount estimated at 200 million euros.

On October the 28th notice was given for the presentation of applications in the domain of “Light Rail Systems (metro)”, within the scope of the above referred Eixo Prioritário IV – Qualificação do Sistema Urbano.

This notice given, Metro do Porto presented on November the 7th 2008 a formal application for co-funding to the extension of the metro network to the D. João II station (in operation since May 2008), which was approved on July the 8th 2009 by the Comissão Directiva do Programa Operacional Regional do Norte. The co-funding expected for this project amounts to 2.9 million euros, resulting from a total investment amount of 6.4 million euros, of which 4.2 million euros are eligible.

Metro do Porto submitted on December the 9th 2009 the grant application for the project “Extension of the Metro Network to the Santo Ovídio Station and D. João II Station Interface”, requesting a co-funding of 19.8 million euros, for an eligible investment of 28.3 million euros and an overall investment of 33.5 million euros.

It also submitted on December the 31st 2009 the grant application for the project “Extension of the Metro Network between the Dragão station and Venda Nova”, whose overall investment amounts to 169.8 million euros, anticipating a co-funding amount of 79.9 million euros on an eligible investment of 114.1 million euros.

(values in thousands euros)				
	2001	2002	2003	2004
	7,482	12,470	14,964	14,964
				49,880

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

EIB - European Investment Bank

With the suppression of the 1,000 million euros limit for State guarantees to loans to Metro do Porto, through the Decree – Law n.º 192/2008, of October the 1st, which altered the project’s Concession

Within this framework Metro do Porto, S.A. expects to submit a further application for the project to extend the Green Line to Trofa.

POS_Conhecimento

The Infometro and Navmetro projects, co-funded by POS_Conhecimento, aim to help visually handicapped persons to access Metro do Porto’s stations and were promoted in partnership between Metro do Porto, Faculdade de Engenharia da Universidade do Porto (FEUP) and Associação dos Cegos e Amblíopes de Portugal (ACAPO). The approved co-funding rate is 45% by the ERDF and 55% by the Portuguese State Budget, for a level of eligible expense of 150,000 euros per project.

In 2009 the full amount outstanding at the end of 2008 was received, both in the Infometro project (31,025.81 euros) and in the Navmetro project (24,811.25 euros), which may therefore be regarded as financially closed.

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 Finance and Social Equipment Ministers of June the 28th 2001, to “provide supplementary funds in the amount of 10 (ten) million contos, by 2004, with the following indicative schedule”:

Bases, and once the guarantee was approved by Ministério das Finanças and by Ministério das Obras Públicas, Transportes e Comunicações, it was possible to unblock the disbursement of the remaining 60 million euros amount of the second funding contract with EIB in the last quarter of 2008. Of this amount, 30 million were disbursed in 2008 and the remaining 30 million in April 2009, exhausting the funding allocated by the European investment Bank to the 1st Phase of construction of the Light Rail System.

(values in thousands euros)			
Facility	Date of Loan	Amount contracted	Outstanding debt
EIB I			
Tranche A	16-Nov-98	99,760	93,109
Tranche B	26-Mar-01	100,000	100,000
Tranche C	5-Nov-01	100,000	100,000
Tranche D	15-May-02	243,930	243,930
Sub-Total		543,690	537,039
EIB II			
Tranche A	29-Nov-04	120,000	120,000
Tranche B	16-Dec-04	80,000	80,000
Tranche C	29-Oct-08	60,000	60,000
Sub-Total		260,000	260,000
Total		803,690	797,039

Contacts were initiated in 2009 with the EIB to assess this institution’s availability to participate in the funding of the Oporto Metropolitan Area’s Light rail System network expansion (2nd Phase).

Bridge Financing

With the resolution of the dispute in connection with QCA III and the consequent reimbursement of 35.7 million euros, plus the payment of the outstanding co-funding of the Cohesion Fund in the amount of 8.3 million euros and of the 8.0 million euros PIDDAC 2009 grant, 2009’s investment effort of 168.7 million euros had a 30.8% cover from non-reimbursable sources. The remaining 116.7 million investment funding needs were met resorting to bank loans.

To the under-funding just described one must add the financial charges of 53.2 million euros corresponding to net interest (including here those stemming from the EIB loans and the bridge loans) and 16.4 million euros from operational rents of Euro tram vehicles. These result from the prevailing funding model, with a patently low share of non-reimbursable funding, one which remains unresolved.

To the above referred amounts one must add the operation deficit whose cover, according to the Concession Bases, should be provided by the State through Compensatory Indemnifications which,

however, have been clearly insufficient given the Company’s needs.

In 2009 two medium and long term operations were done, globally amounting to 180 million euros, with 5 year maturities. To this the 30 million euros disbursement fom the second EIB funding contract must be added.

At the end of the year the Company had available 112.4 million euros in short term facilities, including one advance on account of Community funds. There was a slight increase in the utilization of the short term credit lines, of which 45.4 million were used, to compare with the 22.9 million euros used at December the 31st 2008.

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 the 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 the 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 2009, similarly to 2008, was characterized by high volatility in the financial markets and by an accommodating monetary policy carried out by the European Central Bank, which set the main refunding operations rate at 1%.

Metro do Porto, S.A. continued to monitor proactively the market dynamics, strategically assuming a

posture of systematic reassessment of the evolution of debt markets characterized by: (i) monitoring the performance of the portfolio of interest rate risk hedging structures; (ii) monitoring their evolution; (iii) and searching for optimized solutions. As a result of this positioning, during the year our interest rate risk hedging structures contracted in previous years (January 2007, February 2008, May 2008 and September 2008) were restructured.

Associated with the two long term funding operations celebrated in 2009, an equal number of interest rate risk hedging structures (swaps) was done, for the amounts and terms of the underlying operations.

BALANCE SHEET

The constraints set by the investment funding model, namely the absence of the often solicited reinforcement of the non-reimbursable funding component, together with the insufficiency of the operating subsidies allocated to Metro do Porto to compensate it for the social tariff and services provided, constrained the Company’s financial performance. In 2009 the negative net worth situation already evident in 2008 worsened, reaching -154.6 million euros by the end of the year.

(values in thousands euros)						
Balance sheet	2005	2006	2007	2008	2009	09/08
Fixed assets (net)	1,434,112	1,690,847	1,722,600	1,794,607	1,909,888	6.4%
Current assets	162	272	0	0	0	-
Short term debtors	63,890	52,329	28,139	24,479	36,320	48.4%
Cash & banks	5,061	2,565	3,294	1,150	1,320	14.7%
Accruals and deferrals	286,698	272,674	258,186	240,772	235,112	-2.4%
Assets	1,789,923	2,018,688	2,012,220	2,061,008	2,182,639	5.9%
Share capital	5,000	5,000	5,000	7,500	7,500	0.0%
Supplementary funds	179	179	179	179	179	0.0%
Capital Adjustments in subsidiaries and associates firms	0	0	55	55	194	255.6%
Concedent Instalments	402,883	463,561	471,561	478,961	531,010	10.9%
Retained earnings	-67,581	-138,916	-261,188	-406,377	-555,051	36.6%
Net income	-71,335	-122,155	-145,189	-148,619	-138,411	-6.9%
Net capital value	269,146	207,669	70,418	-68,301	-154,579	126.3%
Provisions	10,766	10,766	12,556	14,418	16,430	14.0%
Medium and long term debt	970,948	1,341,246	1,453,090	1,917,957	2,114,562	10.3%
Short term debt	423,396	343,213	371,925	92,724	115,457	24.5%
Accruals and deferralss	115,667	115,794	104,230	104,211	90,769	-12.9%
Liabilities	1,520,777	1,811,019	1,941,802	2,129,309	2,337,218	9.8%
Net capital value & liabilities	1,789,923	2,018,688	2,012,220	2,061,008	2,182,639	5.9%

The 2009 financial statements were prepared on an ongoing basis – dependent on the continued support by financial institutions and by the State through adequate compensatory indemnifications, as the financial structure remains unbalanced in spite of the efforts by the Company and of the share capital increase. It therefore becomes indispensable to find a solution now, as is determined by article 35º of the Código das Sociedades Comerciais, since the Net Worth is less than half the Share Capital amount. The Board proposes that this matter be subject to deliberation by the Shareholders so that measures are taken to reinstate the Company’s equity, ensuring an appropriate cover of its Share Capital, as the above referred article of the Commercial Code prescribes.

On the Assets side, the main variation is in Gross Fixed Assets which increased by 8.5%, the variation in net Fixed Assets being of 6.4%. The increase of 79.8% of the debts by the State and other Government agencies (which increased by 11.2 million euros to reach a year end total of 25.3 million), as a consequence of the payment only in January 2010 of the Compensatory Indemnifications for the full year of 2009, deserves to be noted. So does the 19.1% growth in clients’ debts, the year end balance being 9.7 million euros, corresponding almost entirely to fare box income as yet not transferred by TIP, ACE.

On the Net Worth side, an increase of 52.0 million euros is to be observed in Concedent Instalments, a result of the 8.0 million euros PIDDAC 2009 grant to

the Light Rail System project, as well as of the cashing in of the amounts outstanding from Quadro Comunitário de Apoio III (both from the ERDF and the Cohesion Fund), as previously described.

The evolution of long term debt reflects the bridge finance operations and the disbursement of the available EIB amount, which together reached 210 million euros, net of the transfer to short term of the amounts to reimburse in 2010, where the second capital installment of the EIB lines is included.

Excluding the EIB loan contracts which globally amount to 797.0 million euros (outstanding), Metro do Porto’s bank debt increased by 200.0 million euros, to reach 1,192.4 million by the year end, including the discounting of European Community funding.

There are no late debts owed to the State or other public bodies, including Social Security.

OPERATION

This year witnessed the interruption of the trend to improve the cover ratio of the Light Rail System’s operation, a ratio that compares the fare box income to direct operating costs, where the operation service contract costs, the costs with the operation inspection team as well as the commission paid to TIP ACE for the management of the ticketing system are included. There was a reduction of 0.6 pp to achieve an annual average cover ratio of 59.6% (60.2% in the year before).

(values in thousands euros)						
Metro Profit & Loss Account	2005	2006	2007	2008	2009	09/08
Sales	10,326	21,263	26,678	29,418	30,065	2.2%
Cost of Sales	24,421	44,245	49,667	48,889	50,475	3.2%
Gross margin	-14,096	-22,982	-22,989	-19,471	-20,410	-4.8%
Sales to Cost of sales ratio	42.3%	48.1%	53.7%	60.2%	59.6%	-0.6 pp
Net margin	-43,773	-78,195	-81,489	-75,728	-77,207	-2.0%
Operating result	-61,088	-120,741	-142,192	-147,333	-135,530	8.0%

In absolute terms the year closed with a gross margin deficit of 20.4 million euros (a deterioration of 4.8%) and a net margin deficit of 77.2 million euros (a deterioration of 2.0%).

