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CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2011

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	Notes	30/Jun/11	31/Dec/10
ASSETS			
Non current assets			
Property, Plant and Equipment	5	2,014,458	3,085,887
Investment properties	6	465,300	468,509
Goodwill	7	116,713	327,728
Intangible assets	8	4,991,096	4,764,834
Biological assets	9	22,384	23,109
Investments in associates	10	536,276	3,051,949
Other investments	11	1,344,271	1,329,353
Other financial assets	12	1,401,229	1,427,799
Deferred tax assets	13	303,880	309,786
Other receivables	16	199,484	216,731
Deferrals	17	348,243	310,770
		11,743,335	**15,316,455**
Current assets			
Inventories	18	1,272,056	1,456,646
Biological assets	9	2,706	2,733
Trade debtors	19	471,370	599,700
Advances to trade creditors	14	5,673	12,635
Public administrative sector	15	47,027	46,406
Other receivables	16	258,847	376,129
Deferrals	17	18,515	26,205
Other financial assets	12	5,029	2,602
Cash and cash equivalents	20	802,909	906,944
		2,884,132	**3,430,001**
Non current assets held for sale	21	4,645,415	-
		7,529,547	**3,430,001**
Total assets		**19,272,882**	**18,746,455**
EQUITY AND LIABILITIES			
Equity			
Share capital		1,027,151	1,027,151
Legal reserves		731,151	725,084
Other reserves		93,072	106,414
Share of changes in equity of associates		(489,124)	(467,963)
Retained earnings		1,170,067	1,092,879
Net profit for the period attributable to equity holders		71,278	98,259
Total equity attributable to equity holders	22	**2,603,594**	**2,581,824**
Non-controling interests	23	559,450	551,594
Total equity		**3,163,045**	**3,133,418**
Non current liabilities			
Provisions	24	37,053	196,917
Borrowings	25	7,345,985	8,304,330
Retirement benefits obligations	26	41,807	130,456
Deferred tax liabilities	13	341,914	347,669
Shareholders	27	-	190
Other payables	30	216,780	194,022
Other financial liabilities	31	11,896	16,107
Deferrals	17	2,707,544	2,627,044
		10,702,979	**11,816,734**
Current liabilities			
Trade creditors	29	80,988	243,524
Advances from trade debtors	28	118	3,628
Public administrative sector	15	79,906	237,307
Shareholders	27	25,022	18
Borrowings	25	1,773,069	1,846,027
Other payables	30	951,934	1,387,474
Deferrals	17	24,561	78,325
		2,935,598	**3,796,303**
Liabilities related with non current assets held for sale	21	2,471,260	-
		5,406,858	**3,796,303**
Total liabilities		**16,109,837**	**15,613,037**
Total equity and liabilities		**19,272,882**	**18,746,455**

CONSOLIDATED INCOME STATEMENT (BY NATURE) FOR THE PERIOD ENDED AT 30 JUNE 2011

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	Notes	1st half 2011	1st half 2010
Revenue	32	1,753,197	1,555,598
Grants related to income	33	7,403	4,041
Share of profit and loss of associates	34	163,144	118,839
Dividend from investments at cost or at fair value	35	38,063	33,013
Changes in inventories of finished goods and work in progress	36	(474)	10,961
Own work capitalized	37	16,718	21,988
Inventories consumed and sold	38	(157,985)	(112,742)
Materials and services consumed	39	(930,230)	(811,456)
Employee benefits expenses	40	(416,164)	(420,136)
Increases and reversals of inventories adjustments	41	(1,481)	(783)
Increases and reversals of receivables adjustments	42	(1,031)	7,323
Increases and reversals of provisions	43	2,593	3,664
Increases and reversals of impairment of non depreciable (amortizable) asset	44	(23,178)	(7,875)
Net changes in fair value	45	39,045	(140,004)
Other operating income	46	54,201	75,444
Other operating expense	47	(33,892)	(43,970)
Earnings before interest, taxes, depreciation and amortization		**509,929**	**293,904**
Expense/reversals of depreciation and amortization	48	(227,495)	(233,579)
Grants related to assets	49	36,872	38,413
Earnings before interest and taxes		**319,306**	**98,738**
Interest and other financial income	50	21,867	10,186
Interest and other financial expenses	50	(193,094)	(167,522)
Profit before income tax		**148,079**	**(58,599)**
Net income tax expense	51	(39,517)	(27,928)
Net profit for the period		**108,561**	**(86,527)**
Net profit for the period attributable to non-controling interests	52	37,284	21,075
Net profit for the period attributable to equity holders		**71,278**	**(107,602)**
Basic and diluted earnings per share		0.18	-0.27

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED AT 30 JUNE 2011

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	1st half 2011	1st half 2010
Net profit for the period	108,561	(86,527)
Other comprehensive income		
Exchange differences on translating foreign operations	(3,324)	(1,494)
Gains and losses remeasuring available-for-sale financial assets	7	(184)
Gains and losses on cash flow hedges	952	(23,234)
Changes on revaluation surplus	-	-
Share of other comprehensive income of associates and joint ventures	(21,320)	19,593
Other gains and losses	(850)	748
	(24,535)	(4,571)
Comprehensive income	84,027	(91,098)
Comprehensive income		
Attributable to equity holders	46,771	(108,801)
Attributable to non-controling interests	37,256	18,393

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR PERIOD ENDED AT 30 JUNE 2011

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STATEMENT OF CHANGES IN EQUITY	TOTAL	Share Capital	Legal Reserves	Other Reserves	Revaluation Surplus	Share of changes in equity of associates	Retained earnings	Net profit for the period	Subtotal (before non-controling interest)	Non-controling interest
Financial position at 01-01-2010	3,077,410	1,027,151	711,169	75,774	27,108	(518,149)	731,713	506,324	2,561,090	516,320
Adjustments and corrections with retrospective effects	7,394	-	-	-	(27,108)	-	34,502	-	7,394	
Position at 01-01-2010 after adjustments and corrections	3,084,804	1,027,151	711,169	75,774	-	(518,149)	766,215	506,324	2,568,484	516,320
Transactions with equity holders in the 1st half of 2010	(123,126)	-	15,424	43,787	-	131	339,985	(506,324)	(106,997)	(16,129)
Aplication of results and distribution of results and reserves	(136,947)	-	15,424	43,787	-	131	339,982	(506,324)	(107,000)	(29,947)
Other transactions	13,821	-	-	-	-	-	3	-	3	13,818
Comprehensive income in the 1st half of 2010	(91,097)	(0)	(1,488)	(34,095)	-	19,608	14,086	(107,602)	(109,490)	18,393
Net profit for the period	(86,527)	-	-	-	-	-	-	(107,602)	(107,602)	21,075
Other comprehensive income	(4,571)	(0)	(1,488)	(34,095)	-	19,608	14,086		(1,888)	(2,682)
Financial position at 30-06-2010	2,870,581	1,027,151	725,105	85,466	-	(498,410)	1,120,287	(107,602)	2,351,998	518,584
Transactions with equity holders in the 2nd half of 2010	-	-	-	-	-	-	-	-	-	-
Aplication of results and distribution of results and reserves	-								-	
Other transactions	-								-	-
Comprehensive income in the 2nd half of 2010	262,836	-	(22)	20,948	-	30,447	(27,408)	205,861	229,826	33,010
Net profit for the period	245,087							205,861	205,861	39,226
Other comprehensive income	17,749		(22)	20,948	-	30,447	(27,408)		23,965	(6,216)
Financial position at 31-12-2010	3,133,418	1,027,151	725,084	106,414	-	(467,963)	1,092,879	98,259	2,581,824	551,594
Transactions with equity holders in the 1st half of 2011	(54,400)	-	7,378	(10,908)	-	-	76,788	(98,259)	(25,000)	(29,400)
Aplication of results and distribution of results and reserves	(57,856)	-	7,378	(10,908)	-	-	76,788	(98,259)	(25,000)	(32,856)
Other transactions	3,456	-	-	-	-	-	-	-	-	3,456
Comprehensive income in the 1st half of 2011	84,027	-	(1,311)	(2,434)	-	(21,161)	399	71,278	46,771	37,256
Net profit for the period	108,561	-	-	-	-	-	-	71,278	71,278	37,284
Other comprehensive income	(24,535)	-	(1,311)	(2,434)	-	(21,161)	399	-	(24,507)	(28)
Financial position at 30-06-2011	3,163,045	1,027,151	731,151	93,072	-	(489,124)	1,170,067	71,278	2,603,594	559,450
Dividend paid in the 1st half of 2011 (to equity holders of parent company) *	25,000									
Number of shares	400,000,000									
Dividends per share	0.00006									

* dividends were aproved, but not yet paid until 30 June 2011

CONSOLIDATED CASH-FLOWS STATEMENT FOR THE PERIOD ENDED AT 30 JUNE 2011

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	1st half 2011	1st half 2010
Operating activities		
Receipts from trade debtors	1,660,264	1,341,746
Payments to trade creditors	(1,392,644)	(1,228,833)
Payments to employees	(341,264)	(331,110)
Cash flows generated by operations	(73,644)	(218,198)
Receipts/Payments from income tax	(87,421)	(31,233)
Other operating activities (receipts/payments)	284,477	218,464
Cash flows from operating activities	123,411	(30,966)
Investing activities		
Receipts related to:		
Plant, property and equipment	1,748	734
Other intangible assets	38	262
Investments in associates	95,918	55,806
Grants related to assets	44,482	102,043
Interest and other financial income	12,491	30,982
Loans granted	-	32,326
Dividend	213,121	183,553
	367,798	405,706
Payments related to:		
Plant, property and equipment	(89,716)	(118,396)
Investment Property	(1)	(10)
Other intangible assets	(190,807)	(187,759)
Investments in associates	(112,279)	(124,054)
Interest and other financial expense	(7)	(10,255)
Loans granted	(172)	-
Other assets	(488)	(220)
	(393,470)	(440,695)
Cash flows from investing activities	(25,672)	(34,989)
Financing activities		
Receipts related to:		
Share capital increases and other equity instruments	1,679	2,188
Borrowings	780,837	452,373
Grants and donations	3,654	3,667
Losses cover	-	102,302
Interest and other financial income	945	429
Other	-	1,309
	787,115	562,268
Payments related to		
Share capital increases and other equity instruments	(850)	-
Borrowings	(691,801)	(472,139)
Financial lease contracts	(59,519)	(69,939)
Interest and other financial expense	(87,332)	(73,793)
Dividend	(27,030)	(122,122)
Other financial operations	(334)	(91,515)
	(866,866)	(829,508)
Cash flows from financial activities	(79,751)	(267,240)
Changes in cash and cash equivalents	17,989	(333,195)
Foreign currency translation effect	1,967	6,998
Cash and cash equivalent at the beggining of the period	**712,744**	**652,145**
Overdraft	**234,544**	**-**
Cash and cash equivalent at the end of the period	**732,700**	**325,948**

Reconciliation of Cash and Cash equivalents

	1st half 2011	1st half 2010
Cash and cash equivalent at the end of the period	**732,700**	**325,948**
Overdraft	234,544	172,991
Changes in cash due to business combinations	-	167
Other	1,465	3
Cash and cash equivalent classified as non current asset held for sale	(165,800)	
Cash and cash equivalents in the balance sheet	**802,909**	**499,109**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 – PARPÚBLICA Group economic activities

PARPÚBLICA – Participações Públicas, SGPS, SA (herein after designated by Company or PARPÚBLICA) is a whole owned public company and sets its main corporate object on management of investments (SGPS).

The company was incorporated by Decree-Law Nr. 209/2000 as of September 2, with the aim to be an essential tool of the State, to intervene in the following areas:

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

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

(c) Re-structuring companies transferred to its portfolio;

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

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

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

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

The missions committed to PARPÚBLICA by the above mentioned Decree-Law are developed, by using the mechanisms of SGPS, which is, through its participations portfolio, as well as trough the rendering of services to the Finance Ministry.

Considering the activities developed by the companies whose financial statements were included in the consolidated financial statements of the PARPÚBLICA Group, six business segments were identified: (i) Management of other shareholding and miscellaneous services; (ii) Real estate Management and Promotion; (iii) Agriculture, Livestock breeding and Forestry; (iv) Production of Currency and Publication; (v) Air Transport; and e (vi) Water and Waste.

These financial statements respect to the six months period ended in June 30, 2011, were prepared from the accounting records of the company considering the assumptions of going concern and accrual basis. Amounts are presented in thousand Euros, unless otherwise indicated.