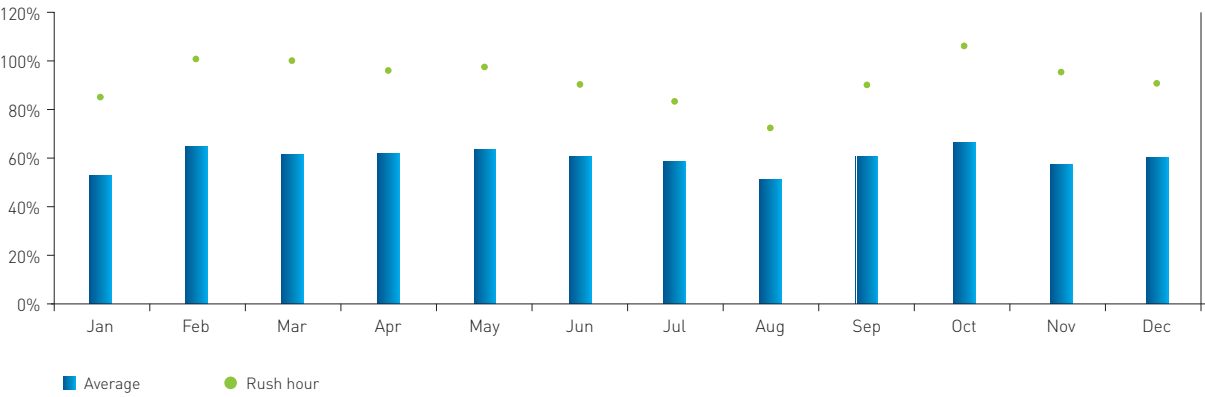
For this reduction in the system’s average cover ratio contributed the slower growth of the income per passenger km relatively to the increase of the cost per passenger km (respectively 1.5% and 2.6%). For the



evolution of the income per passenger km contributed the growing use of monthly tickets, which incorporate a discount and lead to a smaller income per validation, as well as the growing use of 4_18@escola.tp tickets (launched in September 2008 and available during the whole of 2009) and of the sub23@superior.tp ticket (launched in September 2009).

Analysing this ratio by hour of the day, average monthly cover ratios during the rush hour are almost always above 80% and now and then above the break-even point.

Cover Ratio



Analysing the cover ratio by stretch in average monthly terms, values below 30% are observed in the Airport branch and at the extremities of all lines, exception made to the North end of the Red Line, which shows an annual average of between 30% and 50% from Vila do Conde to Póvoa de Varzim. The highest cover ratios, in excess of 70%, are reached

mostly in the more central stretches of the network, namely in the common stretch between the Bolhão and Viso stations, and in the Yellow Line between the Marquês and Jardim do Morro stations, as well as in the Green Line between the Senhora da Hora and Araújo stations and in the Red Line between Verdes and Lidador.



Income from the public transportation service of the Light Rail System (excluding advertising) reached 30.1 million euros in 2009, an increase of 2.2% on the previous year. This corresponds to 57.16 cents per validation (marginally above the previous year's), 11.51 cents per passenger km (increase of 1.5%) and 2.15 cents per seat km (increase of 2.3%).

The cost of sales amounted to 50.5 million euros, of which 93.1% from the Normetro operation contract, 3.9% from the operation inspection contract and the remaining part from commissions paid to TIP, ACE.

Comparing to 2008, there is an increase of 3.2% in the sales costs, due to the 4.5% increase in the Normetro operation contract costs and the 4.3% increase in the commission paid to TIP, ACE.

The Light Rail System shows an operational cost per seat km of 3.61 cents in 2009, (3.4% more than in 2008) and of 19.33 cents per passenger km (increase of 2.6%).

Splitting the profit and loss account by Line results in the following net margins:

(values in thousands euros)		
Net margin	2009	%
Blue Line	-16,620	21.5%
Red Line	-19,749	25.6%
Green Line	-15,242	19.7%
Yellow Line	-17,146	22.2%
Violet Line	-8,450	10.9%

The Guindais Funicular profit and loss account shows in 2009 an improvement of 3.5 pp in the cover ratio, to an average value of 38.8% (against the 35.3% observed in 2008). The financial year ended with a

negative gross margin of 398.8 thousand euros and a negative net margin of 405.0 thousand euros (improvements of 8.6% and 10.2%, respectively on 2008).

(values in thousands euros)						
Funicular Guindais Profit & Loss Account	2005	2006	2007	2008	2009	09/08
Sales	137.9	175.7	212.2	238.1	253.0	6.2%
Cost of Sales	356.0	588.6	627.8	674.7	651.8	-3.4%
Gross margin	-218.1	-412.8	-415.6	-436.5	-398.8	8.6%
Cover Ratio	38.7%	29.9%	33.8%	35.3%	38.8%	3.5 pp
Net margin	-410.2	-427.6	-437.6	-451.2	-405.0	10.2%
Operating result	-659.3	-792.0	-1,004.2	-1,066.6	-933.0	12.5%

The income from the transport service of the Guindais Funicular amounted to 253.0 thousand euros, corresponding to 46.93 cents per seat km (5.4% more than in 2008) and to 2.01 euros per passenger km, similar to the one observed in 2008.

The Funicular dos Guindais shows an operational cost of 1.21 euros per seat km and of 5.19 euros per passenger km, which, comparing with the year before, represents reductions of 4.1% and 9.1%, respectively.



RESULTS

Due to the strong reduction of market interest rates, Metro do Porto's financial performance improved significantly in 2009, interest charges having decreased 13.0 million euros (19.6%) on the previous year. This more than compensated the deterioration

of the operational deficit, which increased 5.5% on 2008, enabling results of the year to improve 10.2 million euros (a 6.9% reduction of the negative result).

(values in thousands euros)						
Profit & Loss Account	2005	2006	2007	2008	2009	09/08
Third party supplies & services	58,098	75,130	79,240	78,806	90,015	14.2%
Staff costs	5,965	5,708	6,301	5,886	6,168	4.8%
Depreciation	22,659	40,815	50,475	51,888	53,685	3.5%
Financial costs	26,532	42,334	61,561	68,665	54,026	-21.3%
Taxes	1,216	4,048	3,037	5,182	2,628	-49.3%
Other costs	467	304	110	90	504	460.1%
Costs	114,936	168,339	200,724	210,517	207,027	-1.7%
Income	14,435	25,854	30,995	33,988	34,473	1.4%
<i>Public passenger transport</i>	10,350	21,272	26,555	29,374	29,971	2.0%
<i>Lease Vehicles Maintenance</i>	3,609	3,728	3,801	3,827	3,834	0.2%
<i>Advertising in commercial premises</i>	183	269	366	350	309	-11.9%
<i>Other</i>	294	585	273	437	359	-17.9%
Operating subsidies	2,246	2,403	10,359	11,138	11,994	7.7%
Own work capitalised	24,920	15,789	12,128	13,611	18,387	35.1%
Financial income	836	877	870	2,418	771	-68.1%
Additional revenue	59	47	163	30	43	42.8%
Other income	1,105	1,214	1,021	714	2,949	313.1%
Income	43,601	46,184	55,536	61,898	68,616	10.9%
Net income	-71,335	-122,155	-145,189	-148,619	-138,411	-6.9%

Income increased by 1.4% on the previous year, to which contributed the tariff income growth of 2.0%.

The amount of Compensatory Indemnifications allocated to public transport companies was defined by the Resolution of the Council of Ministers n.º 114/09,

of December the 3rd, Metro do Porto's share amounting to 11,973,398.31 euros, an increase of 7.5% on 2008. The amount allocated to Metro do Porto corresponds to an average of 4.8 cents per passenger km. Metro do Porto's share was received in January 2010.

The Extraordinary Income account deserves to be noted for its 313.1% growth to reach 2.9 million euros. It records amongst others the recognition as income of the grant received for the construction of the Infante D. Henrique bridge (not booked under Concedent Instalments), and also the penalties applied to contractors.

In the opposite direction, and despite the positive accumulated performance over the last five years (8.3 million euros) worked the results from the interest rate hedging instruments, as a result of market rates being at historically low levels.

Equally significant was the 49.3% reduction in Taxes (2.6 million euros less), explained by the reduction in stamp duty paid on loan contract interest (2.1 million less) and on the amount of new loan contracts (415 thousand euros less).

In the opposite direction evolved the Third Party Supplies and Service Costs, showing a growth of 14.2%, as a result of the increase in studies and

projects associated with the Light Rail network development and of the general revision of Eurotram vehicles, to be carried out every five years, 20% of the amount invoiced in the year having been recognised as a cost. This account included further about two million euros corresponding to the value of the minimum km production set out in the Normetro contract.

Finally the evolution of Staff Costs should be noted or its 4.8% growth, due to the outcome of the legal proceedings initiated by ex-REFER and CP collaborators. The court award was partly unfavorable to Metro do Porto. Disregarding that item, a 0.5% reduction in staff costs is revealed.

→ 063 perspective for 2010



The **minimisation of environmental and social impacts**
is a priority in all work fronts.

During 2010 several urban insertion works of the presently operational system will be concluded, such as the elimination of some level crossings in the Red and Green Lines.

The attention paid in previous years to potential improvements in the network in operation will continue to be maintained namely to improve the comfort and functionality of the Senhora da Hora and Brito Capelo stations and the evaluation of the construction of the Modivas Norte station.

It is estimated that the award of the tender to build the extension of the Green Line to the Municipality of Trofa, between the ISMAI and Paradela stations, will occur in 2010. This tender was launched on December the 22nd 2009.

The tender for the sub concession of the construction of the system's second phase, except for the works already started or separately awarded, will be launched in 2010.

The new operation and system management contract, the product of the international tender completed at the beginning of 2010 and within which the new Light Rail System operator was selected, will incept on April the 1st 2010.

All of the vehicles in the new rolling stock fleet are expected to be integrated in the System's commercial operation during the 1st quarter of 2010. The integration of the first vehicles occurred on January the 8th.

The reinforcement of the project's funding through non-reimbursable funds is also expected in 2010, namely through the approval of the applications submitted to QREN - Quadro de Rederência Estratégico Nacional 2007-2013 in 2009 of the Santo Ovídio and Gondomar extensions.

The Government's agreement is expected for the formal signature of six amendments to the contract with the consortium which built the Light Rail System,

amendments which have already been negotiated with that consortium. These amendments are:

- Fifth amendment: it refers to the track duplication of the Trofa Line between Fonte do Cuco and ISMAI, at whose Fonte do Cuco – Fórum Maia stretch inauguration ceremony, in July 2005, the Transportation Minister was present;
- Sixth amendment: it refers to single track works in the ISMAI-Trofa stretch which were agreed not to be executed;
- Seventh amendment: it refers to the renegotiation of the operation contract, which became necessary because the operation component of the original contract did not regulate the network alterations later approved by the Government;
- Seventh-A Amendment: it refers to the extension of the operation period (from April the 1st 2009 until March the 31st 2010), thus making the consortium responsible to maintain the System since the beginning of its operation until March the 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 in connection with the contract signed with the consortium which built the Light Rail System (Normetro, ACE), the Government's agreement is also expected for the recent agreement reached with that Consortium for the financial closure of the contract, involving the costs incurred with the extension of the deadline to build the Póvoa and Trofa Lines, and additional costs related with extensions of deadlines in connection with bonds, insurance contracts and retentions, which also closes a number of outstanding claims about which it was agreed no financial compensation was due.



→065 **proposal for the** allocation of results

The Board proposes that the net result of 2009, amounting to – 138,410,598.63 euros, be integrally transferred to the Retained Earnings Account.

Oporto, February the 24th 2010

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

Rui Fernando da Silva Rio

Mário Hermenegildo Moreira de Almeida

Marco António Ribeiro dos Santos Costa



→ **067**
financial statements
year 2009



BALANCE SHEET AT DECEMBER 31ST, 2009

(values in euros)						
Account code			Year			
POC		Notes	Gross Assets	2009 Depreciation	Net Assets	2008 Net Assets
	ASSETS					
	Fixed assets					
	Intangible fixed assets					
431	Set-up costs		88,163,834	9,867,462	78,296,371	76,747,728
441	Fixed assets in progress		112,214,669		112,214,669	97,274,282
		10	200,378,503	9,867,462	190,511,040	174,022,010
	Tangible fixed assets					
421	Land and natural resources		147,135,200		147,135,200	136,469,819
422	Buildings and other structures		1,305,209,016	190,545,043	1,114,663,973	1,115,544,441
423	Basic equipment		246,250,193	41,145,102	205,105,091	203,631,537
424	Transport equipment		751,245	617,896	133,348	273,984
425	Tools and utensils		281,642	276,032	5,611	11,197
426	Administrative Equipment		3,039,031	2,770,365	268,666	216,475
429	Other tangible fixed assets		6,831,917		6,831,917	6,831,917
442/6	Fixed assets in progress		244,918,258		244,918,258	157,280,285
		10	1,954,416,503	235,354,438	1,719,062,064	1,620,259,655
	Financial assets					
4111	Holdings in Group's companies		695		695	1,467
4112	Holdings in associated companies		314,247		314,247	324,320
		16	314,943		314,943	325,788
	Current assets					
	Short-term debtors					
211	Costumers		9,737,785		9,737,785	8,176,441
229	Advances to suppliers					284,078
24	State and other public entities	49	25,301,273		25,301,273	14,070,512
25	Shareholders		1,784		1,784	30,459
264	Subscribers to equity		177,250		177,250	177,250
261/2/6/7/8	Other debtors		1,101,889		1,101,889	1,739,794
			36,319,980		36,319,980	24,478,533
	Cash and banks					
12/3/4	Bank deposits		1,318,016		1,318,016	1,148,694
11	Cash		1,522		1,522	1,520
			1,319,538		1,319,538	1,150,214
	Accruals and deferrals					
271	Accrued income	51	3,247,264		3,247,264	4,336,225
272	Deferred costs		231,864,331		231,864,331	236,435,695
			235,111,594		235,111,594	240,771,920
	Total depreciations			245,221,901		
	Total provisions					
	Total assets		2,427,861,060	245,221,901	2,182,639,160	2,061,008,120

CHARTERED ACCOUNT & REGISTERED AUDITOR
Vitor Manuel Gomes Castelo de Carvalho

BALANCE SHEET AT DECEMBER 31ST, 2009

(values in euros)				
Account code			Year	
POC		Notes	2009	2008
	NET CAPITAL VALUE AND LIABILITIES			
	Shareholders equity			
51	Share capital		7,500,000	7,500,000
53	Supplementary funds		179,033	179,033
55	Share capital adjustments in subsidiaries and associates		194,466	54,687
59	Retained earnings		-555,051,224	-406,377,060
	Subtotal		-547,177,725	-398,643,340
88	Net income/loss		-138,410,599	-148,619,199
	Subtotal		-685,588,323	-547,262,539
581	Concedent Instalments (Article No.4 of Basis XXVII)		531,009,556	478,961,360
	Net capital value	40	-154,578,767	-68,301,179
	Liabilities			
298	Provisions for contingencies	34	16,430,498	14,417,825
	Other provisions for risks and charges		16,430,498	14,417,825
	Medium and long term debt			
231	Amounts owed to credit institutions	52	1,937,388,430	1,734,039,069
262/3/4/5/7/8	Other creditors	53	177,173,125	183,917,812
			2,114,561,555	1,917,956,881
	Short term debt			
231	Amounts owed to credit institutions	52	52,037,084	32,077,084
221	Suppliers		19,444,079	15,242,074
261	Fixed assets suppliers	53	28,278,155	28,213,983
24	State and other public entities		247,887	226,691
262/3/4/5/7/8	Other creditors	53	15,450,024	16,963,896
			115,457,229	92,723,728
	Accruals and deferrals			
273	Accrued costs	54	16,372,834	24,776,715
274	Deferred income	55	74,395,810	79,434,150
			90,768,644	104,210,864
	Total Liabilities		2,337,217,926	2,129,309,299
	Net Capital Value & Liabilities		2,182,639,160	2,061,008,120

BOARD OF DIRECTORS
Chairman:
António Ricardo de Oliveira Fonseca

Members
Maria Gorete Gonçalves Fernandes Rato
Jorge Moreno Delgado
Fernanda Pereira Noronha Meneses Mendes Gomes
Rui Fernando da Silva Rio
Mário Hermenegildo Moreira de Almeida
Marco António Ribeiro dos Santos Costa

PROFIT & LOSS ACCOUNT BY NATURE AT DECEMBER 31ST, 2009

Account code		Year			
POC		2009		2008	
62	COSTS AND LOSSES				
	Third-party supplies & services		90,014,694		78,805,574
641 + 642	Staff costs				
	Remunerations	4,641,496		4,606,879	
643 + 644	Social security	0		0	
645/6/7/8/9	Pensions	1,526,807	6,168,303	1,279,236	5,886,115
	Other				
662+663	Intangible and tangible fixed assets depreciation	53,685,326		51,888,286	
67	Provisions	0	53,685,326	0	51,888,286
63	Taxes	2,627,737		5,182,173	
65	Other operating costs & losses	22,442	2,650,178	20,632	5,202,804
	(A)		152,518,501		141,782,780
682	Losses on group & associated companies		772		722
681/5/6/7/8	Financial costs & losses				
	Others	54,025,466	54,026,238	68,664,276	68,664,998
	(C)		206,544,740		210,447,778
69	Extraordinary costs & losses		434,716		40,467
	(E)		206,979,456		210,488,244
86	Corporation tax for the year		47,229		28,947
	(G)		207,026,685		210,517,191
88	Net income		-138,410,599		-148,619,199
			68,616,086		61,897,992
	PROFITS AND GAINS				
72	Income	34,472,798	34,472,798	33,987,943	33,987,943
75	Own work capitalised		18,387,249		13,610,787
74	Operating subsidies	11,993,688		11,137,662	
73	Additional revenue	43,200		30,250	
76	Other operating income & gains	0	12,036,888	0	11,167,912
	(B)		64,896,934		58,766,642
782	Gains on group & associated companies		126,740		441,273
7811/3/4/6/8	Other interest and similar gains				
	Others	643,794	770,534	1,976,296	2,417,568
	(D)		65,667,468		61,184,210
79	Extraordinary income & gains		2,948,618		713,782
	(F)		68,616,086		61,897,992
	SUMMARY				
	Operating results (B) - (A) =		-87,621,567		-83,016,138
	Financial results (D-B) - (C-A) =		-53,255,704		-66,247,430
	Current results (D) - (C) =		-140,877,271		-149,263,568
	Pre-tax profit/loss (F) - (E) =		-138,363,370		-148,590,252
	Net income for the year (F) - (G) =		-138,410,599		-148,619,199

CHARTERED ACCOUNT & REGISTERED AUDITOR
Vitor Manuel Gomes Castelo de Carvalho

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Members

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Mário Hermenegildo Moreira de Almeida
Marco António Ribeiro dos Santos Costa

PROFIT & LOSS ACCOUNT BY FUNCTION AT DECEMBER 31ST, 2009

		Year	
		2009	2008
Income		34,472,798	33,987,943
Cost of service loss		-123,653,472	-115,191,907
Gross results		-89,180,674	-81,203,964
Other operating income & gains		11,673,974	11,205,966
Distribution costs		-3,867,314	-3,223,807
Administrative costs		-5,833,920	-5,658,342
Other operating costs and losses		-618,661	-3,457,345
Operating results		-87,826,595	-82,337,493
Net financing costs		-50,662,742	-66,693,310
Gains (losses) in branches and associated undertakings		125,968	440,551
Current results		-138,363,370	-148,590,252
Taxes on current profits		-47,229	-28,947
Current results after taxes		-138,410,599	-148,619,199
Exceptional profit/loss		0	0
Taxes on exceptional profits		0	0
Net income		-138,410,599	-148,619,199
Results per share		-92.27	-99.08

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CASH FLOW STATEMENT AT DECEMBER 31ST, 2009

	Year	
	2009	2008
(values in euros)		
OPERATING ACTIVITIES		
Received from costumers	29,067,483	37,967,149
Payments to suppliers	-96,301,806	-76,827,816
Payments to employees	-6,161,209	-5,908,094
Inflow/outflow from operating activities	-73,395,532	-44,768,760
Payment/receipt of corporation tax	-360,745	-460,504
Other receipts in respect of operating activity	22,462,641	9,298,619
Inflow/outflow before exceptional items	-51,293,635	-35,930,645
Receipts related to exceptional items	358,893	-625,111
Payments related to exceptional items	-412,789	-40,467
	-53,896	-665,578
Net cash inflow/outflow from operating activities	-51,347,532	-36,596,223
INVESTMENT ACTIVITIES		
Receipts from		
Financial assets	0	0
Tangible and intangible fixed assets	119,540	197,897
Investment subsidies	52,048,196	7,400,000
Dividends	0	0
	52,167,736	7,597,897
Payments in respect of		
Financial assets	0	0
Tangible fixed assets	141,617,445	108,980,500
Intangible fixed assets	8,203,869	7,302,191
Leasing rentals	238,815	325,343
	150,060,130	116,608,033
Net cash inflow/outflow from investment activities	-97,892,393	-109,010,136
FINANCING ACTIVITIES		
Receipts from		
Loans	279,230,639	502,540,000
	279,230,639	502,540,000
Payments in respect of		
Loans	68,456,769	291,766,131
Interest similar losses	61,364,621	67,311,645
	129,821,390	359,077,775
Net cash inflow/outflow from financing activities	149,409,249	143,462,225
INCREASE/DECREASE IN CASH & CASH EQUIVALENTS	169,324	-2,144,135
CASH & EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,150,214	3,294,349
CASH & EQUIVALENTS AT THE END OF THE PERIOD	1,319,538	1,150,214

CHARTERED ACCOUNT & REGISTERED AUDITOR
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→ 073 **annex**
to the cash flow statement

The following notes refer to the numbering defined in the Accounting Directive no. 14/93. All the points therein defined which are not applicable to the company, or whose content is not relevant to the complete understanding of the statement presented, are not included.