Segment reporting

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	Business Segments												Inter-segmental eliminations		Consolidated	
	Management of other shareholdings and miscelaneous activities		Real estate management and development		Agriculture, lifestockbreeding and forestry		Production of currency and publications		Air transport		Water and waste					
	30-Jun-11	**31-Dec-10**	**30-Jun-11**	**31-Dec-10**	**30-Jun-11**	**31-Dec-10**	**30-Jun-11**	**31-Dec-10**	**30-Jun-11**	**31-Dec-10**	**30-Jun-11**	**31-Dec-10**	**30-Jun-11**	**31-Dec-10**	**30-Jun-11**	**31-Dec-10**
NET ASSETS AND OTHE INFORMATION																
Assets																
Business assets	7,165,750	6,741,478	1,820,079	1,828,626	102,492	101,628	121,441	132,326	3,135,080	3,066,345	6,627,272	6,314,820	(1,184,449)	(828,761)	17,787,665	17,356,461
(of which held for sale)	*2,566,584*								*1,910,347*							
Othe assets	327,136	22,227	105,394	134,553	6,008	4,809	85,706	57,030	198,488	281,435	771,123	898,578	(8,637)	(8,637)	1,485,217	1,389,994
(of which held for sale)									*168,484*							
Total assets	**7,492,886**	**6,763,705**	**1,925,473**	**1,963,179**	**108,500**	**106,437**	**207,147**	**189,356**	**3,333,568**	**3,347,780**	**7,398,395**	**7,213,398**	**(1,193,086)**	**(837,398)**	**19,272,882**	**18,746,455**
Liabilities																
Business liabilities	621,818	517,377	101,017	155,110	2,079	1,976	27,994	17,078	1,123,619	913,668	335,978	350,207	(43,620)	(10,421)	2,168,886	1,944,994
(of which held for sale)									*1,012,848*							
Financing and sundry liabilities	5,360,025	4,888,151	1,238,816	1,213,356	20,391	19,619	79,791	82,701	2,205,287	2,276,101	4,237,994	4,092,247	(1,149,466)	(826,977)	11,992,840	11,745,198
(of which held for sale)									*1,458,411*							
Grants related to assets	1,615	-	51	58	944	1,020	-	24	76,979	79,271	1,868,522	1,842,472		-	1,948,112	1,922,845
Total liabilities	**5,983,459**	**5,405,528**	**1,339,884**	**1,368,524**	**23,415**	**22,615**	**107,785**	**99,803**	**3,405,885**	**3,269,040**	**6,442,494**	**6,284,926**	**(1,193,086)**	**(837,398)**	**16,109,837**	**15,613,037**
Group equity	**1,504,282**	**1,352,966**	**584,248**	**593,285**	**85,085**	**83,822**	**99,361**	**89,553**	**-185,400**	**-38,917**	**516,020**	**501,115**	**(0)**	**-**	**2,603,594**	**2,581,824**
Non-controling interests	**5,146**	**5,211**	**1,341**	**1,369**	**-**	**-**	**-**	**-**	**113,083**	**117,657**	**439,881**	**427,358**		**-**	**559,450**	**551,594**
Total equity	**1,509,427**	**1,358,177**	**585,589**	**594,654**	**85,085**	**83,822**	**99,361**	**89,553**	**-72,317**	**78,740**	**955,901**	**928,472**	**(0)**	**-**	**3,163,045**	**3,133,418**

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	Business Segments												**Inter-segmental eliminations**		**Consolidated**	
	Management of other shareholdings and miscelaneous activities		Real estate management and development		Agriculture, lifestockbreeding and forestry		Production of currency and publications		Air transport		Water and waste					
	30-Jun-11	**30-Jun-10**	**30-Jun-11**	**30-Jun-10**	**30-Jun-11**	**30-Jun-10**	**30-Jun-11**	**30-Jun-10**	**30-Jun-11**	**30-Jun-10**	**30-Jun-11**	**30-Jun-10**	**30-Jun-11**	**30-Jun-10**	**30-Jun-11**	**30-Jun-10**
Revenue	5,709	6,007	60,344	16,476	1,451	1,312	69,062	42,124	1,243,351	1,152,266	373,281	337,472	-	(60)	1,753,197	1,555,598
Grants related to income	4,824	924	7	17	976	933	1	1	1,478	1,842	117	324	-	-	7,403	4,041
Share of profit and loss of associates	170,270	130,628	-	-	-	-	-	-	(7,126)	(11,789)	-	-	-	-	163,144	118,839
Dividend from investments at cost or at fair value	38,063	33,013													38,063	33,013
Changes in finished goods and work in progress and own work capital	-	-	(448)	2,253	(67)	647	495	(327)	967	11,151	15,297	19,225	-	-	16,244	32,949
Inventories consumed and sold	(5)	(2)	(41,462)	(3,653)	(1,064)	(1,216)	(19,636)	(8,266)	(82,989)	(88,941)	(12,829)	(10,664)	-	-	(157,985)	(112,742)
Materials and services consumed	(6,896)	(2,722)	(6,005)	(6,611)	(1,126)	(1,156)	(6,151)	(6,238)	(803,787)	(687,024)	(106,287)	(106,753)	22	(953)	(930,230)	(811,456)
Employee benefits expenses	(1,631)	(1,596)	(3,574)	(3,862)	(1,114)	(1,129)	(11,812)	(12,696)	(322,215)	(319,181)	(75,832)	(81,673)	14	-	(416,164)	(420,136)
Invcreases and reversals of inventories adjustments	-	-	146	46	-	-	51	468	(1,678)	(1,297)	-	-	-	-	(1,481)	(783)
Increases and reversals of provisions	-	-	12	0	-	-	2	-	2,701	2,667	(122)	997	-	-	2,593	3,664
Increases and reversals of impairment of non depreciable (amortizabl	(22,628)	(7,875)	(54)	(41)	2	-	(34)	32	(502)	8,337	(993)	(1,005)	-	-	(24,209)	(552)
Net changes in fair value	34,891	(150,822)	(1,133)	-	1,531	(81)	5	-	104	-	3,648	10,899	-	-	39,045	(140,004)
Other operating income	26,264	11,181	10,093	2,679	1,212	1,298	3,289	1,053	25,180	56,031	12,020	6,889	(23,857)	(3,687)	54,201	75,444
Other operating expense	(56)	(2,272)	(1,635)	(3,185)	(66)	(91)	(3,638)	(3,118)	(22,779)	(28,638)	(5,718)	(6,666)	-	-	(33,892)	(43,970)
															-	
Earnings before interest, tax, depreciation and amortization	**248,805**	**16,464**	**16,292**	**4,119**	**1,735**	**517**	**31,632**	**13,035**	**32,705**	**95,424**	**202,582**	**169,045**	**(23,821)**	**(4,700)**	**509,929**	**293,904**
Expense/reversals of depreciation and amortization	(3,175)	(2,798)	(603)	(602)	(509)	(781)	(2,974)	(3,758)	(101,284)	(105,350)	(118,950)	(120,290)	-	-	(227,495)	(233,579)
Impairment of depreciable (amortizable) assets (expense/reversals)	-	-	-	-		-		-	-	-	-	-		-	-	-
Grants related to assets	-	-	-	-	42	38	-	-	2,360	2,066	34,470	36,309			36,872	38,413
Earnings before interest and taxes	**245,630**	**13,666**	**15,689**	**3,518**	**1,267**	**(226)**	**28,658**	**9,277**	**(66,219)**	**(7,860)**	**118,102**	**85,064**	**(23,821)**	**(4,700)**	**319,306**	**98,738**
Iterest expense	(104,900)	(67,427)	(25,911)	(6,545)	-	-	(652)	(11,267)	(30,242)	(28,560)	(46,917)	(24,768)	23,821	3,886	(184,801)	(134,680)
Other financing gains and losses	6	-	(1,322)	(768)	(3)	(4)	-	11,059	6,432	(5,064)	8,462	(28,693)	-	814	13,575	(22,656)
Profit before income tax	**140,735**	**(53,761)**	**(11,544)**	**(3,795)**	**1,264**	**(230)**	**28,006**	**9,069**	**(90,029)**	**(41,484)**	**79,647**	**31,604**	**(1)**	**(1)**	**148,079**	**(58,599)**
Net income tax expense	(38)	(1,627)	2,504	872	-	-	(7,293)	(2,118)	(15,572)	(11,009)	(19,118)	(14,047)	-	-	(39,517)	(27,928)
Net profit for the period	140,697	(55,388)	(9,040)	(2,923)	1,264	(230)	20,713	6,951	(105,601)	(52,493)	60,529	17,557	(1)	(1)	108,561	(86,527)
Net profit for the period attributable to non-controling interests	**-69**	**761**	**-14**	**3**	**0**	**0**	**0**	**0**	**11,400**	**9,280**	**25,966**	**11,031**	-	**0**	37,284	21,075
															-	
Net profit for the period attributable to equity holders	**140,766**	**(56,149)**	**(9,026)**	**(2,926)**	**1,264**	**(230)**	**20,713**	**6,951**	**(117,001)**	**(61,772)**	**34,563**	**6,525**	**(1)**	**(1)**	**71,278**	**(107,602)**
EBITDA (a)	248,805	16,464	16,292	4,119	1,735	517	31,632	13,035	32,705	95,424	202,582	169,045	(23,821)	(4,700)	509,929	293,904

(a) EBITDA = Profit before tax, interest expense, results from discontinuing operations and expense/reversals of depreciation (amortization)

2 – Basis of presentation and major accounting policies adopted

2a - Introduction

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

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

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

All amounts are presented in Euros and, unless otherwise indicated, rounded to the nearest € 1000.

2b – Changes in accounting policies

2bi New Standards, interpretations and amendments effective from 1 January 2011

- **Changes to IAS 32** Financial Instruments: presentation, related with the way it should be accounted certain rights when the issued instruments are designated at a currency different then the issuer's functional currency > Regulation 1293/09, as of December 23;

- **Changes to IFRS 1** First-time adoption of IFRS and **IFRS 7** Financial Instruments: disclosures related to the exemption from presenting comparative disclosures according to IFRS 7, regarding the measurement at fair value and liquidity risk when those comparative periods end before December 31, 2009 > Regulation 574/10, as of June 30;

- **Changes to IFRIC 14** Payments of a minimum funding requirement, with the aim to remove an unintended consequence of IFRIC 14 in cases where an entity subject to a minimum funding requirement makes an early payment of contributions where under certain circumstances the entity making such a prepayment would be required to recognise an expense. If a certain defined benefits plan is subject to a minimum funding requirement, the amendment to IFRIC 14 states that the payment is treated like any other prepayment, as if it was an asset > Regulation 633/10, as of July 19;

- **Adoption of IFRIC 19** Extinguishing Financial Liabilities with Equity Instruments and consequent amendments to IFRS 1 First time adoption of IFRS > The aim of IFRIC 19 is to provide guidance on how a debtor should account for its equity instruments issued in full or partial settlement of a financial liability following renegotiation of the terms of the liability > Regulation 662/10, as of July 23;

- **Improvements (several) introduced in IFRS (IFRS1, IFRS 3, IFRS 7, IAS 1, IAS 21, IAS 28, IAS 31, IAS 32, IAS 34, IAS 39, e IFRIC 13**)> Regulation 149/11, as of February 18, whose improvement topics are:

- **IFRS 1>** Changes in accounting policies in the period covered by the first financial statements; use of revaluation basis as deemed cost could be applied to the period covered by the first financial statements according to IFRS; use of deemed cost for regulated rate operations;

- **IFRS 3>** Transition requirements to contingent income from a business combination that occur before effective date of IFRS3 (revised in 2008); amendment in the definition for measurement of non controlling interests; share-based premium payments - Replacement premiums and non-replaceable premiums;

- **IFRS 7>** Clarification of certain disclosures. The objective of the change in IFRS 7 is to provide clarity in the interaction between the qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments. The main change concerns to the need, in addition to the description of collateral guaranties held as a security, to provide a description of the correspondent financial effects regarding the amount of maximum exposure to credit risk;

- **IAS 1>** Clarification of consolidated statement of changes in equity. Among other changes, highlight the need to include, in the consolidated statement of changes in equity or in the notes, a review by item of the other comprehensive income for each component of Equity.

- **IAS 21, IAS 28 e IAS 31>** Transition requirements arising from amendments to IAS 27 (as amended in 2008). The amendments clarify that "consequent changes" should be prospectively applied;

- **IAS 32>** Changes that arise from amendment on IFRS 3 introduced by Improvements (contingent retribution contracts);

- **IAS 34>** Significant events and transactions. The aim of the change is to amend IAS 34 in order to give more emphasis on principles (significant transactions, updated information) and include additional examples related to requirements of recent disclosure;

- **IAS 39>** Changes that result from amendments on IFRS 3 introduced by Improvements (contingent retribution contracts);

- **IFRIC 13>** Changes on the definition of credit premium fair value. Paragraph AG2 is amended (and also Example 1, on illustrative examples) to clarify that, when credit premium fair value is estimated by reference to the value of the premiums for which they could be redeemed, the value of those premiums will be set to reflect expected forfeitures, as well discounts or incentives.

The new standards, interpretations and amendments, effective after 01 January 2011, above referred, didn't have significant impact on financial statements.

2bii New standards, interpretations and amendments not yet effective

At the present date, there weren't any standards, interpretations and amendments adopted in European Union which have not yet enter into force. All standards and interpretations adopted in European Union are currently in effect.

2c – Basis of consolidation

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

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

2d - Business Combinations

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

2e - Subsidiaries

All entities controlled by PARPÚBLICA Group were deemed as subsidiary companies, and control is deemed as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence of control was assumed when PARPÚBLICA Group is, directly or indirectly holder, through subsidiary companies, of more than half of the voting power of an entity.

These entities, which are qualified as subsidiary companies, are as follows:

Name	Location	Main Activity	Share capital owner		
			Entity	% of share capital by its direct owner	
				30-Jun-2011	31-Dez-2010
PARPÚBLICA - Participações Públicas (SGPS), S.A.	Lisbon	Investment management (holding)	PORTUGUESE STATE	100,00%	100,00%
AdP - Águas de Portugal, SGPS, S.A.	Lisbon	Investment management (holding)	PARPÚBLICA, SGPS, S.A.	72,17%	72,17%
ANA - Aeroportos de Portugal, S.A.	Lisbon	Portugal Airport public service and civilian navigation support	PARPÚBLICA, SGPS, S.A.	68,56%	68,56%
Capitalpor - Participações Portuguesas, SGPS, S.A.	Lisbon	Investment management (holding)	PARPÚBLICA, SGPS, S.A.	100,00%	100,00%
CE – Circuito do Estoril, S.A.	Alcabideche	Sport events (car racing and other)	PARPÚBLICA, SGPS, S.A.	100,00%	100,00%
Companhia das Lezírias, S.A.	Samora Correia	Agriculture and livestock breeding	PARPÚBLICA, SGPS, S.A.	100,00%	100,00%
ENVC – Sociedade Imobiliária, S.A.	Viana do Castelo	Development of real estate projects	PARPÚBLICA, SGPS, S.A.	99,80%	99,80%
INCM - Imprensa Nacional Casa da Moeda, S.A.	Lisbon	Portuguese coin issuing, official printing and other publications	PARPÚBLICA, SGPS, S.A.	100,00%	100,00%
MARGUEIRA - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Almada	Management of real estate fund "Margueira Capital"	PARPÚBLICA, SGPS, S.A.	51,00%	51,00%
SAGESECUR - Sociedade de Estudos, Desenvolvimento e Participação em Projetos, S.A.	Lisbon	Studies, development and participation in security investments	PARPÚBLICA, SGPS, S.A.	80,50%	80,50%
SAGESTAMO - Sociedade Gestora de Participações Sociais Imobiliárias, S.A.	Lisbon	Investment management (holding) and rendering of services	PARPÚBLICA, SGPS, S.A.	100,00%	100,00%
TAP - Transportes Aéreos Portugueses, SGPS, S.A. (b)	Lisbon	Investment management (holding)	PARPÚBLICA, SGPS, S.A.	100,00%	100,00%
AdP – Águas de Portugal Serviços Ambientais, S.A.	Lisbon	Technical services	AdP - Águas de Portugal, SGPS, S.A.	100,00%	100,00%
Aquasis, S.A.	Lisbon	Geographic information systems	AdP - Águas de Portugal Serviços, S.A.	55,00%	55,00%
Águas de Santo André, S.A.	V.N. Santo André	Multi-municipal water supply system	AdP - Águas de Portugal, SGPS, S.A.	100,00%	100,00%
EPAL – Empresa Portuguesa das Águas Livres, S.A.	Lisbon	Water distribution	AdP - Águas de Portugal, SGPS, S.A.	100,00%	100,00%
Empresa Geral do Fomento, S.A.	Lisbon	Investment management (holding)	AdP - Águas de Portugal, SGPS, S.A.	100,00%	100,00%
AdP Energias, S.A. (Reciclamas – Multigestão Ambiental, S.A.)	Lisbon	Environment management	AdP - Águas de Portugal, SGPS, S.A.	100,00%	100,00%
AdP – Águas de Portugal Internacional, S.A.	Lisbon	Investment management (holding)	AdP - Águas de Portugal, SGPS, S.A.	100,00%	100,00%
Aquatec, Lda	Maputo	Technical services	AdP - Águas de Portugal Internacional, S.A.	100,00%	100,00%
Águas de Moçambique, SARL	Maputo	Water supply	AdP - Águas de Portugal Internacional, S.A.	(a)	73,00%

Name	Location	Main Activity	Share capital owner		
			Entity	% of share capital by its direct owner	
				30-Jun-2011	31-Dez-2010
Águas do Brazil, S.A.	Rio de Janeiro	Water supply	AdP - Águas de Portugal, SGPS, S.A.	100,00%	100,00%
Águas do Algarve, S.A.	Faro	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	54,44%	54,44%
Águas do Centro Alentejo, S.A.	Évora	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	51,00%	51,00%
Águas do Centro, S.A.	Castelo Branco	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	70,00%	70,00%
Águas do Douro e Paiva, S.A.	Porto	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	51,00%	51,00%
Águas do Noroeste, S.A.	Barcelos	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	56,66%	56,66%
Águas do Mondego, S.A.	Taveiro	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	51,00%	51,00%
Águas do Norte Alentejano, S.A.	Portalegre	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	51,00%	51,00%
Águas do Oeste, S.A.	Óbidos	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	51,00%	51,00%
Águas de Trás-os-Montes, S.A.	Vila Real	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	70,54%	70,54%
Águas do Zêzere e Côa, S.A.	Guarda	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	87,46%	87,46%
AdRA - Águas da Região de Aveiro, S.A.	Aveiro	Integrated management of municipal services of water supply and sanitation	AdP – Águas de Portugal, SGPS, S.A.	51,00%	51,00%
AGDA - Águas Públicas do Alentejo, S.A.	Beja	Concession management of water supply services	AdP – Águas de Portugal, SGPS, S.A.	51,00%	51,00%
Sanest, S.A.	Cascais	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	51,00%	51,00%
Simarsul, S.A.	Setúbal	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	51,00%	51,00%
Simlis, S.A.	Leria	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	70,16%	70,16%
Simria, S.A.	Aveiro	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	67,72%	67,72%
Simtejo S.A.	Lisbon	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	50,50%	50,50%
Simdouro S.A.	Vila Nova de Gaia	Multi-municipal water supply and sanitation	AdP - Águas de Portugal, SGPS, S.A.	51,00%	51,00%
Algar, S.A.	Faro	Multi-municipal solid waste treatment	Empresa Geral do Fomento, S.A.	56,00%	56,00%
Amarsul, S.A.	Palmela	Multi-municipal solid waste treatment	Empresa Geral do Fomento, S.A.	51,00%	51,00%
Ersuc, S.A	Coimbra	Multi-municipal solid waste treatment	Empresa Geral do Fomento, S.A.	51,46%	51,46%
Resiestrela, S.A.	Serra da Estrela	Multi-municipal solid waste treatment	Empresa Geral do Fomento, S.A.	62,95%	62,95%

Name	Location	Main Activity	Share capital owner		
			Entity	% of share capital by its direct owner	
				30-Jun-2011	31-Dez-2010
Resinorte, S.A.	Celorico de Basto	Multi-municipal solid waste treatment	Empresa Geral do Fomento, S.A.	51,00%	68,00%
Resulima, S.A.	Viana do Castelo	Multi-municipal solid waste treatment	Empresa Geral do Fomento, S.A.	51,00%	51,00%
Suldouro, S.A.	Sermonde	Multi-municipal solid waste treatment	Empresa Geral do Fomento, S.A.	60,00%	60,00%
Valnor, S.A.	Avis	Multi-municipal solid waste treatment	Empresa Geral do Fomento, S.A.	53,33%	53,33%
Valorlis, S.A.	Leria	Multi-municipal solid waste treatment	Empresa Geral do Fomento, S.A.	51,00%	51,00%
Valorminho, S.A.	Valença	Multi-municipal solid waste treatment	Empresa Geral do Fomento, S.A.	51,00%	51,00%
Valorsul, S.A.	Valença	Multi-municipal solid waste treatment	Empresa Geral do Fomento, S.A.	56,79%	56,79%
ANAM – Aerop. Navegação Aérea da Madeira, S.A.	Funchal	Airport infrastructure management	ANA, S.A.	70,00%	70,00%
NAER- Novo Aeroporto, S.A.	Lisbon	Studies development for new airport construction	ANA, S.A.	84,41%	84,41%
Portway- Handling de Portugal, S.A.	Lisbon	Handling	ANA, S.A.	100,00%	100,00%
Lazer e Floresta - Empresa de Desenvolvimento Agro-Florestal Imobiliário Turístico e Cinegético,S.A.	Lisbon	Forrest development	Capitalpor	100,00%	100,00%
SPE – Sociedade Portuguesa de Empreendimentos, S.A.	Lisbon	Mining/minerals	PARPÚBLICA, SGPS, S.A.	81,13%	81,13%
BAÍA DO TEJO, S.A. (ex-QUIMIPARQUE – Parques Empresariais, S.A.	Barreiro	Industrial parks	Capitalpor	100,00%	100,00%
AMBISIDER - Recuperações Ambientais, S.A.	Paio Pires	Environmental recovery	BAÍA DO TEJO, S.A. (em 2008 SNESGES, S.A.)	100,00%	100,00%
ECODETRA - Sociedade de Tratamento e Deposição de Resíduos, S.A.	Paio Pires	Special industrial residual treatment	BAÍA DO TEJO, S.A. (em 2008) URBINDÚSTRIA, S.A.	51,00%	51,00%
APIS – Associação Parque Industrial do Seixal	Lisbon	Technologic and industry parks	BAÍA DO TEJO, S.A.	93,77%	93,77%
Fundo de Investimento Imobiliário Fechado Estamo	Lisbon	Real estate fund	SAGESECUR, S.A. ESTAMO, SGPS, S.A.	99,997% 0,003%	99,997% 0,003%
CONSEST – Promoção Imobiliária, S.A.	Lisbon	Real estate	SAGESTAMO, SGPS, S.A.	100,00%	100,00%
ESTAMO – Participações Imobiliárias, S.A.	Lisbon	Real estate	SAGESTAMO, SGPS, S.A.	100,00%	100,00%
FUNDIESTAMO - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Lisbon	Real estate fund management	SAGESTAMO, SGPS, S.A.	100,00%	100,00%
TAP - Transportes Aéreos Portugueses, S.A. (b)	Lisbon	Air transportation	TAP, SGPS, S.A.	100,00%	100,00%
TAPGER - Sociedade de Gestão e Serviços, S.A. (b)	Lisbon	Management services	TAP, SGPS, S.A.	100,00%	100,00%
CATERINGPOR - Catering de Portugal, S.A. (b)	Lisbon	Catering	TAPGER, S.A.	51,00%	51,00%
L.F.P. - Lojas Francas de Portugal, S.A. (b)	Lisbon	Management of “free shop”	TAPGER, S.A.	51,00%	51,00%

Name	Location	Main Activity	Share capital owner		
			Entity	% of share capital by its direct owner	
				30-Jun-2011	31-Dez-2010
MEGASIS - Soc. de Serviços e Engenharia Informática, S.A. (b)	Lisbon	Computer engineering services	TAPGER, S.A.	100,00%	100,00%
U.C.S. - Cuidados Integrados de Saúde, S.A. (b)	Lisbon	Health care services	TAPGER, S.A.	100,00%	100,00%
PORTUGÁLIA – Companhia Portuguesa de Transportes Aéreos, S.A. ("PORTUGÁLIA") (b)	Lisbon	Air transportation	TAP, SGPS, S.A.	100,00%	100,00%
AERO-LB, Participações, S.A. ("AERO-LB") (b)	Brazil	Investment management (holding)	TAP, SGPS, S.A. PORTUGÁLIA	99,00% 1,00%	99,00% 1,00%
TAP – Manutenção e Engenharia Brazil, S.A. (ex-VEM) (b)	Brazil	Air transportation maintenance and engineering	AERO-LB	98,64%	98,64%

(a) Disposal entity in 2011.
(b) Entity included in a disposal business group classified as held for sale according to IFRS 5.

TAP Group was included in a disposal group classified as held for sale according to IFRS 5, as described in Note 21.

2f – Investments in Associates

All entities over which PARPÚBLICA Group has a significant influence, and that are neither a subsidiary nor an interest in a joint venture, have been deemed as associated companies. Significant influence was deemed as the power to participate in the financial and operating policy decisions of the invested company but is not control or joint control over those policies. The existence of a significant influence was taken into account, when the parent company directly or indirectly holds 20% or more of the voting power in the invested company, or when it holds special voting rights.

PARPÚBLICA Group holds 7% of the voting power of GALP. The Group holds a golden share that gives special rights, and, as such, considers that it has significant influence; however that golden share was extinguished after the first half of 2011.