2 Breakdown of the cash components and its equivalents:

	(values in euros)	
	2009	2008
Cash	1,522	1,520
Bank Deposits immediately available	1,318,016	1,148,694
Equivalent to cash:		
Cash and its equivalents	1,319,538	1,150,214
Cash and banks in the balance sheet	1,319,538	1,150,214

3 Information regarding the non-monetary financial activities.

During the financial year the 30 million available of the 60 million euros, October the 29th 2008 EIB con-

tract have been disbursed. That value refers to the remaining amount of the second EIB loan contract. An amount of 66.98 million euros is also available for future use, consisting of short term credit lines from national banking institutions.



→ 075 **annex**

to the balance sheet
and profit & loss account

→ 0 • INTRODUCTION

Metro do Porto, S.A. was set up by Decree-Law n.º 71/93, of March the 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 the 6th 1993, with the objective of running the Light Metro System in Metropolitan Area of Oporto.

Decree-Law n.º 394-A/98, of December the 15th, revoked the Decree-Law n.º 71/93, of March the 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 the 14th, which approves the bases of the concession, by Decree-Law n.º 261/2001, of September the 16th 2001, by Decree n.º 249/2002, of November the 19th, so as to allow rolling stock leasing operations, by Decree-Law n.º 33/2003, of February the 24th, by Decree-Law n.º 166/2003, of July the 24th, by Decree n. 233/2003 of September the 27th, and by Decree-Law n.º 192/2008.

In fulfilment of its objective, the Company has to carry out studies, design, planning, projects and the construction of the infra-structure necessary to realise the undertaking, as well as to purchase the equipment and the rolling stock. These tasks have

constituted the main activity of the company, to which was added in 2003 the commercial operation of the Light Rail Metro System, when the operation of the Blue Line started. Since then, commercial operation has undergone significant expansion with the opening of the Trindade – Dragão Stadium stretch in 2004, Senhora da Hora – Pedras Rubras (on the Póvoa line), Fonte do Cuco – Fórum da Maia (of the Trofa line) and of the Yellow line in 2005, Pedras Rubras – Póvoa of Varzim, Pólo Universitário – Hospital São João, Fórum da Maia– ISMAI, Os Verdes – Francisco Sá Carneiro airport stretches in 2006, and of the opening in 2008 of the João de Deus – D. João II stretch in Vila Nova de Gaia, resulting in a consistent monthly rise in demand, which has been maintained in this financial year.

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

At the end of the financial year of 2009 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, SA	40.00%

The following notes refer to the numbering defined in the Official Accounting Plan, all the points therein defined which are not applicable to the company, or whose content is not relevant, having been omitted. The content of each note was dealt with in accor-

dance with IAS recommendations, whenever these rules are more complete and clearer for the correct understanding of the financial statements. The final points, numbered 49 to 58, were created to provide greater clarity in the presentation of accounts.

→ 3 • ACCOUNTING POLICIES

The most significant accounting policies used in determining the result of the financial year and in the presentation of the financial situation are the following:

3.1 Bases of Presentation

The financial statements of Metro do Porto were prepared in accordance with the accounting principles generally accepted in Portugal, following the historic cost principle, supplemented by disclosures as required by the International Financial Reporting Standards (IAS/IFRS).

3.2 Revenue

Services rendered

The revenue generated from the transport ticketing system, the “Andante”, is booked monthly, in accordance with the validations recorded. This information is provided by TIP ACE, which is responsible for handling all the information from the sales network and for the corresponding sharing of revenues, in accordance with the criteria defined by the members of ACE.

The income generated from car parking at Dragão Stadium metro station and from Parque Central da Maia, is booked monthly in accordance with the records from the access control/ticketing system and from information provided by the park management, respectively. The tariffs, including the Park & Ride tariff, were defined so as to promote combined use with the metro.

The income generated from maintenance of the rail transport vehicles under operational leasing contracts is recorded monthly as one twelfth of the annual income.

Income arising from the use of alternative transports was recorded in the financial year, by the corresponding decrease of their cost.

Compensatory indemnifications

During the financial year, the Operating Subsidies account recorded the amount of 11,973,389 euros (11,133,280 euros in 2008), of compensatory indemnifications to compensate the additional operational costs for provision of a social transport service and the loss of revenue due to the use of social prices, as provided for in the Bases of Concession.

Given the absence of the public transport service contract between the State and the concessionaire Metro do Porto, SA (which is set out in the Bases of the Concession), the monthly amount of 1/12 of the amount received in the previous year is booked up until the publication of the Council of Ministers Resolution which defines the amounts to be attributed in the year to the companies in the State sector, and after that publication the real monthly value is booked and the amounts previously booked are adjusted.

Similarly, 2,030,619 euros (865,321 euros in 2008) were recorded corresponding to the compensatory indemnifications relating to the company’s share in the Social Tariff agreement signed on June the 29th 2006 by the transport operators belonging to the Andante intermodal system. This amount was allocated by the Council of Ministers Resolution 114/2009, of December the 14th 2009 and 165/2008, of October the 9th 2008, respectively.

3.3 Financial Risk Management

The exposure of the business to financial risk includes principally variations of interest rates.

Exchange rate risk

The exchange rate risk is very much reduced, as all loans are denominated in euros, and the value of purchases in other currencies than the euro is not significant at all.

Interest rate risk

The loans contracted with the European Investment Bank earn interest at variable rates and revisable rates, as explained in note 29.

The remaining medium and long term finances earn variable interest rates.

The Company holds fourteen interest rate swaps, and the contracting of this type of financial instruments is made after careful analysis of the risks and benefits inherent in this type of operations and after consulting various institutions active in the market.

Credit risk

The company has a high concentration of credit due to the ticket sales being made by TIP-Transportes Intermodais do Porto, ACE. This ACE’s and this ACE’s clients’ credit risks may therefore have repercussions on the company, a low probability of occurrence being expected.

Liquidity risk

The financing model of the Company is based on funds from the State and the European Union, long term financing with resources from the European Investment Bank, structured leasing operations and long term financing operation with other financial institutions.

3.4 Tangible Fixed Assets

The tangible fixed assets are valued at the cost of acquisition and/or construction, net of accumulated depreciation and of losses from imparity. The financial charges during the period of construction are capitalised.

The leasing contracts on which the Company substantially takes on all the inherent risk and advantages in possessing the leased assets are classified as financial leases.

The financial lease contracts are recorded on their initial date as assets and liabilities by the least of fair value of the goods and the current value of the matured lease payments. Assets acquired through financial leases are depreciated in accordance with the fixed assets policy established by the Company.

Lease payments are constituted by the financial cost and by the depreciation of the capital. The financial costs are imputed to the respective periods during the lease period, according to a constant periodic interest rate on the remaining net investment of the leaser.

The maintenance and repair costs which do not increase the working life of the assets are recorded as costs of the financial year in which they occur.

Depreciation is calculated on the values of acquisition or construction, by the method of constant shares. The annual rates applied reflect the smaller period between the concession period (50 years) and the useful economic life of the goods and are summarised as follows:

Buildings and other constructions:

- Buildings: 30 years
- Underground routes: 50 years
- Tunnels: 50 years
- Track: 25 years

Basic equipment: 20 years

Current assets includes all the supplies relating to the construction of the Metro Light Rail infra-structure, the specialised services, third parties’ services related to the development of projects and internal works capitalized by the company.

3.5 Intangible Fixed Assets

Intangible fixed assets are recorded at the cost of acquisition, less accumulated depreciation and losses for imparity.

Depreciation is calculated on the values of acquisition or construction, by the method of constant shares. The annual rates applied reflect the period between the start of their use and the term of the concession of 50 years.

3.6 Financial Investments

The financial investments in companies of the group and associated companies are valued by the asset equivalence method. The shares in companies on whose activity no significant influence is exerted, are accounted for in December the 31st at the lower of cost of acquisition and residual value.

3.7 Imparity of Assets

The company assets are analysed as at the date of each balance sheet, so as to evaluate indications of any losses for imparity. On December the 31st there were no situations of imparity of assets.

3.8 Provisions

Provisions are constituted whenever the Company has a present obligation (legal or implicit) resulting from a past event and when it is probable that a decrease, reasonably estimated, of resources incorporating economic benefits will be required to liquidate the obligation. The analysis of the contingent losses is made at the end of each financial year.

On this date, the possibility of the existence of contingent liabilities which may represent future losses remains, giving rise to the maintenance of the provision previously constituted, in the amount of 16,430,498 euros (14,417,825 euros in 2008), which includes an amount of 74,770 euros (285,503) devaluation of the Capital Share in TIP – Transportes Intermodais do Porto, ACE, under the equity accounting method.

3.9 Specialisation Of Financial Years

The accounting of costs and income is based on the specialisation principle, according to which they are recognised as accrued, independently of their payment or receipt.

3.10 Corporate Tax

Corporate tax is calculated on the basis of the taxable income and allows for deferred tax.

Deferred taxes are calculated on the basis of the Balance Sheet responsibility method, on the tempo-

→ 6 • TAXES

The Company is subject to corporate tax plus local tax. There is also separate taxation arising from the costs with the motor vehicles and the representation expenses.

In accordance with current law, tax losses are carried forward for a period of six years and can be deducted from tax profits made in the relevant period.

Year of loss	Value	Usable up to
2004	36,339,197	2010
2005	69,702,375	2011
2006	118,251,857	2012
2007	141,098,189	2013
2008	146,378,974	2014
2009	136,324,254	2015

rary differences between the accounting values of the assets and liabilities and the respective tax base.

Active deferred taxes are only recognised when a reasonable certainty exists that future profits will be generated against which they could be used.

3.11 Operational Leasing

Leasing contracts relative to which the Company does not substantially take on all the risk and advantages inherent to possession of the good are classified as operational leases.

Rental costs associated with operational leasing contracts are recognised as a financial cost in the year to which they refer.

3.12 Fixed Asset Financing

Non reimbursable resources attributed to the company to finance fixed assets used in the Light Rail System, stipulated in the Decree-law n.º 394-A/98 and in its posterior revisions, were accounted for as Deferred Income up to 2002. In 2003 these resources were reclassified to integrate the Company's permanent capital, having been accounted for as "Concedent Instalments" as this was considered more correct.

Funds with origin in the Government budget attributed by PIDDAC, to support the investment in the Infante Bridge, were accounted as deferred income and are being used for the reintegration of the investment.

Outstanding deferred tax credits for tax losses were not recorded, for prudence reasons.

The available tax losses for future use are as follows:

→ 7 • AVERAGE STAFF

The Company's average staff during the financial year was 129 (128 for 2008), being 130 at the end of the year, 16 of which were employees transferred from CP and REFER.

	2009	2008
Total staff	130	129
Excluding CP/REFER	117	113
Total average staff	129	128

→ 8 • MOVEMENTS UNDER INSTALLATION COSTS AND RESEARCH & DEVELOPMENT COSTS

The Setting-up Costs account reports the values of the studies, projects and project management costs, corresponding to the investments in 2009 in the lines in operation (Blue, Red, Green, Yellow and Violet). The migration of these costs from Fixed Assets in Progress to Fixed Assets was made on the basis of the budgeted weight of these intangible assets relative to the direct investment in the system.

→ 10 • MOVEMENTS IN FIXED ASSETS

(values in euros)					
Gross Assets	Initial balance	Increases	Decreases	Transfers and Rebates	Final balance
Items					
Intangible assets					
Setting-up costs	84,533,605	0	0	3,630,229	88,163,834
Fixed assets in progress	97,274,282	26,591,118	0	-11,650,731	112,214,669
Total	181,807,887	26,591,118	0	-8,020,502	200,378,503
Tangible fixed assets					
Land and natural resources	136,469,819	57	0	10,665,324	147,135,200
Buildings	1,265,570,293	144,015	0	39,494,708	1,305,209,016
Basic Equipment	234,155,343	51,868	0	12,042,982	246,250,193
Transport Equipment	1,009,506	18,125	-276,386	0	751,245
Tools and utensils	281,642	0	0	0	281,642
Administrative Equipment	2,687,933	351,098	0	0	3,039,031
Others	6,831,917	0	0	0	6,831,917
Fixed assets in progress	157,280,285	141,820,484	0	-54,182,512	244,918,257
Total	1,804,286,739	142,385,647	-276,386	8,020,502	1,954,416,502
Securities and holdings					
Holdings in group's companies	1,467	0	-772	0	695
Holdings in associated companies	324,320	71,907	-81,980	0	314,247
Other companies	0	0	0	0	0
Total	325,787	71,907	-82,752	0	314,942

(values in euros)				
Depreciation and Adjustments	Initial balance	Addition	Revising	Final balance
Items				
Intangible assets				
Set-up costs	7,785,877	2,083,549	-1,964	9,867,462
Total	7,785,877	2,083,549	-1,964	9,867,462
Tangible fixed assets				
Buildings	150,025,852	40,582,747	-63,556	190,545,043
Basic Equipment	30,523,806	10,621,296	0	41,145,102
Transport Equipment	735,522	205,667	-323,293	617,896
Tools and utensils	270,446	7,850	-2,264	276,032
Administrative Equipment	2,471,458	298,507	0	2,770,365
Total	184,027,085	51,716,468	-389,114	235,354,438

During the financial year the values of the investment realized on the Blue, Red, Green, Yellow and Violet, already concluded and in operation, were transferred to firm assets, as follows:

(values in euros)		
Line	2009	2008
Blue	32,942,373	23,397,774
Red	6,973,812	13,659,234
Green	5,677,934	8,189,913
Yellow	13,117,310	9,569,396
Violet	7,832,522	0

→ 11 • CAPITALISATION OF FINANCIAL COSTS INCURRED IN THE FINANCIAL YEAR

An amount of 5,328,886 euros (5,292,549 euros in 2008) was capitalised in the Fixed Assets in Progress account, consisting of 2,043,093 euros (2,679,992 euros in 2008) in financial charges from long-term loans by the EIB and 3,285,793 euros (2,612,557 euros in 2008) in interest from bridge loans (taxes included in both values).

→ 14 • TANGIBLE FIXED ASSETS AND ON COURSE OF ACQUISITION/CONSTRUCTION

- a) All fixed assets are allocated to the Company's business and available for operation. No fixed assets are held abroad.
- b) According to Decree-Law n.º 394-A/98, as amended by Decree-Law n.º 192/2008 of October the 1st, all assets integrating the implementation of Metro do Porto, S.A. and allocated to its System, shall revert to the State at the end of the concession's term, which is of 50 years. All assets financed by the Ceding Entity in conformance to the requirements of Paragraph IV of Basis XXVII are considered as being ascribed to the interests of the Ceding Entity.

During the financial year, interest income derived from investment in securities was capitalized. Therefore, the value of interest costs capitalized during the financial year was reduced by 60,111 euros (134,989 euros in 2008) on this account, and consequently, a closing cumulative balance of 5,217,671 euros in interest expense was recorded as at December the 31st 2009.

The value of capitalised financial costs and respective taxation thereon is as follows:

Previous years	59,022,767 euros
In financial year	5,328,886 euros

→ 15 • ASSETS BEING UTILISED ON A FINANCIAL LEASE BASIS

Assets utilised by the Company on a financial lease basis are light motor vehicles, 482,325 euros (765,700 euros in 2008). On December the 31st 2009 the debt value associated with these contracts was of 162,849 euros (315,563 euros in 2008)

→ 16 • FIRM AND HEADQUARTERS OF THE COMPANIES OF THE GROUP, ASSOCIATES AND OTHER STAKEHOLDINGS

(values in euros)					
Company name	Headquarters	% Shareholder's Capital	Net Income	Value of shareholdings	
Metro Consultoria, Lda	Av. Fernão Magalhães, 1862, 7º-Porto	100.00	-47	-772	695
Transpublicidade, SA	Av. Fernão Magalhães, 1862, 13º-Porto	40.00	785,619	129,925	314,247
TIP, ACE	Av. Fernão Magalhães, 1862, 9º-Porto	33.33	-4,143,190	224,309	0 a)
Nortrem, ACE	R. Gen. Firminzo Miguel, n.º 3-Lisboa	0.009	- 140,952,600	-8,924,777	0 a)

a) a) The negative result of the financial year annulled the value of the stake holding.

During the financial year the transactions between companies of the group, associates and others are given as follows:

			(values in euros)
Company name	Sales and/or Provisions of Services	Purchases and/or Acquisition of Services	Balance at 31-Dez-2009
Nortrem, ACE	3,840,209	14,941,950	-187,756,532
Transpublicidade, SA	308,543	0	374,722
TIP, ACE	28,657,505	1,660,338	7,415,672

→ 28 • OVERDUE DEBTS TO THE STATE AND OTHER PUBLIC BODIES

There are no overdue debts with the State or other Public bodies.

→ 29 • LIABILITIES TO THIRD PARTIES WITH A MATURITY OF OVER FIVE YEARS

Company liabilities of a maturity of over 5 years are as follows:

European Investment Bank (EIB)

With the publication, on October the 1st, of Decree-Law n.º 192 / 2008 redefining the Bases of the Concession, and particularly with the elimination of the 1,000 mil-

lion euros limit to the State guarantees for loans contracted by the Company, it was possible to sign on October the 29th 2008, a 60 million euros EIB contract. This value refers to the remaining amount of the second EIB funding contract (EIB II – Tranche C). During the financial year of 2009, the 30 million euros still available on the contract have been disbursed.

(values in euros)		
Contract	Amount contracted	Outstanding debt
BEI I		
Tranche A	99,759,579	93,108,941
Tranche B	100,000,000	100,000,000
Tranche C	100,000,000	100,000,000
Tranche D	243,930,128	243,930,128
BEI II		
Tranche A	120,000,000	120,000,000
Tranche B	80,000,000	80,000,000
Tranche C	60,000,000	60,000,000
Total	803,689,708	797,039,069

EIB loans are denominated in Euro, at a variable EIB rate (which is consistently lower than the Euribor rate applicable for an identical period), at fixed interest rates subject to reset and at a variable rate which has as a reference the Euribor 3 months (EIB II – Tranche C).

EIB loans are secured by a Sovereign Guarantee from the Portuguese Republic for periods of 20 years.

In 2003, a decision was taken to opt for a fixed-rate subject to reset basis in respect of tranches B and C of the loans (EIB I). The interest rate on Tranche B initially fixed until March the 15th 2009, was fixed again, during the current financial year, until March of 2013. Tranche C, initially fixed until September the 15th 2009, was fixed again for a 6 years period.

Also in 2003, a decision was taken to opt, up to March the 15th 2010, for a fixed-rate subject to reset basis in respect of a portion of Tranche D, in the amount of 100 million euros.

During the year 2006 an interest rate swap contract was signed, with respect to the total of Tranche D of the EIB loan, in an amount of 243.9 million euros. During 2008, and within a policy of active monitoring of the market performance, this swap contract was re-structured. As a result of the high volatility verified in the financial markets during the financial year of 2009, an adjustment of that interest rate hedging instrument was made. Both alterations occurred without cost to the Company.

In April 2009, a swap was contracted for Tranche A and B from the EIB II contract, for their total amounts and until their maturity.

In the financial year of 2009 the repayment of Tranche A of the EIB I contract started, 6.65 millions of the initial 99.76 million euros amount having been repaid.