Entities that qualify as associates are the follows:

Name	Location	Main Activity	Share owner		
			Entity	% of share capital held by its direct owner	
				30-Jun-2011	31-Dez-2010
ADA – Administração de Aeroportos, Lda.	Macau	Airport management	ANA, S.A.	49,00%	49,00%
CREDIP - Instituição Financeira de Crédito, S.A.	Lisbon	Banking	PARPÚBLICA, SGPS, S.A.	20,00%	20,00%
CRL – Companhia das Lezírias e Associados Renováveis, Lda	Benavente	Timber and forest product industry	COMPANHIA DAS LEZÍRIAS, S.A.	20,00%	20,00%
CVP - Sociedade de Gestão Hospitalar, S.A.	Lisbon	Health care units administration	PARPÚBLICA, SGPS, S.A.	45,00%	45,00%
EDP - Energias de Portugal, S.A. (c)	Lisbon	Electric energy supply	Capitalpor PARPÚBLICA, SGPS, S.A.	11,17% 9,73%	11,17% 9,73%
INAPA – Investimentos Participações e Gestão, S.A.	Lisbon	Investment management (holding)	PARPÚBLICA, SGPS, S.A.	32,72%	32,72%
ISOTAL - Imobiliário do Sotavento Algarvio, S.A.	Faro	Tourism development	PARPÚBLICA, SGPS, S.A.	31,05%	31,05%
Miese	Vila Real		AdP – Águas de Portugal, SGPS, S.A.	20,00%	20,00%
Multicert - Serviços de Certificação Eletrónica	Lisbon	Electronics certification	INCM	20,00%	20,00%
Netdouro, S.A. (b)	Porto	Management of telecommunication infrastructures	Águas do Douro e Paiva, S.A	100,00%	100,00%
ORIVÁRZEA, S.A.	Benavente	Rice selling and production	COMPANHIA DAS LEZÍRIAS, S.A.	26,81%	26,81%
Parcaixa, SGPS, S.A.	Lisbon	Investment management	PARPÚBLICA, SGPS, S.A.	49,00%	49,00%
PORTOSIDER	Paio Pires	Port management	BAÍA DO TEJO, S.A.	40,00%	40,00%
REN – Rede Eléctrica Nacional, S.A. (c)	Lisbon	Electricity global public system of supply management	Capitalpor PARPÚBLICA, SGPS, S.A.	46,00% 3,90%	46,00% 3,90%
SML – Sociedade Mineira do Lucapa, Lda	Angola	Diamond mining and prospection	SPE, S.A.	49,00%	49,00%
SPdH – Serviços Portugueses de Handling, S.A. ("SPdH") (c)	Lisbon	Handling	TAP SGPS, S.A. PORTUGÁLIA TAP, S.A.	43,90% 6,00% 50,10%	43,90% 6,00% 50,10%
Trevoeste	Alcobaça	Water sanitation	AdP, SGPS	35,00%	35,00%

(a) Entity disposed in 2011
(b) Entity with no activity in 2011, in liquidation.
(c) Entity included in a disposal business group classified as held for sale according to IFRS 5.

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Associated Companies	Total Assets 30Jun11	Total Assets 2010	Liabilities 30Jun11	Liabilities 2010	Total revenue and gains 30Jun11	Total revenue and gains 2010	Net Profit 30Jun11	Net Profit 2010
CVP - Sociedade de Gestão Hospitalar, S.A.	47,906	37,984	35,920	26,919	24,810	45,040	1,731	1,347
Parcaixa, SGPS, S.A.	1,040,612	1,010,982	8,415	65	18,743	16,464	15,700	5,849
INAPA – Investimentos Participações e Gestão, S.A.	728,521	740,290	562,750	580,432	488,640	1,017,481	1,109	3,666
ISOTAL - Imobiliário do Sotavento Algarvio, S.A.	224	233	2	3	0	7	-8	-98
CREDIP - Instituição Financeira de Crédito, S.A.	33,568	347,386	21,698	335,683	6,569	9,096	167	659
ADA – Administração de Aeroportos, Lda.	3,405	22,942	976	20,235	8,541	20,461	355	991
EDP - Energias de Portugal, S.A.	39,011,000	40,488,853	28,376,000	29,703,894	7,760,600	14,491,631	608,700	1,078,925
REN – Rede Eléctrica Nacional, S.A.	(1) 4 494 330	4,460,503	(1) 3 431 764	3,438,603	(1) 199 042	1,231,191	68,200	110,265
ORIVÁRZEA, S.A.	N.d.	11,943	N.d.	6,765	N.d.	13,739	N.d.	354
CRL – Companhia das Lezírias e Associados Renováveis, Lda	N.d.	4	N.d.	2			N.d.	-2
PORTOSIDER	N.d.	744	N.d.	51	N.d.	8	N.d.	7
Multicert - Serviços de Certificação Eletrónica					N.d.	3,847	N.d.	799
Trevoeste	3,270	3,277	765	852	0		(23)	-81
Netdouro, S.A.	94	95	9	16	13	25	5	10
Miese (b)	50	201	42	83	-	0	(3)	-82
SML – Sociedade Mineira do Lucapa, Lda								
SPdH – Serviços Portugueses de Handling, S.A. ("SPdH")	35,296	33,391	154,556	145,352	N.d.	135,429	-7,300	-43,556
Águas de Timor	0		0		0		0	
Clube Golf das Amoreiras	1,518	1,512	1,384	1,374	-	0	(3)	-51

(1) - Information regarding the 1st quarter of 2011

On acquisition of the investment any difference between the cost of the investment and the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for in accordance with IFRS 3 Business Combinations and included in the carrying amount of investment.

Investments in associates were accounted for using the equity method, whereby the investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognised in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportional interest in the investee arising from changes in the investee's equity that have not been recognised in the investee's profit or loss. The investor's share of those changes is recognised directly in the equity of the investor.

If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses; after the investor's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructed obligations.

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

SPdH is recognised as an associate because AdC (Competition Authority) imposed, until its sale, that SPdH's management should be provided by a "management representative" that acts in name of AdC, and manages SPdH with independence from TAP Group.

Despite of being associated companies, EDP, HCB and REN were included in a disposal group classified as held for sale according to IFRS 5, as described in Note 21.

2g – Property, plant and equipment

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

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

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

Subsequent costs are recognised only if it is probable that future economic benefits associated with those items will flow to the Group. Maintenance and repair expenses are charged to profit or loss on an accrual basis.

Depreciation is calculated applying the straight-line method, according to the following estimated useful life (in years):

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

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

2h - Investment property

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

Investment property is initially measured at cost, including direct transaction costs. After initial recognition, investment property is measured at fair value, which reflects the market conditions on the balance sheet date. Fair value measurements are based in independent valuations held at closing balance date.

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

An investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

2i - *Goodwill*

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

After initial recognition, the acquirer shall measure the goodwill acquired in a business combination, at cost, less any accumulated impairment loss.

The impairment test of the cash-generating units to which goodwill has been allocated was based on assessments of equity, geared mainly to the perspective of transaction.

2j – Other intangible assets

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

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

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

2k - Agriculture

A biological asset is measured at its fair value less estimated point-of-sale costs. In the situations where the fair value cannot be measured reliably the biological assets are measured at its cost less any accumulated depreciation and any accumulated impairment.

Agricultural produce harvested from the Group's biological assets is measured at its fair value less estimated point-of-sale costs at the point of harvest. The carrying amount on harvest date will be the amount to recognise on inventories.

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

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

2l – Inventories

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

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

Differences between inventories cost and its net realisable value, when lower, as well as the amount of materials considered obsolete are recognised in impairment losses of inventories.

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

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

2m - Cash and bank deposits

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

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

PARPÚBLICA Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The assets (or disposal groups) classified as held for sale are available for immediate sale in its present condition and its sale is highly probable.

It is expected the sale to be completed within one year from the date of classification as held for sale. The classification as held for sale is maintained in cases of external events or circumstances beyond PARPÚBLICA Group's control that requires extending the period to complete the sale beyond one year.

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

2o – Non Financial Impairment Assets

Whenever there is evidence that an asset may be impaired, its recoverable amount is estimated, being recognised an impairment loss whenever the net book value of the asset exceeds its recoverable amount. PARPÚBLICA Group recognises impairment losses in the profit or loss for the period.

The recoverable amount is determined as the higher between fair value less costs of sale and its value in use, being this last one calculated considering the present value of estimated future cash-flows expected to be derived from a continued use of the asset and its disposal in the end of its useful life.

Intangible assets that do not have definite useful lives are not amortised, but are subject to annual impairment tests, as it happens, for instance with goodwill.

Amortizable assets are revised as to impairment, whenever events or changes in the involving conditions indicate that its carrying amount exceeds its recoverable amount. An impairment loss is recognised when the recoverable amount of an asset is less than its carrying amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less cost to sell and its value in use. In case of being impossible to attribute a recoverable amount to a certain asset, this asset shall be aggregated with other assets, so as they may jointly generate independent cash flows, and, in this way, constitute a cash-generating unit (CGU). Whenever there is an impairment loss in a CGU, which goodwill has been allocated to, the loss shall be allocated prior to the goodwill, and the remaining shall be rated among the assets, which compose it, based upon the net value of the balance of these assets. In this distribution among the assets, the adjusted value of each asset cannot be lower than the highest among the value of an asset deducted from sale expenses, its value of use, and 0 (zero).

Impairment loss is recognised in the consolidated profit or loss for assets. The asset depreciation shall be prospectively adjusted according to its depreciable value, adjusted by the accumulated impairment loss.

2p – Equity Instruments

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

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

2q- Provisions, contingent assets and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount that have arisen as a result of past transactions and are recognised for its present value whenever time value of money is significant.
Contingent assets and liabilities are not recognized in the financial statements, but disclosed in the notes. In the cases in which the possibility of an outflow of resources that incorporate economic benefits is remote, or if it is less probable that an inflow of economic benefits occur, the respective contingent liabilities or contingent assets are not disclosed.

2r – Employee Benefits

PARPÚBLICA Group attributes retirement benefits to a part of its employees, through defined benefit plans, namely pension plans which guarantee survival, disability and age retirement complements, anticipated retirement pensions and healthcare during the retirement and the anticipated retirement periods. However, beyond a definite benefit plan which only covers retirees on the plan re-conversion date, (January 2004), ANA Group attributes post-employment benefits to its employees, through defined contribution plans.

Defined benefits plans are financed through pension funds, complemented by specific provision, whenever necessary.

In this context, PARPÚBLICA Group recognizes as a liability the net value between the present value of the obligation of defined benefits on the date of the balance less the fair value of the assets of the plan (should they exist), at the cost of which the obligations will be liquidated.

The actuarial gains and losses annually determined are recognized as an income or as an expense in the period they occur.

Annually, on closing date, independent experts, individually for each plan, based upon the Projected Credit Unit Method, assess the obligations of PARPÚBLICA GROUP and in this way the present value of its definite benefits obligations and the respective current service costs are determined. For that purpose, certain actuarial assumptions are used. The actuarial assumptions are the Group's best available estimates of the variables, which will determine the final cost of providing post-employment benefits. The actuarial assumptions comprise:

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

(iv) claims ratios, according the medical plans.

- Financial assumptions, dealing with items such as:

  (i) the discount rate;

  (ii) levels of future wages and of benefits;

  (iii) in the case of medical benefits, future medical costs including, when material, the cost of managing claims and payments of benefits; and

  (iv) expected return ratio of the assets of the plan.

2s – Leases

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

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between (i) finance charges that are charged directly to profit or loss and (ii) reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

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

PARPÚBLICA Group presents the assets leased to third parties (operating leases) in the balance sheet according to its nature.

The income from operating lease contracts is recognized in the income upon a straight-line basis during the lease period.

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

So as to determine whether the leased asset remained impaired, the determinations laid out in IAS 36 are applied.

2t – Financial Instruments

Other financial assets

Financial assets are classified according to each one of the following categories, depending on the purpose of the financial asset:

- Financial assets at fair value through profit or loss are financial assets that were designated as such or are classified as held for trading (include derivatives not classified as hedging instruments). They are measured at fair value, and any subsequent changes in their fair values are directly recognised in profit or loss.

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

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

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

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

In financial assets at fair value through profit or loss are included, by designation, EDP and GALP shares underlying the options on two bond issues, to avoid the mismatch between the measurement of the options and the underlying assets that determine its value.

Derivative financial instruments that do not fulfil the requirements for designation as hedging instruments are classified as held for trading.

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

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

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

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

In the case of investments in equity instruments measured at cost (classified as available-for-sale), the recognised impairment losses are not reversible.

Other account receivable

Accounts receivable are initially measured at their fair value and subsequently measured at amortised cost using the effective interest method. The existing impairment losses are recognized in profit or loss.

Accounts receivable impairment adjustment is established when there is objective evidence that the PARPÚBLICA Group will not receive in part or in full the amounts in debt, under the terms that were agreed upon. Significant financial difficulties from the debtor, the probability of the debtor becoming insolvent, or the successive failure, by the debtor, to pay his debts, are considered indicators that the account receivable is in a situation of impairment.

Other financial liabilities

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

The fair value of derivative instruments is accessed based on quoted financial instruments. In the absence of market prices, the fair value is estimated using the discounted cash-flows method, determined by external entities, based on valuation techniques accepted by the market.

Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised at fair value on the date of their negotiation. Subsequently, the fair value of derivative financial instruments is measured in a regular basis, and changes in fair value (gains or losses) are recognised in profit or loss, except for fair value changes on hedging derivatives.

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

PARPÚBLICA Group makes use of derivative financial instruments to cover fair value, cash flows or net investments in foreign operations risks. The hedging instruments are registered at their fair value, and the gains or losses are recognized according with the hedging accounting model adopted by the Group, that correspond to those defined in IAS 39.

Embedded derivatives are separated from the host contract whenever the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract and as long as the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss. Embedded derivatives are registered at fair value with its changes to be recognised in profit or loss when they occur.