The repayment schedule on the EIB loans which are classified as medium and long-term loans is as follows:

EIB I Loan

- Tranche A: repayable in 10 consecutive annual instalments starting in 2009
- Tranche B and C: repayable in 10 consecutive annual instalments starting in 2012

Contract	(values in euros)	
	Initial value	Total value in debt
LEP 2002	97,222,222	68,620,827
LEP 2003	121,527,778	93,674,500
LEP 2004	31,250,000	25,461,205
Total	250,000,000	187,756,532

An interest rate swap was contracted in 2003 for a period of 20 years in regard to the operational leasing contract signed in 2002. In January 2007 this swap was re-structured through an operation signed with another counterparty. In April 2009 as a result of a policy of active monitoring of the debt markets by the Company, this last operation was again re-structured, without any additional cost to the Company.

Loan Contracts

In 2006, a 5 year maturity loan was contracted, extendable for another 2 years, for the amount of 200 million euros, with full payback on maturity.

One 100 million euros 20 year maturity loan was contracted during 2007. This loan is to be reimbursed partly in six-monthly capital instalments, the remaining amount to be reimbursed through a bullet payment at the end of the contract (as at to December the 31st the amount outstanding was 95 million Euro). To this loan is associated an interest rate hedging structure, consisting of two interest rate swaps on the whole amount and until the term of the loan.

- Tranche D: repayable in 10 consecutive annual instalments starting in 2013
- EIB II Loan
- Tranche A: repayable in 13 consecutive annual instalments starting in 2012
 - Tranche B: repayable in 13 consecutive annual instalments starting in 2012
 - Tranche C: repayable in 12 consecutive annual instalments starting in 2016

Operational leasing Nortrem, ACE

The rentals due with respect to the operational lease contracts on 72 Light Rail vehicles were paid during the financial year, and the debt outstanding as at financial year-end was as follows:

Contract	(values in euros)	
	Initial value	Total value in debt
LEP 2002	97,222,222	68,620,827
LEP 2003	121,527,778	93,674,500
LEP 2004	31,250,000	25,461,205
Total	250,000,000	187,756,532

During the year 2008, four bullet loans were contracted in the global amount of 472 million euros and for maturities of 10, 15 and 20 years. These loans are associated to an interest rate hedging structure, implemented by four swap contracts with the lenders, on the amount of each of the loans and until the maturity of each loan. The evolution of the debt markets and the strong volatility in the financial markets in the financial year of 2009 determined the restructuring, in June and July 2009, of two of the swaps just referred to, as well as the adjustment of the swap of a third contract, in December 2009. None of these operations represented any cost to the Company.

In the financial year of 2009 two loans were contracted in the amounts of 105 million euros and 75 million euros respectively, both with a maturity of 5 years. To these loans are associated hedging interest rate risk structures, consisting of two swap contracts for the whole amount and until the term of the loans.

Financial Policy

In fulfilment of Dispatch n.º 101/09 SETF, of January the 30th, the following table shows the evolution of the average annual all-in cost of funding of Metro do

Porto in the last 5 years, as well as the associated interest charges:

Year	(values in euros)	
	Average All-in Cost	Interest charges
2009	3.20%	52,018,446
2008	4.15%	66,859,647
2007	4.26%	58,778,929
2006	3.73%	40,246,103
2005	3.01%	24,580,198
	Total	242,483,323

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

The interest rate hedging activity represented a 8.3 million reduction in interest rate charges between 2005 and 2009, when compared to a scenario where no hedging structure would exist. This reduction represents the minimum contribution of these structures since that, should those swaps not have been contracted simultaneously to the underlying loans, the level of the spreads would have been higher than was actually the case in the loans in question.

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.

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

There is no consensus on a method to estimate the fair value of portfolios of this type of instruments,

which are not bought and sold in a market. Additionally, there is no available information, given their complexity and the inclusion of proprietary indices in some of the structures present in the derivatives portfolio, a fact which means only a merely descriptive assessment is possible.

Therefore, given the impossibility of determining the intrinsic value of the derivatives portfolio, in consolidated terms, on December the 31st 2009, an aggregate value resulting from the sum of the mark-to-market values of each one of the swap positions individually valued is presented. In doing so, Metro do Porto recognizes that there are structures which are totally or partly duplicated, whose potentially positive impact is not reflected in the market value of the derivatives portfolio, as is the case of the structures which were restructured, this year or in previous years as previously referred. Therefore, it is not possible to estimate a measure of portfolio risk adequately reflecting the effects of diversification, resulting from the exposure to risk factors not perfectly and positively correlated, which, as is known, differ from the weighted average of these risk factors.

It should be added that the determination of the mark-to-market values obtained separately for each of the derivative instruments in Metro do Porto's portfolio is the responsibility of the respective counterparties, and that it is obtained through the estimation of black-box type models, with no guarantee of universal uniformity of the respective structures and parameters, which are typically proprietary and, consequently, undisclosed. Such models assume as central assumptions that: */i/* the level of the forward rates, known to be a biased estimator of future spot interest rates, will remain unchanged until the maturity of the instrument, when it is notorious that such

rates exhibit an expressive volatility, even in intraday trading; and *(iii)* no adjustment shall be introduced to existing interest rate structures, whatever the evolution of market interest rates.

The fact that the main purpose of the Company in the process of actively managing its interest rate exposure is centred in the protection of its cash-flow, inevitable translates into the minor consideration given to that market value, which signifies merely the fair value of a sale, on December the 31st 2009, of instruments that Metro do Porto will, by contract, hold to maturity.

→ 31 • FINANCIAL UNDERTAKINGS

The most relevant financial undertakings assumed by the Company concern the building and operation contracts of the Light Metro System, as well as the

The market value of the components of the derivative instruments portfolio of Metro do Porto was, on December the 31st 2009, of -578 million euros, decomposing into -502 million euros referring to positions held before December the 31st 2008, and -76 million euros referring to instruments contracted and/or restructured during 2009. On December the 31st 2008, the market value of the components of the derivative instruments portfolio (now valued at -502 million euros) was of -421 million euros. This evolution reflects the dynamics of the interest rate market.

provision of inspection services contracts, have the following configuration at the end of the financial year:

(values in euros)				
Entity	Contract	Value of the contract	Value realised	%
Normetro	Base Contract	845,997,409	845,973,827	99.9%
Normetro	Base Contract - Amendments	275,704,125	249,794,415	91%
Bombardier/Vossloh	Rolling Stock	114,921,223	102,362,124	89%
GACE-Consórcio adjudicatário	Gondomar Line	97,545,640	28,790,551	30%
Consórcio (CFS)	Technical Management	51,840,572	45,786,236	88%

Suppliers representing more than 5% (in case that that percentage exceeds 1 million euros) of total cost of goods & materials consumed for the year

→ 32 • GUARANTEES ISSUED

Bank guarantees were issued in order to guarantee the payment of compensation payable by the Company for expropriated land and buildings destined for construction of the Light Rail network. As the end of the financial year, such contingent liabilities amounted to 31,476,141 euros in the form of

2009 are Normetro, ACE, Bombardier Transportation Portugal, S.A. and NORTREM-Aluguer Material Ferroviário, ACE .

bank guarantees issued, with respect to 184 expropriation processes.

As a result of audits carried out by the VAT Inspection Services to the reimbursement requests made, during the financial year, bank guarantees were also issued, with validity of one year, to the amount of 6,849,051 euros.

→ 34 • PROVISIONS

Provisions have the following configuration:

(values in euros)				
	Initial balance	Increase	Decrease	Final balance
Other provisions	14,417,825	15,000,000	12,987,327	16,430,498
Total	14,417,825	15,000,000	12,987,327	16,430,498

The item “Other provisions” includes the amount of 15,000,000 euros considered likely to be paid, estimates from legal consultants having been obtained for this effect. The provision accrues to Fixed Assets. During the financial year, and as a

result of the application of the asset equivalence method to the stake holding in TIP – Transportes Intermodais do Porto, ACE the provision was decreased in the amount of 74,770 euros.

→ 35 • REALISED SHARE CAPITAL

Share capital has been fully subscribed and realised.

→ 36 • NUMBER OF SHARES AND NOMINAL VALUE

The capital of the Company is divided into 1,500,000 nominative shares, with a nominal value of 5 euros per share.

→ 37 • SHARE CAPITAL COMPOSITION

At December the 31st 2009, the composition of the business capital of the Company was as follows:

Shareholder	%
Portuguese State	40
Metropolitan Area of Oporto	39.9995
STCP	16.67
CP – Caminhos de Ferro Portugueses	3.33
Municipalities Gondomar, Maia, Matosinhos, Porto, Póvoa de Varzim, Vila do Conde and Vila Nova de Gaia	0.0005

→ 40 • MOVEMENTS IN SHAREHOLDER FUNDS

(values in euros)				
	Initial balance	Increases	Decreases	Final balance
Capital	7,500,000	0	0	7,500,000
Suplementaru funds	179,033	0	0	179,033
Share capital adjustments in subsidiaries and associates	54,687	139,779	0	194,466
Retained earnings	-406,377,060	-148,775,452	-101,288	-555,051,224
Net income	-148,619,199	-138,410,599	-148,619,199	-138,410,599
Sub-Total	-547,262,539	-287,046,272	-148,720,487	-685,588,323
Concedent Instalments	478,961,360	52,048,196	0	531,009,556
Total	-68,301,179	-234,998,076	-148,720,487	-154,578,767

During 2009 the Company received 52,048,196 euros, from the State Budget, ERDF and Cohesion Fund, and reported it in the “Concedent Instalments” account.

→ 43 • REMUNERATIONS ATTRIBUTED TO MEMBERS OF THE STATUTORY BODIES

Remuneration attributed to the Company’s Statutory Bodies in 2009, was as follows:

Board of Management	542,826 euros
Auditor Board	58,636 euros (*)

(*) Including 19,344 euros related to the remuneration of the Auditor

The Statutory Bodies remunerations by each Member are broken down as follows:

2009	President António Ricardo de Oliveira Fonseca	Executive Member Maria Gorete Gonçalves Fernandes Rato	Executive Member Jorge Moreno Delgado
1. Remuneration			
1.2 Base remuneration	150,122.00	136,472.00	136,472.00
1.2. Accumulation of management functions			
1.3. Complementary remuneration			
1.4. Representation expenses	0.00	0.00	0.00
1.5. Management performance bonus (....months)			
1.6. Other (to be identified in detail):			
Expenses	744.56	372.27	0.00
Reversible Remuneration	0.00	0.00	0.00
2. 2. Other benefits and compensations			
2.1. Telephone expenses	323.16	426.04	663.99
2.2. Service car (acquisition value)	63,000.00		61,500.00
2.3. Petrol spent by company car	3,543.64	1,011.02	4,354.52
2.4. Displacement subsidy			
2.5. Meal allowance	1,461.48	1,461.48	1,461.48
2.6. Other (to be identified in detail)			
3. 3. Social benefits charges			
3.1. Compulsory social security /CGA+ADSE	14,966.15	14,966.15	6,076.80
3.2. Complementary retirement benefits			
3.3. Health insurance policies	644.00	322.00	792.54
3.3. Life insurance policies			
3.4. Other (to be identified in detail)			
Workmen's Compensation Insurance	430.33	390.71	389.66
Andante	401.09	345.60	456.58
4. 4. Additional information			
4.1. Option for remuneration of previous employment [y/n]	Não	Não	Não
4.2. Social Security status	Normal	Normal	ADSE/CGA
4.3. Fulfilment of n.º 7 da RCM 155/2005			
4.4. Year of acquisition of company car	2004		2006
4.5. Service car acquisition option exercised			
4.6. Use of residence	Não	Não	Não
4.7. Paid employment outside of the group			
4.8. Other (to be identified in detail)			

(1) This corresponds to the remuneration of the representative of the shareholder STCP and was paid directly to this Company, at the option of its representative, in the terms of n.º 3 of Art.º 31º of Decree-Law n.º 71/2007 of March the 27th [Estatuto do Gestor Público].

(values in euros)						
Non Executive Member Fernanda Pereira Noronha Meneses Mendes Gomes	Non Executive Member Rui Fernando da Silva Rio	Non Executive Member Mário Hermenegildo Moreira de Almeida	Non Executive Member Marco António Ribeiro dos Santos Costa	Audit Committee Maria Fernanda Joanaz Silva Martins	Audit Committee Guilherme Manuel Lopes Pinto	
0.00	18,138.00	0.00	29,250.00	18,200.00	9,450.00	
0.00	0.00	0.00	0.00	0.00	0.00	
0.00	0.00	0.00	0.00	0.00	0.00	
45,499.93 (1)	0.00	0.00	0.00	0.00	0.00	
0.00	0.00	0.00	0.00	0.00	0.00	
0.00	0.00	0.00	0.00	0.00	0.00	
0.00	3,854.33	0.00	6,215.63	3,867.50	2,008.13	
0.00	0.00	0.00	0.00	0.00	0.00	
	55.19	0.00	91.81	51.42	29.66	
Não	Não Normal	Não Normal	Não Normal	Não Normal	Não Normal	
Não	Não	Não	Não	Não	Não	

→ 45 • NET FINANCIAL INCOME (LOSS)

		(values in euros)	
		Financial year of 2009	Financial year of 2008
EXPENSES AND LOSSES			
681	Interest paid	52,018,446	66,859,647
682	Losses in group associates	772	722
685	Exchange rate losses	0	313
688	Other costs and financial losses	2,007,020	1,804,316
	Financial income (loss)	-53,255,704	-66,247,430
	Total	770,534	2,417,568
INCOME AND EARNINGS			
781	Interest obtained	12,659	1,028,447
782	Earnings in group associates	126,740	441,273
785	Exchange rate gains	784	0
788	Investments and other profits and financial earnings	630,351	947,849
	Total	770,534	2,417,568

Figures include 5,328,886 euros of interest capital-ized [5,292,549 euros in 2008] recorded under own work capitalised.

→ 46 • NET EXTRAORDINARY INCOME (LOSS)

		(values in euros)	
		Financial year of 2009	Financial year of 2008
EXPENSES AND LOSSES			
691	Donations	32,500	39,375
695	Fines and penalties	5,304	0
698	Other costs or losses	396,912	1,092
	Extraordinary income (loss)	2,513,902	673,315
	Total	2,948,618	713,782
INCOME AND EARNINGS			
793	Earnings on stocks	359	0
794	Earnings on fixed assets	232,268	26,705
795	Benefits from contractual penalties	979,955	0
797	Adjustments related to previous financial years	266,767	0
798	Other Income or Earnings	1,469,269	687,077
	Total	2,948,618	713,782

The “Other income or earnings” item essentially includes the amounts of 621,857 euros and 830,800 euros, related to the annual recognition of the subsi-

dies received from the State for construction of the Infante D. Henrique Bridge and the product of fines applied to passengers, respectively.

→ 48 • BANK GUARANTEES RECEIVED

On December the 31st 2009 the Bank guarantees provided by third parties for the exact and punctual fulfilment of the obligations taken on, in favour of

Metro do Porto, amounted to 104,747,057 euros, as follows:

(values in euros)		
Entity	Contract	Total guaran- tees provided
Normetro, ACE	Construction of the Porto Light Metro System (Fase 1)	61,926,853
Bombardier Vossloh-Kiepr	Supply and maintenance of the rolling stock rolling stock (Lines P and T)	6,829,931
Bombardier Transp.Portugal, S.A.	Supply and maintenance of the rolling stock infrastructure (PMO de Guifões)	5,247,526
Consórcio adjudicatário	Construction of Gondomar Line	4,877,282
Consórcio (CFS)	Technical management support services, control and inspection of construction	3,742,973
Bombardier Transp.Portugal, S.A.	ATP System Supply for Tram-Train vehicles	2,890,956
Bombardier Transp.Portugal, S.A.	480.000 Km’s general Euro-Tram vehicles inspection	1,376,619
Other	Other	17,854,917
Total		104,747,057

→ 49 • STATE AND OTHER PUBLIC BODIES

The balance of receivables from the State had the following composition:

(values in euros)		
	Financial year of 2009	Financial year of 2008
Value Added Tax (VAT) claimable	23,828,893	11,794,510
Taxes and Company Income Tax – IRC	1,410,463	2,016,208
Individual income tax – IRS	56,716	56,716
Social Security Contributions to be recovered	5,201	5,201
Total	25,301,273	14,120,348

→ 51 • DEFERRED EXPENSES

Deferred Expenses showed the following composition:

(values in euros)		
	Financial year of 2009	Financial year of 2008
Operational vehicle leasing – 1 st contract	82,716,478	87,710,793
Operational vehicle leasing – 2 nd contract	62,674,667	66,306,582
Operational vehicle leasing – 3 rd contract	46,811,726	49,471,375
Operational vehicle leasing – 4 th contract	31,219,199	32,908,025
Euro-Tram vehicles general inspection	8,403,468	0
Other deferred costs	38,793	38,921
Total	231,864,331	236,435,695

The company sold and then leased back Light Rail System vehicles. In 2002 the first operation was real-ized, involving 72 vehicles. In 2003, a new operation was realized in two parts of 20 and 15 vehicles. In 2004 a new operation concerning 9 vehicles was real-ized. The operational leasing was contracted for 20 years, rents being partly invoiced at the beginning of the contract. The total amount charged for is

accounted for as Deferred Expenses with a contra in Other Creditors. The rentals are recognized as expenses in the respective period.

The item “Euro-Tram vehicles general inspection” includes 4/5 from the cost incurred in this financial year, in relation to the 480,000 Km’s Euro-Tram vehi-cles general inspection.

→ 52 • BANK LOANS

The bank loans are payable as follows:

	(values in euros)	
	Financial year of 2009	Financial year of 2008
Short term	52,037,084	32,077,084
Medium and long term	1,937,388,430	1,734,039,069
	1,989,425,514	1,766,116,153

Medium and long-term liabilities consist of loans from the European Investment Banks and other bank loans, as per conditions disclosed under note 29. The

second amortization of the EIB contract (referred to as EIB I – A) is included in the Short term amount.

→ 53 • OTHER CREDITORS

The most representative balances under this item are as follows:

By Balance sheet item:

	(values in euros)	
	Financial year of 2009	Financial year of 2008
Other creditors – medium and long term	177,173,125	183,917,812
Fixed asset suppliers – short term	28,278,155	28,213,983
Other creditors – short term	15,450,024	16,963,896
Total	220,901,304	229,095,691

By entity:

	(values in euros)	
Most representative balances	Financial year of 2009	Financial year of 2008
NORTREM-Aluguer Material Ferroviário, ACE	187,756,532	198,858,272
GACE – Gondomar, ACE	12,929,293	0
Bombardier Transportation Portugal, SA	2,893,106	5,165,768
Consulgal- Cons. de Engenharia e Gestão, S.A.	2,584,112	1,454,976
Vossloh – Electrical Systems	2,216,139	470,301
CJC – Engenharia e Projectos, Lda.	2,116,936	0
Alberto Couto Alves, S.A.	1,895,018	358,497
Normetro, ACE	1,826,891	15,450,523
Other creditors	6,683,277	7,337,353
Total	220,901,304	229,095,691

Amounts due to Nortrem, ACE respect to rentals outstanding on four operational lease contracts

rentals due for 2009 were reported under short-term creditors.

→ 54 • ACCRUED EXPENSES

	(values in euros)	
	Financial year of 2009	Financial year of 2008
Remunerations payable	765,175	772,268
Specialisation of interest	9,405,690	18,783,637
Others	6,201,969	5,220,810
Total	16,372,834	24,776,715

→ 55 • DEFERRED INCOME

	(values in euros)	
	Financial year of 2009	Financial year of 2008
Maintenance of metro light vehicles	37,074,875	40,909,263
Investment Subsidies	29,599,956	30,173,556
NPV US CBL	4,301,142	4,538,786
Interest rebates	3,419,837	3,812,545
Total	74,395,810	79,434,150

The investment subsidies refer essentially to the funds received for construction of the Infante D. Henrique Bridge (29,411,579 euros).

→ 56 • SERVICES RENDERED

The Services rendered item has the following composition:

	(values in euros)	
	Financial year of 2009	Financial year of 2008
Transport of Passengers	29,970,922	29,373,748
Maintenance of metro light vehicles	3,834,388	3,826,631
Others	667,488	787,564
Total	34,472,798	33,987,943

→ 57 • OPERATIONAL LEASING OF ROLLING STOCK

Operational lease contracts – LEP (Portuguese 72 Light Rail vehicles during the financial years 2002, Structured Leasing) were entered into with respect to 2003 and 2004, recorded as following:

	(values in euros)	
Description	Balance Sheet	Profit & Loss Accounts
Other Creditors – Medium & Long term debt	177,173,125	
Other Creditors – Short term debt	10,583,407	
Deferred Income	37,074,875	
Deferred Costs	231,864,331	
Rental payments		12,974,704
Income		3,834,388

On the operation realised in 2002, three swap operations were contracted, described in Note 29 of this Annex.