2u – Recognition of expenses and losses and of revenue and gains

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

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from rendering of services is recognised when the outcome of a transaction involving the rendering of services can be estimated reliably, as follows:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the amount of the revenue can be measured reliably.

Revenue is recognised on the following bases:

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

Income and expense of construction contracts are recognised according with the stage of completion method.

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

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset are capitalised. Other borrowing costs are recognised as an expense in the period in which it incurs them, in accordance with the effective interest method.

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

2v – Income tax

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

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

- Is not a business combination; and
- affects neither the taxable profit nor the accounting profit.

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

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

The deferred tax assets concerning to reported tax losses and tax credits are recognised when a future tax income is possible. The uncertainty of the recoverability of tax losses and tax credit is taking into account in deferred tax assets calculation.

2w – Foreign currency transactions

Foreign currency transactions are converted at the exchange rate in force on the transaction date. Monetary assets and liabilities expressed in foreign currencies are converted into Euros at exchange rate in force on the balance sheet date. Exchange differences resulting from this conversion are recognised in profit or loss. Though, all exchange differences arising from conversion to Euros of financial statements of the subsidiary companies, joint ventures and associated companies, of which functional currency differs from Euro, are recognised in Equity. Non monetary assets and liabilities registered at their historical cost, expressed in a foreign currency, are converted at the exchange rate on the date of the transaction. Non monetary assets and liabilities expressed in a foreign currency at fair value are converted at the exchange rate in force on the date, on which the fair value was determined.

2x – Regulatory assets and liabilities of multi-municipal systems

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

Taking into account the hierarchy established in IAS 8, the companies of the Group with regulated activities adopted the rules provided in international normalization (namely FAS71, issued by FASB and ED/2009/8 issued by IASB). In this way, there have been determined a set of criteria for recognition of assets and liabilities related with regulatory rules. These rules determine that a company should recognise in its financial statements the effects of its operating activity, so long as it provides services with prices subject to regulatory provisions.

The activities of AdP Group MMS Companies are regulated, as rates are determined by a third entity (Government) after considering the opinion of the regulator (ERSAR), and so, these standards are applicable to these companies.

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

It is included in this category the accruals for contractual investment, as well as the register of the tariff deviations. As so, according to the rule of recognition of regulatory assets and liabilities, these assets (and/or liabilities) should be recognised in the balance sheet, as its recovery (and/or the reimbursement of the liability) is eligible for the effect of determining the rate by the regulator in future periods.

Tariff deviations – asset and liabilities

The concession agreements of AdP Group companies contain the criteria for the establishment of rates or annual granted remuneration, based in the recovery of the investment expenses, operational expenses, financial expenses and, as well, a remuneration of the equity. Potentially, it can also be added remuneration for efficiency gains.

Annually, AdP Group, determines the difference between the profit generated by its operations and the equity remuneration granted, and registers the gross value as an income – tariff deviations – and the related tax, as income tax, against the balance sheet, as required in the recognition of regulatory assets and liabilities.

The revenue from the tariff deviation corresponds to the credit or debit adjustments to be made to the revenue from regulatory activities, in a way that it shows the income required to accomplish the agreement terms regarding the recovery of the expenses, including income tax, and the annual granted remuneration.

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

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

Accruals for contractual investments and amortization policy

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

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

These amortizations are calculated using the units sum method, i.e., by the amortization of the investment, the initial one and the one to be performed in the future, considered in financial and economic viability study, given the effluent flows invoiced in the year and the effluents to be invoiced up to the end of the concession period considered in the study. They are recognised in profit or loss, against accumulated amortizations and accrued expenses for regulated contractual investments as a liability.

2y – Services in the scope of the MMS concessions

IFRIC 12 defines the standards to be observed when accounting concession agreements, considering the services rendered and the power to control the assets of the concession. Considering this interpretation, the AdP group companies render two kinds of services: construction, modernization and renewal of infrastructures of the system; and explore and manage (operate and maintain) the system composed by the infrastructures, necessary for the rendering of the services. Likewise, the company should recognise and measure the revenue of these services rendered according to IAS 11 – Construction contracts and IAS 18 – Revenue.

Infrastructure classification

In the scope of IFRIC 12 infrastructure shouldn't be recognised as property, plant and equipment of the concession because concession agreements do not convey the right to control the use of the public service infrastructure to the operator.

On the other hand, if the operator builds or modernizes, the amount received or to be received by the operator should be recognised by its fair value, and it corresponds to a right that assumes the form of: (a) a financial asset; or (b) an intangible asset.

Contractually, the companies of AdP Group are based on models aimed to classify the infrastructure as a financial asset, as they are not exposed to any kind of risk, and a minimal annual remuneration is granted by contract, which receipt may be deferred in time, but is assured.

However, the definition of financial asset, gave by IAS 32, is not related to the risk but to the unconditional and present right to receive cash or other financial asset. Among several mechanisms of rebalancing of the concession agreements of the Group companies, increase of tariffs, direct indemnities from the Grantor and/or extension of the concession period, the extension of the period does not comply with the requisites established in that standard (IAS 32), as it represents a future right to charge from the customers, and for that does not comply with the definition of a financial asset. Consequently, the AdP Group companies that are MMS operators or partnership managers recognise the infrastructures of the systems they operate as intangible assets – Right to use the infrastructures (for the purpose of IFRIC 12).

The intangible assets are measured at acquisition or production cost, including net income and expenses directly and indirectly related to the investment projects, which are capitalised as assets under construction. The expenses that might be recognised as assets are the ones related with the development of the investment. Operating costs are considered in the cost of the asset under construction using a percentage calculated according to the allocation of the personnel to the respective projects. Financial costs related to borrowings to fund the ongoing investment are capitalised in full until the start of the operation of the system.

Expenses with major repairs and improvements to infrastructures (including replacement parts), through economic regulation of concessions, are specifically remunerated, as they are taken in to account on determining the tariff (i.e. they have an implicit recovery with the acceptance of the amortization by the regulator), and they are accounted as part of the intangible asset. Ordinary repairs and maintenance are recognised as expenses in the periods they occur.

Amortizations

The intangible asset, the right to use the infrastructure, is amortised in a systematic basis according to the pattern for obtaining economical benefits associated with it. In the case of the concessions of AdP Group the economical benefits obtained on exploring the right to use the concessions are determined by economic regulation, i.e., by the acceptance of the amortization costs on the annual calculation of the tariffs by the regulator.

Residual value

Additional investments of expansion or modernization, which useful lives are beyond the concession period, might present a residual value that will give rise to an indemnity similar to the unamortized value at that date, and so, they are recognised as financial assets (present value of the amount to be received).

Construction services revenue

According to IFRIC 12 – Service concession arrangements, the revenue from the construction services should be recognised in accordance to IAS 11 – Construction contracts. The regulatory model and the standards used to calculate the tariffs do not permit that AdP Group companies separate the tariff as construction service and as operating service, and to determine accurately the fair value of the respective revenue.

It should be observed that, in the construction phase, acts as an “agent”/intermediary, without any appropriation of profit, in the course of its operational activity.

So, given the regulatory dispositions of AdP Group companies, the recognised revenue is the result from the applying of the tariffs approved by the grantor and proposed by the regulator, more or less the inherent tariff deviation, as predicted in the concession agreements.

2z – Services in the scope of airport concessions

For the obligations of expansion or requalification of infrastructure established in the concession granted to ANAM, SA, and for the application of IFRIC 12, is recognized the revenue from construction contracts and an increase in the amount of the concession right obtained.

The responsibilities recognized based on the renovation plan to be performed in the airport infrastructures, which are the establishment of the concession, in order to hold the level of services provided on the concession contract are measured at present value, given the estimated realization period.

2aa – Judgements, estimates and critical assumptions

The preparation of consolidated financial statements according with IFRS requires PARPÚBLICA Group to make certain estimates and assumptions that affect the application of accounting policies and the amounts of income, expense, assets and liabilities. Changes in such assumptions or any differences of these assumptions with reality may have impact over the present estimates and judgements. The areas that involve a significant level of judgement and complexity, or where assumptions and significant estimates are made in preparing the consolidated financial statements are discussed below:

Concession period:

The initial concession period given to ANAM, SA was of 25 (twenty five) years, starting on 1 October 1993. However, considering the Regional decree-law n.º 7-A/2000/M, as of March 15, it is allowed the renewal of the concession agreement for successive periods of 5 years up to the limit of 15 years, depending on the nominal internal rate of return of the investments, which should attain 7,1% + 0,4% for each renovation period, and the full amortisation of the debt service that was contracted for the enlargement of Santa Catarina Airport project.

ANAM General Shareholders Meeting instructed its Board of Directors to begin the process of renegotiation of the concession agreement, particularly regarding the extension of its period, in order to financially rebalance the concession.

This proposal of change to the concession agreement considers the extension of the concession period for 20 more years, which is, until 2053 and it is under analysis by the grantor (Regional Government). ANAM already received feed-back that, despite the absent of any deadline to conclude the analysis in progress, it would be predictable the extension of the concession period as proposed by the company. Considering this, it was assumed as assumption the extension of the concession period until 2053.

Useful lives of property, plant and equipment and intangible assets:

The determination of useful lives of assets, as well as the deprecation method is critical to determine the amount of depreciation/amortization to recognise on the consolidated income statement. These two parameters are defined according with the management's best judgement for the business and assets in question; however, they could be changed if the international best practice in the industries, for similar situations, points to a different benchmark.

Investment property and biological assets measurement:

Investment property and biological assets that are measured at fair value are subject to independent valuations that are performed in a regular way. These valuations were performed according with discounted cash flow method.

Impairment:

The Group performs impairment tests, whenever there is evidence of it, but annually performs impairment tests on goodwill. The realizable values of cash-generating units are based on values in use or on market values considering the best estimates.

Fair value of financial instruments:

The fair value of financial instruments that have no active market is determined through valuations that reflect the mark-to-market value of those instruments. The Group uses its judgement for the selection of valuation techniques and the assumptions to use when accessing the fair value of the derivatives contracted at the balance date, with the support of specialists.

Retirement benefit obligations:

An obligation of the defined benefit plan is annually calculated by independent actuarial experts using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the future benefit payments, using the interest rate of high quality bonds issued in the same currency that the benefits will be paid and with terms of maturity that are close with those of the assumed obligation.

Provisions and adjustments:

Provisions are recognized when the Group has: i) a present legal or constructive obligation resulting from past events, ii) to which is more probable than not that an expenditure of internal resources to pay this obligation will be required and iii) the amount could be reasonably estimated. Whenever one of the criteria fails or whenever the existence of an obligation is conditional on the occurrence (or non occurrence) of a certain future event, PARPÚBLICA Group disclose that fact as a contingent liability, unless the assessment of the enforceability of the outflow of resources is remote.

Income tax:

The Group recognises liabilities for additional payments of taxes that might occur as a result of inspections made by tax authorities. When the final result of these situations is different from the amounts initially recognised, the corresponding differences will have impact in the income tax and tax liabilities for the year they occur.

3 – Restatements and Reclassifications

	31/Dec/10	Restatement/ Reclassification impact	31-Dez-10 (End of n-1)
ASSETS			
Non current assets			
Property, Plant and Equipment	3,085,887	-	3,085,887
Investment properties	468,509	-	468,509
Goodwill	327,728	-	327,728
Intangible assets	4,764,834	-	4,764,834
Biological assets	23,109	-	23,109
Investments in associates	3,051,949	4	3,051,945
Other investments	1,329,353	(1,642)	1,330,995
Other financial assets	1,427,799	(37,875)	1,465,674
Deferred tax assets	309,786	7,080	302,707
Other receivables	216,731	59,100	157,631
Deferrals	310,770	-	310,770
	15,316,455	**26,667**	**15,289,788**
Current assets			
Inventories	1,456,646	-	1,456,646
Biological assets	2,733	-	2,733
Trade debtors	599,700	-	599,700
Advances to trade creditors	12,635	-	12,635
Public administrative sector	46,406	-	46,406
Other receivables	376,129	-	376,128
Deferrals	26,205	-	26,205
Other financial assets	2,602	(19,587)	22,189
Cash and cash equivalents	906,944	-	906,944
	3,430,001	**(19,587)**	**3,449,587**
Non current assets held for sale	-	-	-
	3,430,001	**7,080**	**6,899,174**
Total assets	**18,746,455**	**7,080**	**18,739,375**
EQUITY AND LIABILITIES			
Equity			
Share capital	1,027,151	-	1,027,151
Legal reserves	725,084	-	725,084
Other reserves	106,414	-	106,414
Share of changes in equity of associates	(467,963)	-	(467,963)
Retained earnings	1,092,879	28,753	1,064,126
Net profit for the period attributable to equity holders	98,259	42	98,217
Total equity attributable to equity holders	**2,581,824**	**7,437**	**2,574,387**
Non-controling interests	551,594		551,594
Total equity	**3,133,418**	**7,437**	**3,125,981**
Non current liabilities			
Provisions	196,917	-	196,917
Borrowings	8,304,330	(13,386)	8,317,715
Retirement benefits obligations	130,456	-	130,456
Deferred tax liabilities	347,669	(324)	347,993
Shareholders	190	-	190
Other payables	194,022	-	194,022
Other financial liabilities	16,107	-	16,107
Deferrals	2,627,044	-	2,627,044
	11,816,734	**(13,710)**	**11,830,444**
Current liabilities			
Trade creditors	243,524	(72)	243,596
Advances from trade debtors	3,628	(177)	3,805
Public administrative sector	237,307	(33)	237,340
Shareholders	18	-	18
Borrowings	1,846,027	13,386	1,832,641
Other payables	1,387,474	249	1,387,226
Deferrals	78,325	-	78,325
	3,796,303	**13,353**	**3,782,950**
Liabilities related with non current assets held for sale	-	-	-
	3,796,303	**13,353**	**3,782,950**
Total liabilities	**15,613,037**	**(357)**	**15,613,394**
Total equity and liabilities	**18,746,455**	**7,080**	**18,739,375**

	1st half 2010	Restatement/ Reclassification	30-Jun-10 (End of n-1)
Revenue	1,555,598	-	1,555,598
Grants related to income	4,041	-	4,041
Share of profit and loss of associates	118,839	8,194	110,645
Dividend from investments at cost or at fair value	33,013	-	33,013
Changes in inventories of finished goods and work in progress	10,961	-	10,961
Own work capitalized	21,988	18,708	3,280
Inventories consumed and sold	(112,742)	-	(112,742)
Materials and services consumed	(811,456)	(2,665)	(808,791)
Employee benefits expenses	(420,136)	(5,694)	(414,443)
Increases and reversals of inventories adjustments	(783)	-	(783)
Increases and reversals of receivables adjustments	7,323	1,788	5,535
Increases and reversals of provisions	3,664	-	3,664
Increases and reversals of impairment of non depreciable (amortizable) asset	(7,875)	(7,875)	
Net changes in fair value	(140,004)	(280)	(139,724)
Other operating income	75,444	(23,022)	98,466
Other operating expense	(43,970)	18,933	(62,903)
Earnings before interest, taxes, depreciation and amortization	**293,904**	**8,087**	**285,817**
Expense/reversals of depreciation and amortization	(233,579)	(2,201)	(231,378)
Grants related to assets	38,413	-	38,413
Earnings before interest and taxes	**98,738**	**5,886**	**92,852**
Interest and other financial income	10,186	2,262	7,924
Interest and other financial expenses	(167,522)	(11,059)	(156,463)
Profit before income tax	**(58,599)**	**(2,911)**	**(55,687)**
Net income tax expense	(27,928)	(853)	(27,075)
Net profit for the period	**(86,527)**	**(3,765)**	**(82,762)**
Net profit for the period attributable to non-controling interests	21,075	-	21,075
Net profit for the period attributable to equity holders	**(107,602)**	**(3,765)**	**(103,838)**
Basic and diluted earnings per share	-0.27		-0.26

The restatements and reclassifications involved the following principal amount:

- Restatement of 18 708 tEuros of TAP Group own work capitalized, in return on materials and services consumed (2 665 tEuros), employee benefits expenses (4 984 tEuros) and interest and other financial expenses (11 059 tEuros).
- Restatement of 2 054 tEuros of Amortizations and respective deferred tax from new useful lives of EPAL's property, plant and equipment.
- Restatement of 18 933 tEuros of other operating income to other operating expense because, in 2010, TAP Group Exchange differences were considered by its net amount.
- Restatement of 21 225 tEuros, concerning to Sagres notes of SAGESECUR from other financial assets – current asset – to other financial asset – non-current asset.
- Restatement of 1 642 tEuros related to Fundo ESTAMO on other investments to other financial assets.
- Restatement of 59 100 tEuros related to the purchase and sale promissory contract signed between Portuguese State and Baía do Tejo for acquisition of properties from Margueira complex of other financial assets – non-current to other receivables – non-current asset.
- Restatement of 13 386 tEuros from non-current financial liabilities to current financial liabilities of SPE as it did not fulfil the criteria of c) and d) of IAS 1.60.
- Restatement of 7 080 tEuros of deferred tax assets of INCM for retained earnings regarding the recognition of post-employment benefits.

- Restatement of 21 359 tEuros in retained earnings from revaluation surplus, due to the fact that the Group hasn't adopted the revaluation model to measure property, plant and equipment.

4 – Cash-flows

The cash-flow statement respects the standards of IAS 7.

Operating cash flow essentially relates to the Aeronautical segment with 73% of total receipts from trade debtors (30JUN10: 70%). In the payments to Trade creditors and staff, this operating segment has a weight of 80% (30JUN10: 61%) and 79% (30JUN10: 77%), respectively.

The financing and investing activities respect essentially to operations performed by PARPÚBLICA, AdP Group and SAGESTAMO Group.

5 – Property, plant and equipment

	1st half 2011									
Property, plant and equipment	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Tools and utensils	Administrat. Equiment	Other tangible fixed assets	Fixed assets in progress	Advances on tangible fixed assets	Total
Gross value										
Opening balance	327,563	1,730,501	3,707,593	42,416	35,454	174,850	145,156	201,053	15,607	6,380,194
Aditions	-	116	5,303	503	503	1,072	3,486	49,999	-	60,981
Tranfers to and from "Held for sale"	(45,641)	(350,184)	(2,146,148)	(5,218)	(32,705)	(69,570)	(21,107)	(4,846)	(6,347)	(2,681,766)
Disposals	(541)	(17)	(2,160)	(117)	-	(15)	(9)	-	-	(2,859)
Other transfers/Write-offs	4,675	14,075	35,374	(483)	336	(1,770)	103	(53,581)	(862)	(2,132)
Exchange rate differences	(26)	(82)	(374)	(2)	(204)	(95)	2	(67)	-	(848)
Closing balance	286,030	1,394,409	1,599,588	37,098	3,385	104,473	127,631	192,558	8,398	3,753,570
										-
Accumulated depreciation										
Opening balance	450	866,975	2,117,368	33,772	20,704	154,370	61,180	(23)	-	3,254,795
Aditions	4	23,563	85,805	1,561	841	3,544	3,089	-	-	118,408
Tranfers to and from "Held for sale"	-	(227,960)	(1,336,716)	(4,958)	(18,611)	(65,083)	(17,617)	-	-	(1,670,945)
Disposals	-	(17)	(1,949)	(117)	-	(21)	(7)	-	-	(2,111)
Other transfers/Write-offs	-	(2,010)	5,532	(608)	(16)	(3,154)	(82)	-	-	(338)
Exchange rate differences	-	(22)	(239)	(2)	(64)	(82)	2	-	-	(407)
Closing balance	454	660,530	869,801	29,647	2,854	89,574	46,565	(23)	-	1,699,402
Perdas de imparidade acumuladas										
Opening balance	25,889	12,282	48	-	-	-	1,292	-	-	39,511
Reported impairment losses	-	-	-	-	-	-	-	-	-	-
Reversion on impariment losses	-	-	198	-	-	-	-	-	-	198
Closing balance	25,889	12,282	246	-	-	-	1,292	-	-	39,709
Net book value (IFRS)	**259,687**	**721,598**	**729,540**	**7,451**	**531**	**14,898**	**79,774**	**192,581**	**8,398**	**2,014,458**

Property, plant and equipment	Year 2010 Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Tools and utensils	Administrat. Equiment	Other tangible fixed assets	Fixed assets in progress	Advances on tangible fixed assets	Total
Gross value										
Opening balance	329,239	1,661,498	3,677,678	42,627	23,653	170,264	135,853	183,674	14,883	6,239,369
Changes to consolidation perimeter	-	(0)	(1,352)	(784)	-	(604)	(32)	5	-	(2,767)
Aditions	(121)	2,436	15,712	1,528	2,248	3,451	1,842	159,420	1,866	188,382
Tranfers to and from "Held for sale" and "Available for sale"	(288)	(1,345)	-	-	-	-	-	-	-	(1,633)
Reversions	(500)	(440)	-	-	-	-	-	-	-	(940)
Disposals	(753)	(489)	(949)	(668)	(2)	(216)	(21)	-	-	(3,098)
Other transfers/Write-offs	(173)	68,587	13,777	(299)	8,408	(245)	7,514	(142,284)	(1,142)	(45,857)
Exchange rate differences	159	255	2,727	12	1,147	2,200	-	238	-	6,738
-	327,563	1,730,501	3,707,593	42,416	35,454	174,850	145,156	201,053	15,607	6,380,194
Accumulated depreciation										
Opening balance	444	819,892	1,951,654	31,909	16,392	146,764	49,295	-	-	3,016,349
Changes to consolidation perimeter	-	(0)	(237)	(645)	-	(408)	-	(23)	-	(1,313)
Aditions	21	44,331	190,212	3,299	1,201	8,405	5,937	-	-	253,406
Tranfers to and from "Held for sale" and "Available for sale"	-	(312)	-	-	-	-	-	-	-	(312)
Disposals	-	(80)	(886)	(625)	(3)	(181)	(17)	-	-	(1,791)
Other transfers/Write-offs	(15)	3,073	(25,410)	(176)	2,840	(2,049)	5,964	-	-	(15,772)
Exchange rate differences	-	71	2,034	10	274	1,840	0	-	-	4,229
	450	866,975	2,117,368	33,772	20,704	154,370	61,180	(23)	-	3,254,795
Perdas de Imparidade Acumuladas										
Opening balance	20,298	-	-	-	-	-	-	-	-	20,298
Reported impairment losses	5,592	12,144	-	-	-	-	1,292	-	-	19,028
Reversion on impariment losses	-	138	48	-	-	-	-	-	-	186
	25,889	12,282	48	-	-	-	1,292	-	-	39,511
Net book value	**301,224**	**851,244**	**1,590,177**	**8,644**	**14,750**	**20,480**	**82,683**	**201,076**	**15,607**	**3,085,887**

Lands and buildings on 30 June 2011 include:

- 575 million Euros (31DEC10: 571 million Euros) related to land of airport activities and the buildings integrated on those lands such as, runways, parking lots and circulation ways ;
- 250 million Euros (31DEC10: 252 million Euros) related to infra-structure of water production, transportation and distribution; and
- 63 million Euros (31DEC10: 53 million Euros) related to Baía do Tejo Group.

Basic equipment includes essentially:

- 548 million Euros (31DEC10: 550 million Euros) of equipment for water production, transportation and distribution; and
- 174 million Euros (31DEC10: 168 million Euros) of equipment used by ANA.

The increase in Basic equipment includes the acquisition, by TAP, of spare parts amounting to 1 398 tEuros, maintenance equipment amounting to 947 tEuros and miscellaneous equipment amounting to 1 212 tEuros.

Sales of Basic equipment are related, mainly, to spare parts from TAP amounting to 1 286 tEuros.

The net amount of transfers and disposals of Basic equipment includes:

- Disposal of equipments from TAP with a negative amount of 1 900 tEuros;
- Start of operation of ANA's equipments, with a positive amount of 22 749 tEuros;
- Transfer of assets with a positive amount of 14 469 tEuros, mainly used by EPAL.

In "Fixed assets on progress" it should be mentioned the additions by AdP in the amount of around 8 million Euros, as well as the additions from ANA in the amount of around 38 million Euros, related to Lisbon's Airport Expansion Plan.

The decrease in this caption includes the amount of 8 million Euros from AdP Group and the amount of 44 million Euros related to investments of ANA Group that started operating in the current period, including the Lisbon's Airport Expansion Plan (26 million Euros) and the enlargement construction works of the W platform of João Paulo II Airport, in Azores (around 6 million Euros).

The administrative equipment is mainly from ANA (9,7 million Euros) and from AdP Group (4,1 million Euros).

Other tangible fixed assets includes mainly: (i) 67 564 tEuros of rolling material operating in North-South railway line from Sagesecur; (ii) 8 653 tEuros from INCM; and (iii) 3 330 tEuros from AdP Group.

Advances on tangible fixed assets includes, mainly: (i) payments in advance made by Lazer e Floresta, regarding the acquisition of real estate properties, which are still waiting for legal deed (5 935 tEuros); and (ii) payments in advance for the acquisition of used spare parts, by SAGESECUR on 2006 (1 264 tEuros).

The amount identified as Transfers to "Held for Sale" corresponds to TAP Group's assets included in the disposal group classified as held for sale in accordance to IFRS 5 as described in Note 21.

The opening balance of accumulated impairment loss is in full related to assets from Companhia das Lezírias and Circuito Estoril.

6 – Investment properties

	1st half 2011		Year 2010	
Investment property	At fair value	At cost	At fair value	At cost
Opening balance	467,248	1,261	458,852	1,262
Adjustments to fair value - Net gains and losses	(1,031)		6,187	-
Increases - Acquisitions	537	-	271	-
Transfers from and to inventories and to property occupied by the owner	-	-	390	-
Transfers to property, plant and equipment	(20)	-	(971)	-
Tranfers to "Held for sale"	(2,690)	-	-	-
Other variation	(4)	-	2,519	-
Closing balance	**464,040**	**1,260**	**467,248**	**1,261**
Total		**465,300**		**468,509**

Investment properties are owned by the following entities:

Investment property by entity	30-Jun-11	31-Dec-10
Sagestamo Group	180,800	180,799
Baía do Tejo Group	132,160	131,646
Companhia das Lezírias	62,861	62,865
Fundo II Estamo	46,897	48,009
Lazer & Floresta	41,238	41,238
ENVC	84	84
AdP Group	1,260	1,261
TAP Group	0	2,607
Total	**465,300**	**468,509**

The main criteria used to distinguish investment property from property held for sale in the ordinary course of business is the ability to earn rentals.