→ 58 • CONTINGENT LIABILITIES

Instances where the Company is involved in litigation, as at December the 31st 2009, are broken down as follows:

Actions brought by	(values in euros)
	Total value of contingency
Staff	18,060 (a)
Third parties	48,233,256 (b)
Expropriations	11,938,598 (c)

- a) Court actions moved by employees seconded from CP and Refer, claiming maintenance of privileges acquired under their prior employment contracts.
- b) Instances of civil action moved by shop owners for compensation on damages caused by metro construction work, fines applied by court decision and processes in administrative evaluation phase.
- c) Processes involving expropriations of land and buildings conducted by the Company under legal arbitration, involving the definition of the amount of compensation payable.

In the event of potential future contingencies that might be adverse to the Company, it is considered that such contingencies do not involve Company assets causing the emergence of such contingencies, since such facts are related to construction work, which, if they materialise, shall be accounted for as increased investment costs. Therefore, such events are not deemed to represent sufficient cause for the creation of provisions against them.

→ 59 • ACCOUNTING NORMALISATION SYSTEM

Decree-Law n.º 158/2009, of July the 13th, approved the creation of the new *Sistema de Normalização Contabilística* (Accounting Normalisation System), designated as SNC, revoking POC, the set of accounting norms presently in force. The SNC is compulsory for the financial years beginning on or after January the 1st 2010 and requires the presentation of comparative information relative to the financial year of 2009. The Company will therefore implement the SNC for the 2010 financial year, for which it will have to re-express the financial statements of the financial year of 2009, according to the version of the *Normas Contabilísticas de Relato Financeiro* (NCRF Financial Reporting Accounting Norms) in force as at December the 31st 2010.

The Company is assessing the impacts of adopting the SNC on the financial year's results and on its Net Worth. Therefore, on the basis of the analysis to date, the Board expects that, in qualitative terms, the effects on the Company's financial statements will be essentially in the following items:

- Dis-recognising the assets allocated to the concession and recognising an exploitation right as an Intangible Asset (through the application of IFRIC12).
- Recognising a provision for the renewal of assets allocated to the concession (through the application of IFRIC12).
- Booking the fair value of interest rate hedging derivatives in the Company's Balance Sheet.

legal certification of accounts
report and opinion of the audit committee
audit report



→ **LEGAL CERTIFICATION OF ACCOUNTS**

INTRODUCTION

1. We have examined the financial statements of “METRO DO PORTO, S.A.”, which include the Balance Sheet as at December the 31st 2009 (showing a total of 2,182,639,160 Euros and negative total shareholder funds of 154,578,767 Euros, including a net loss of 138,410,599 Euros), the Profit & Loss Account by nature and by function, 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 Administration Board 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 also the adoption of accounting policies and criteria that are appropriate, together with the maintenance of an appropriate internal control system.

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

SCOPE

4. The examination we carried out was performed according to the Technical Standards and Reviewing/Auditing Guidelines of the “Ordem dos Revisores Oficiais de Contas”, which requires that the process be planned and executed with the aim of obtaining an acceptable degree of security about whether the financial statements are indeed free from relevant distortions. For this, the aforementioned examination included:

- The checking, using a sample base, of the support for the quantities and disclosures in the financial

statements and the assessment of estimates, based on judgment and on criteria set by the Administration Board, used in the preparation thereof;

- A statement of opinion as to whether the accounting policies adopted and the disclosure thereof are suitable and appropriate, in the light of the circumstances;
 - A check of the applicability of the continuity principle; and
 - An appraisal as to whether the presentation of the financial statements is appropriate, in global terms.
5. Our examination also included a check on the agreement between the financial information mentioned on the management report and the financial statements.
6. We believe that the exam as performed is an acceptable basis for the statement of our opinion in this regard.

RESERVATIONS

7. Metro do Porto, S.A. recognizes the funds received from the State and the European Union, with regard to investment in assets, in the “Concedent Instalments” account (item 4 of Base XXVII), included in its Net Worth. Given the recommendation of the “Tribunal de Contas” and other circumstances described in our legal certification of accounts for the year 2007, concerning the accounting framework of the support and subsidies mentioned, in our understanding, these subsidies shall be considered as investment subsidies and have the normal accounting treatment applicable to these situations. The accumulated sum in the “Condent Instalments” on December the 31st 2009 stands at 531,009,556 Euros (478,961,360 Euros, in 2008).

OPINION

8. In our opinion, except in relation to the effects of the issue raised under paragraph 7, above, the aforementioned financial statements do, indeed, truthfully and appropriately present, under all relevant aspects, the financial position of Metro do Porto, S.A. on December the 31st 2009, the results of company operations and the cash flow for the business year terminating on this date, in conformity with the accounting principles normally accepted in Portugal.

EMPHASIS

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

9.1 – The Company is in a situation of non-compliance with Article 35 of the Código das Sociedades Comerciais. The Management Board in its management report, point 8.4, informs the General Shareholders Meeting and proposes solutions for the mentioned non-compliance.

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

Porto, March the 12th 2010
António Magalhães & Carlos Santos - SROC, represented
by Carlos Alberto Freitas dos Santos - R.O.C. n° 177

→ REPORT AND OPINION OF THE AUDIT COMMITTEE

Shareholders of Metro do Porto, S.A.,

In accordance with the existing legal requirements and with the by-laws of the Company, we hereby present our report on its activity and issue our opinion on the financial statements in respect of the year ending on December the 31st 2009, as submitted for appreciation by the Board.

We followed the Company's activity throughout the year, analyzing the regularity of the financial records and their supporting documents. We performed tests and other procedures on the Company's assets, having obtained clarifications from the Board and the Company's services in respect of some situations, a collaboration we are pleased to report.

We highlight the fact that in 2009 the network in operation remains as in 2008, with a commercial supply stability and a slight increase in demand, allowing the consolidation of the Metro do Porto system in the Metropolitan Area of Oporto's Public Transports.

Financial and property, despite the negative results are less than those of the previous year, the operation deficit situation remained, swelling the negative equity that the Company records, and demonstrating once again the need for continued support of the State and financial institutions.

On investing side we highlight the reception of the 30 vehicles Tram Train. In addition, the company kept investing in the expansion of the Yellow Line, launched the tender for the expansion of the Green Line to Trofa, and continued work on the Dragon – Venda Nova stretch.

We also highlight, under the Limited Tender by Previous Qualification for the Sub Concession of the

Operation and Maintenance Services of the Metropolitan Area of Oporto's Light Rail System, the proposal to award the tender's object to the bidder consortium "Via Porto".

Within the requirements of our posts, we have examined the Management Report, and the proposal for net income distribution, contained therein, and the financial statements, composed of the Balance Sheet, the Profit and Loss account, the Cash Flow Statements and the Annexes, prepared by the Board, concluding that they respect the legal and statutory requirements, particularly with accounting principles generally accepted in Portugal.

We were advised of the accounts revision work, having noticed that the Legal Certification of Accounts includes one reserve and two emphases.

Based on the report as presented, we are of the opinion that:

- 1.º The Management Report and the Financial Statements in respect of the year 2009 are suitable for approval;
- 2.º The proposal for the allocation of results contained in the Management Report can be approved.

Oporto, March the 12th 2010

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

→ AUDIT REPORT

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

Introduction

1. We have examined the financial statements of Metro do Porto, S.A. which comprise the Balance Sheet as at December the 31st 2009 (making evident a total of 2,182,639 thousand Euros and negative total shareholder funds of 154,579 thousand Euros, including a net loss for the year of 138,411 thousand Euros), the Profit & Loss Account by nature and by function, and the Cash Flow Statement for the business year ending on the said date, together with the Appendices thereto.

Responsibilities

2. The Board of Directors is responsible for reliably and adequately representing the Company's financial position and operational results and cash flows, as reported in its financial statements, as well as for adopting sound accounting policies and criteria and maintaining an adequate system of internal controls.
3. It is our responsibility to express a professional and independent opinion on those financial statements based on our assessment thereof.

Scope

4. The examination we carried out was performed according to the Technical Standards and Reviewing/Auditing Guidelines of the "Ordem dos Revisores Oficiais de Contas" and international accounting standards issued by the IFAC, which requires that the process should be planned and executed in order to obtain an acceptable degree of security about whether the final statements are indeed free from relevant distortions. For this, the aforementioned examination included the following: (i) the checking, using a sample base, of the support for the quantities and disclosures in the financial statements and the assessment of estimates, based on judgment and criteria set by the Administration Board, used in the preparation thereof; (ii) a statement of opinion about whether or not the accounting policies adopted and the disclosure thereof are appropriate, considering the circumstances; (iii) a check on the applicability of the continuity principle; and (iv) an appraisal as to whether the presentation of financial statements is appropriate, in global terms.

5. Our examination also included a check on the agreement between the financial information mentioned on the management report and the financial statements.

6. We are of the opinion that the examination as performed provides acceptable grounds for the expression of our opinion.

Reservations

7. Metro do Porto, S.A. recognizes the funds received from the State and the European Union, with regard to investment in assets, in the "Concedent Instalments" account (item 4 of Base XXVII), included in its Net Worth. In our opinion, these subsidies should be booked under Deferred Income (liabilities) and recognized as income arising from the business year, according to the speed of depreciation of the assets they refer to. The value of the Concedent Instalments account was 531,010 thousand Euros, as at December 31st 2009 (478,961 thousand Euros, as at December 31st 2008) and we were unable to quantify its effect on deferred income (liabilities) and on operational results.

Opinion

8. In our opinion, except in relation to the effects of the issue raised under paragraph 7, above, the aforementioned financial statements do, indeed, truthfully and appropriately present, under all relevant aspects, the financial position of Metro do Porto, S.A. on December the 31st 2009, the results of company operations and the cash flow for the business year terminating on this date, in conformity with the accounting principles normally accepted in Portugal.

Emphasis

9. Without affecting the opinion expressed in the previous paragraph, we draw attention to the fact that Metro do Porto, SA is lost half of the share capital and thus is not complying with article 35 of the *Código das Sociedades Comerciais*. As referred in the management report, the Administration Board will inform the General Shareholders Board and propose the resolution of that non-compliance. As mentioned in the Introduction to the Balance Sheet Appendix and Profit & Loss Account, the financing of the investment and the business activities of Metro do Porto, S.A., is dependent on the timely support by the State.

Oporto, March the 12th 2010

PricewaterhouseCoopers & Associados, SROC, Lda.
Represented by:
José Pereira Alves, R.O.C.

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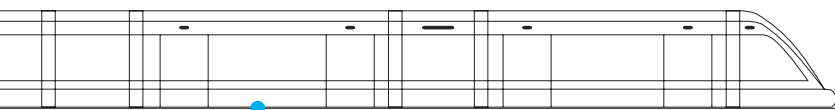
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