The negative fair value adjustments are related to real estate properties held by Fundo II Estamo.

Regarding Baía do Tejo Group, the main typologies of investments as of 30JUN11 and 31DEC10 are: land, warehouses and offices located in industrial parks of Barreiro, Seixal, Estarreja and Vendas Novas lent to customers or available to be lent.

The amount identified as transfers to “Held for sale” corresponds to assets from TAP Group included in the disposal group classified as held for sale in accordance to IFRS 5, as described in Note 21.

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

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

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

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

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

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

Discount rates	Income Method	Residual Value Method
Sagestamo Group	Between 6,5% and 9,75%.	Between 7,0% and 10,9%
Baia do Tejo Group	Between 7% and 11%	4,4%
Companhia das Lezírias	3,92%	5%
Fundo II Estamo	n.a.	10%
Lazer & Floresta	n.a.	5,25%
ENVC	n.a.	n.a.
AdP Group	n.a.	n.a.

7 - *Goodwill*

Goodwill	1st half 2011				Year 2010			
	Opening balance	Other variations	Transfers to held for sale	Closing balance	Opening balance	Impairment losses	Other variations	Closing balance
Reaching Force	91,605	-	(91,605)	-	91,605	-	-	91,605
Aero -LB	56,311	(1,056)	(55,255)	-	49,728	-	6,583	56,311
Portugália	63,099	-	(63,099)	-	63,099	-	-	63,099
AdP	95,005	-		95,005	95,005	-	-	95,005
Valorsul	3,307	-		3,307	3,307	-	-	3,307
Algar	130	-		130	130	-	-	130
Aquasis	210	-		210	210	-	-	210
ANA	15,850	-		15,850	15,850	-	-	15,850
NAER - Novo Aeroporto	690	-		690	690	-	-	690
Portway Handling de Portugal	1,430	-		1,430	1,430	-	-	1,430
Lazer e Floresta, S.A.	-	-		-	4,515	(4,515)	-	-
Companhia das Lezírias, S.A.	-	-		-	318	(318)	-	-
Baía do Tejo	91	-		91	91	-	-	91
	327,727	**(1,056)**	**(209,959)**	**116,713**	**325,978**	**(4,833)**	**6,583**	**327,728**

Other variations include the amount of 1 056 tEuros that comes from the changes on foreign currency translation of Aero-LB's (TAP) Goodwill, in Brazilian Reais (124 880 960 BRL).

For the purpose of the performance of impairment tests, the recoverable amount of cash-generating units (CGUs) Reaching Force, AERO LB and PORTUGÁLIA is determined considering the value in use, according to the Cash-flow Method. The inputs were determined considering the historical performance and the expectations of business development with the current productive structure, taking into account the budget for the following year and an estimate of cash-flows for a subsequent period of 4 years.

In what concerns to the business unit TAP Manutenção e Engenharia Brasil, S.A., it was considered the budget for the following year and an estimate for the subsequent period of 9 years that incorporates the cash-flow estimate regarding the recovery of the tax losses.

In result from impairment tests made on each different cash-generating units (CGU), it was not identified any impairment loss on Goodwill. The major assumptions for the impairment tests were the following, considering the country of the CGU:

30 -Jun-2011	Portugal	Brazil
Discount Rate	8,90%	14,50%
CAGR of income*	0,00%	13,20%
Perpetual growth	0,00%	4,00%
Income tax rate	26,50%	34,00%

31 -Dez-2010	Portugal	Brazil
Discount Rate	8,90%	14,50%
CAGR of income*	0,00%	13,20%
Perpetual growth	0,00%	4,00%
Income tax rate	26,50%	34,00%

* Compound Annual Growth Rate of income – Year after year growth rate of an investment for a considered period of time

Impairment tests performed sustain the recoverability of the carrying amount of the referred CGUs. On 30 June 2011 and on 31 December 2010, the carrying amounts of the air transport unit amounts to 11 169 tEuros and 110 257 tEuros, respectively. The carrying amount of the maintenance unit in Brazil, on 30 June 2011 and on 31 December 2010, is negative in 146 484 tEuros and 118 707 tEuros, respectively.

On 30June 2011, the net assets from TAP Group were included in a disposal group classified as held for sale in accordance to IFRS 5 as described in Note 21.

In what concerns to goodwill from Valorsul, Algar and Aquasis, the impairment tests were performed considering as reference the recoverable amount of the related cash-generating unit. The recoverable amount corresponds to its value in use, and this last one, by its turn, corresponds to the guaranteed remuneration (dividend) in each of the years of the concession period. These amounts are part of the EFVS (economic and financial viability study) attached to the concession contracts which are sent annually to the regulator. The concession agreements are tended to be with no risk, with a guarantee remuneration of interest free-risk rate corresponding to the yield of 10 year maturity treasury bonds (5,42% on 2010; 11,6268% on June 2011) plus a spread of 3% contractually determined. This remuneration (paid as dividends; generated cash-flow) has a recoverable amount clearly superior to the carrying amount of the CGU (in the case, the operator) including the goodwill. In the abovementioned companies the generated cash-flow has been higher than the cash-flow contractually defined, and additional remunerations have already been paid as efficiency gains.

The remaining amounts of goodwill are not materially significant and, in the context of the interim consolidated financial statements, it was considered the impairment test performed as of 31 December 2010.

8 – Intangible assets

Other intangible assets	1st half 2011			Year 2010		
	Indefinite useful life	Finite useful life	Total	Indefinitive useful life	Finite useful life	Total
NET VALUES						
Opening balance	3	4,764,831	4,764,834	3	4,210,358	4,210,361
Additions	-	299,199	299,199	-	568,128	568,128
Other transfers/Write-offs	-	(12,839)	(12,839)	-	81,249	81,249
Transfers to "held for sale"		(1,245)	(1,245)	-	-	-
Amortizations - continuing operations	-	(57,608)	(57,608)	-	(94,904)	(94,904)
Closing balance	3	**4,991,093**	**4,991,096**	**3**	**4,764,831**	**4,764,834**

Other intangible assets come mainly from AdP Group, being 4,7 thousand million Euros (31DEC10: 4,6 thousand million Euros) rights of infrastructures' use (IFRIC 12) of UNA-PD (water) and UNR (waste) business units.

Intangible assets from ANA amount to 189 356 tEuros (31DEC10: 191 902 tEuros) regarding:

- Concession rights related to ANAM, SA (187 498 tEuros); and
- Software expenses (1 858 tEuros).

The amount identified as Transfers to "Held for sale" corresponds to the assets of TAP Group included in the disposal group classified as held for sale in accordance to IFRS 5 as described in Note 21.

Additions come essentially from AdP Group (298 693 tEuros), as well as Other transfers/write-offs (14 084 tEuros) and amortizations (-54 259 tEuros), as a result of the ongoing investment made by several companies of AdP Group, throughout the first semester of 2011.

9 – Biological assets

1st half 2011								
Biological assets- Non current	Opening balance	Increase due to acquisitions	Decreases due to harvesting	Changes in fair value less estimated point-of-sale costs	Disposals	Depreciation	Other variations	Closing balance
At fair value								
Forest land	-	-	-	-	-		-	-
Pine	10,372	-	-	-	(104)		-	10,267
Eucalyptus	10,459	-	-	-	(431)		-	10,028
Breeding stock	914	32	-	(145)	-		-	800
	21,744	32	-	(145)	(535)	-	-	21,095
At cost								
Olive tree	170	31	-		-	(21)	-	179
Vine	1,164	-	-		-	(86)	-	1,078
Other	32	-	-		-	-	-	32
	1,365	31	-	-	-	(107)	-	1,289
Total	23,109	63	-	(145)	(535)	(107)	-	22,384

Year 2010								
Biological assets- Non current	Reexpressed opening balance	Increase due to acquisitions	Decreases due to harvesting	Changes in fair value less estimated point-of-sale costs	Disposals	Depreciation	Other variations	Closing balance
At fair value								
Forest land								
Pine	10,921	-	(556)	(351)	(207)	-	564	10,372
Eucalyptus	11,146	-	-	(36)	(432)	-	(219)	10,459
Breeding stock	1,016	-	-	(102)	-	-	-	914
	23,083	-	(556)	(489)	(639)	-	346	21,744
At cost								
Olive tree	180	-	-	-	-	(10)	-	170
Vine	807	389	-	-	-	(32)	-	1,164
Other	-	32	-	-	-	-	-	32
	987	421	-	-	-	(42)	-	1,365
Total	24,070	421	(556)	(489)	(639)	(42)	346	23,109

Biological assets - Current	Opening balance	Increase due to acquisitions	Decreases due to harvesting	Changes in fair value less estimated point-of-sale costs	Disposals	Depreciation	Other variations	Closing Balance
At fair value								
Forest land								
Pine	800	-	-	-	-		-	800
Eucalyptus	1,000	-	-	-	-		-	1,000
Breeding stock	933	-	-	(27)	-		-	906
Total	2,733	-	-	(27)	-	-	-	2,706

Year 2010								
Biological assets - current	Opening balance	increase due to acquisitions	Decreases due to harvesting	Changings in fair value less estimated point-of-sale costs	Disposals	Depreciation	Other variations	Closing balance
At fair value								
Forest land								
Pine	1,364	-	-	-	-	-	(564)	800
Eucalyptus	774	-	-	-	-	-	226	1,000
Breeding stock	851	-	-	82	-	-	-	933
	2,990	-	-	82	-	-	(339)	2,733

Taking into account the activities developed by PARPÚBLICA Group, the main biological assets are forest (above all pinewoods and eucalyptus woods), olive trees and vine and also working animals and livestock breeding.

The forests are registered at a fair value assessed through the method of the present value of the discounted cash flows, as foreseen in IAS 41. The area concerned is: (i) pine trees and other resinous trees, 3 709 hectares (the same as in 31DEC10); (ii) Eucalyptus, 8 880 hectares (the same as in 31DEC10); and (iii) cork oak trees, 8 759 hectares (the same as in 31DEC10).

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

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

The fair value of biological assets was determined, based on a valuation made by independent valuators, with adequate professional qualifications, using relevant physical, temporal and valuation indicators for the types of assets.

10 – Investment in Associates

Investments in associates	1st half 2011						
	Opening balance	Equity method movements	Transfers to "held for sale"	Reported impairment losses	Reversion on impairment losses	Exchange rate differences	Closing balance
EDP - Energias de Portugal, S.A.	1,890,089	(27,936)	(1,868,078)	-	5,925	-	(0)
REN – Rede Eléctrica Nacional, S.A.	631,060	(4,128)	(626,932)	-	-	-	-
Parcaixa, SGPS, SA	495,349	10,427	-	-	-	-	505,777
CVP - Sociedade de Gestão Hospitalar, S.A.	9,893	420	-	-	-	-	10,313
Credip - Instituição Financeira de Crédito	2,341	33	-	-	-	-	2,374
ISOTAL - Imobiliário do Sotavento Algarvio, S.A.	71	(2)	-	-	-	-	69
Multicert - Serviços de Certificação Electrónica	580	-	-	-	-	-	580
ORIVÁRZEA, S.A.	1,417	-	-	-	-	-	1,417
PORTOSIDER	277	-	-	-	-	-	277
GALP	-	-	-	-	-	-	-
INAPA - Invest. Part. E Gestão, SA	18,407	979	-	(5,642)	-	-	13,744
ADA - Administração Aeroportos, Lda	1,382	(123)	-	-	-	(66)	1,193
Trevoeste, S.A.	550	-	-	(550)	-	-	-
Águas de Timor	5	-	-	-	-	-	5
Águas da Região de Aveiro	-	-	-	-	-	-	-
Águas Públicas do Alentejo	-	-	-	-	-	-	-
Mieses	187	-	-	-	-	-	187
Clube Golf das Amoreiras	250	-	-	-	-	-	250
Netdouro	86	-	-	-	-	-	86
CLR - Comp. Lezírias e Associados Renováveis, Lda	1	-	-	-	-	-	1
Sociedade Mineira do Lucapa	0	-	-	-	-	-	0
ACEs Quimiparque, Snesges Urbindustria, Portosider	4	-	-	-	-	-	4
	3,051,949	(20,329)	(2,495,010)	(6,192)	5,925	(66)	536,276

Investments in associates	Year 2010						
	Opening balance	Additions	Equity mthod movements	Reported impairment losses	Other transfers	Exchange rate differences	Closing balance
EDP - Energias de Portugal, S.A.	1,011,712	575,904	84,419	(145,866)	363,920	-	1,890,089
REN – Rede Eléctrica Nacional, S.A.	621,336	-	9,724	-	-	-	631,060
Parcaixa, SGPS, SA	500,071	-	(4,722)	-	-	-	495,349
CVP - Sociedade de Gestão Hospitalar, S.A.	9,369	-	524	-	-	-	9,893
Credip - Instituição Financeira de Crédito	2,209	-	132	-	-	-	2,341
ISOTAL - Imobiliário do Sotavento Algarvio, S.A.	101	-	(30)	-	-	-	71
Multicert - Serviços de Certificação Electrónica	420	-	160	-	-	-	580
ORIVÁRZEA, S.A.	1,385	-	32	-	-	-	1,417
PORTOSIDER	274	-	-	-	3	-	277
GALP	426,671	-	14,498	-	(441,169)	-	-
INAPA - Invest. Part. E Gestão, SA	31,414	-	2,392	(15,400)	-	-	18,407
ADA - Administração Aeroportos, Lda	1,341	-	(78)	-	-	119	1,382
Trevoeste, S.A.	550	-	-	-	-	-	550
Águas de Timor	5	-	-	-	-	-	5
Águas da Região de Aveiro	7,768	-	-	-	(7,768)	-	-
Águas Públicas do Alentejo	256	-	-	-	(256)	-	-
Mieses	40	-	-	-	147	-	187
Clube Golf das Amoreiras	250	-	-	-	-	-	250
Netdouro	86	-	-	-	-	-	86
CLR - Comp. Lezírias e Associados Renováveis, Lda	1	-	-	-	-	-	1
Sociedade Mineira do Lucapa	15,388	-	-	(15,388)	-	-	0
ACEs Quimiparque, Snesges Urbindustria, Portosider	4	-	-	-	-	-	4
	-						
	2,630,650	575,904	107,052	(176,654)	(85,123)	119	3,051,949

From the main changes we point out the following:

- Transfer to "Held for sale" of the participations in EDP and REN, as its privatizations are included in the Government Programme and are expected to occur within the period of one year, being on 30 June 2011 fulfilled the requirements of IFRS 5 to be classified as held for sale, as described in Note 21.
- Recognition of an impairment loss in Trevoeste due to the existence of some uncertainties regarding its going concern;
- Use of the equity method.

The fair value of the investments in associated companies for which are available quoted share prices, which are INAPA, EDP and REN are, respectively 13 744 tEuros, 1 872 164 tEuros and 660 582 tEuros.

11 – Other financial investments

Other financial investments	30/Jun/11	31/Dec/10
At fair falue		
EDP - Energias de Portugal, S.A.	371,065	377,429
GALP	955,407	832,861
Portugal Telecom e ZON Multimédia	5,840	7,098
Futuro, SGFP	363	372
	1,332,675	1,217,760
At cost		
Soc. Parque Industrial de Vendas Novas	59	59
Instituto da Habitação e Reabilitação Urbana	11,469	11,468
HCB-Hidroelectrica Cahora Bassa	-	100,000
Other	67	66
	11,596	111,593
	1,344,271	**1,329,353**

The shares of EDP and GALP are embedded to the exchange option on the payment of bond issues (see Note 25).

The participation in HCB was transferred to Non-current assets held for sale, as described in Note 21.

The changes occurred in fair value were registered as increases / decreases in fair value (see Note 45), and dividends were registered as dividends from investments at cost and at fair value (see Note 35).

The estimates used to assess the fair value of these investments were based on market references (when available), on recent transactions or on technical valuations.

On the first semester of 2011 impairment losses were recognised in the investments on HCB – Hidroeléctrica Cahora Bassa with the amount of 22 500 tEuros, considering specific valuation studies performed by independent entities.

12 – Other financial assets

	30-Jun-11		31-Dec-10	
Other financial assets	**Current**	**Non current**	**Current**	**Non current**
Financial assets at fair value through profit or loss				
Held for trading				
Interest rate swaps	2,444	2,056	885	2,228
Other	2,585	92	1,717	100
Loans and receivables				
Celtejo	-	22,500	-	22,500
"Fundo de renovação"	-	4,970	-	7,980
"Fundo de reconstituição"	-	97,075	-	96,910
Other	-	1,417	-	779
Payments in advance regarding privatizations	-	1,273,010	-	1,273,101
Available for sale				
Securitization "Notes" from State programme	-	-	-	21,225
Other	-	9	-	2,976
Payments in advance regarding investments	-	100	-	-
	5,029	1,401,229	2,602	1,427,799

The amount of 1 273 million Euros of payments in advance regarding privatizations, regards the payment to the Portuguese State of amounts from (i) 7th re-privatization phase of EDP (532 million Euros); (ii) residual re-privatization of SN Longos (26 million Euros); and (iii) 5th re-privatization phase of GALP (705 million Euros).

Funds “Fundo de renovação” and “Fundo de reconstrução” are formed under the service concession agreements. The funds refer to medium and long-term financial applications.

Financial investments at fair value through profit or loss – current, correspond essentially to participation units held by SAGESECUR in Fundiestamo I Fund (2 667 participation units) and Imopoupança Fund (1 970 participation units), amounting to 2 518 tEuros.

Swaps – non-current assets – respect to a foreign exchange swap of AdP Group, underlying a total notional amount of 11 807 580 720 JPY. Swaps – current assets respect to three interest rate swaps of PARPÚBLICA, which fair value was accessed based in mark to market, with a notional amount of 550 000 000 Euros.

On 31 December 2010 Other financial assets – non-current assets – included an amount of 2,9 million Euros from TAP Group. On 30 June 2011, other financial assets from TAP Group amount to 2,7 million Euros, and were included in the disposal group classified as held for sale, as described in Note 21.

13 – Deferred tax assets and liabilities

Deferred taxes	1st half 2011					Year 2010			
	Opening balance	Changes on profit or loss	Changes on equity	Transfers to "hold for sale"	Closing balance	Opening balance	Changes on profit or loss	Changes on equity	Closing balance
Deferred tax assets									
Non Current									
Reportable tax losses	30,345	(98)	-	(2,790)	27,457	7,726	22,615	5	30,345
Retirement benefit obligations	26,344	-	-	(17,044)	9,300	21,678	3,950	716	26,344
Impairment losses on inventories	7,283	-	-	(4,625)	2,658	10,906	(3,623)	-	7,283
Revaluations	935	-	-		935	640	295	-	935
Other provision and adjustments	3,596	(252)	-		3,344	2,037	1,605	(46)	3,596
Other	241,283	18,994	(91)		260,186	74,181	167,880	(779)	241,283
	309,786	18,644	(91)	(24,459)	303,880	117,168	192,722	(104)	309,786
Deferred tax liabilities									
Non current									
Revaluations	85,403	(31)	-	(24,683)	60,689	84,102	(114)	1,416	85,403
Reivestment of reported values	155	-	-		155	186	(31)	-	155
Grants related to assets	2,463	-	-		2,463	2,463	-	-	2,463
Write-off of provisions	20	-	-		20	25	(5)	-	20
Changes to consolidation perimeter	(15)	-	-		(15)	-	(15)	-	(15)
Other	259,643	18,961	(3)		278,601	101,798	158,510	(665)	259,643
	347,669	18,930	(3)	(24,683)	341,914	188,574	158,344	751	347,669

Deferred tax assets include 9 300 tEuros (31DEC10: 19 265 tEuros) related to post-employment benefits that are not tax deductible, being the change in the period related to the fact that the responsibilities with employee benefits from TAP Group were included in a disposal group classified as held for sale in accordance to IFRS 5, as described in Note 21.

Variations occurred in deferred tax assets regarding impairment losses on inventories and in deferred tax liabilities regarding the revaluations are in full from TAP.

The significant increase in other deferred tax assets and liabilities, is partially explained by the introduction of IFRIC 12 in AdP Group, where there are significant temporary tax differences between the accounting and tax basis of the amortizations, and with a similar impact the deferred taxes regarding grants related to assets.

As previously referred, the amounts transferred to "Held for sale" correspond to the closing balances of deferred tax assets and liabilities in the end of the period related to TAP Group, which were included in a disposal group classified as held for sale in accordance to IFRS 5, as described in Note 21.

14 – Advances to trade creditors

Advances to trade creditors	Current	
	30-Jun-11	31-Dec-10
Current account	860	3,572
Property, plant and equipment	4,813	9,063
	5,673	12,635

On 31 December 2010 this caption included 3,5 million Euros from TAP Group. On 30 June 2011, the advances to trade creditors from TAP Group, amounting to 7,4 million Euros, were included in a disposal group classified as held for sale in accordance to IFRS 5, as described in Note 21.

15 – Public administrative sector

Public administrative sector	Current	
	30/Jun/11	31/Dez/10
Assets		
Income tax to be received	25,395	5,480
Other	21,632	40,926
	47,027	46,406
Liabilities		
Income tax to be received	45,523	59,952
Other	34,383	177,355
	79,906	237,307

The amount included in Other – current assets – includes:

- 11,4 million Euros from AdP Group, of which 10,2 million Euros correspond to VAT refunds claims (31DEC10: 10,6 million Euros) and 1 million Euros regarding withholding tax by third parties; and
- 7,2 million Euros from SAGESECUR regarding income tax;

The caption Other in the liabilities includes about 26,3 million Euros from AdP Group (31DEC10: 22 million Euros), corresponding almost entirely with the water resources fee (TRH) and with the waste management fee (TGR), which are only to be paid next year. In this caption are also included 4,9 million Euros of withholding tax from third parties, as well as social security, from ANA Group.

On 31 December 2010, public administrative sector – current asset – included the amount of 15,8 million Euros related with TAP Group. On 30 June 2011, the public administrative sector from TAP Group amounting to 17,3 million Euros, was included in a disposal group classified as held for sale in accordance to IFRS 5, as described in Note 21.

16 – Other receivables

Other receivables	30/Jun/11		31/Dec/10	
	Current	Non current	Current	Non current
Group entities	1,395	-	75,245	3,700
Staff	2,811	-	12,956	-
Consultants	33	-	33	-
Trade receivables	-	52,652	-	35,000
Trade suppliers	201	-	13	-
Sale promise contracts	-	58,180	-	59,100
Other	240,366	68,952	276,670	96,942
Other prepaiments	-	19,700	-	23,910
Accumulated impairment	(6,205)	-	(11,106)	(1,921)
Accruals	20,246	-	22,319	-
	258,847	**199,484**	**376,129**	**216,731**

The line Staff includes 1 780 tEuros from ANA regarding advances on indemnities agreed under the Effective Optimization Plan.

The line Trade debtors – non-current assets – corresponds in full to balances from trade debtors of AdP Group, as a result from the signing of agreements.

The line Other – current assets – mainly includes:

- 206,7 million Euros (31DEC10: 213,8 million Euros) from AdP Group part of which is related with amounts to be received by EU Cohesion Fund;
- 17,5 million Euros (31DEC10: 10,8 million Euros) from SAGESTAMO Group, of which (i) 16,2 million Euros correspond to amounts to be received by ESTAMO as a result of sale of real estate properties and (ii) 1,2 million Euros related to expenses with appraisal of real estate properties to be reimbursed.

- 12,3 million Euros (31DEC10: 5,8 million Euros) from ANA, due (i) to penalty fees applied to investment suppliers as a result of contractual breaches and (ii) to the amounts retained by INAC (2,9 million Euros), Emparque (1,1 million Euros) and NAV (1 million Euros).

The line Other – non-current assets – corresponds essentially to the following situations:

- 63,3 million Euros (31DEC10: 66 million Euros) from AdP Group, regarding: (i) 47,4 million Euros to be received by EU Cohesion Fund; and (ii) 15,8 million Euros corresponding to the residual amount to be received at the end of the concession, related to expansion and modernization assets;

- 4,7 million Euros (31DEC10: 5,8 million Euros) from ANA, regarding investment grants to be received from the European Commission, deducted from the guarantees given to third parties.

Other prepayments include expenses with the concessions of AdP Group amounting to 19,7 million Euros (31DEC10: 18 million Euros).

The line Accruals - current includes:

- The amount of 9,6 million Euros (31DEC10: 7,9 million Euros) from ANA related with accrual of airport income fees not yet invoiced/received during 2010, mostly including the surveillance fee receivable from INAC (8,5 million Euros);
- 3,6 million Euros regarding the specialization of grants to be received by Circuito Estoril, for carrying out the Moto GP championship;
- 2,8 million Euros from INCM;
- 2,2 million Euros from Companhia das Lezírias; and
- 1,2 million Euros related to management fees to be received by Fundiestamo and administrative fees to be received by SAGESTAMO.

The changes occurred in the accumulated impairment losses of other receivables (current and non-current assets) are essentially related to the reclassification of TAP assets as non-current assets held for sale.

On 31 December 2010 the caption Other receivables included the amounts of 27,2 million Euros – non-current assets – and 124,7 million Euros – current assets – from TAP Group. On 30 June 2011, the caption Other receivables from TAP Group, which included 28,2 million Euros – non-current assets – and 160,6 million Euros – current assets, was included in a disposal group classified as held for sale in accordance to IFRS 5, as described in Note 21.

The balances included in the caption Sale promise contracts are related to the sale and purchase promise contract between Baía do Tejo and the Portuguese State, for the acquisition of the real estate properties in Margueira.

17 - Deferrals

Deferrals - Assets	30/Jun/11		31/Dec/10	
	Current	Non current	Current	Non Current
Regulatory asset - tariff deviations	-	348,243	-	310,763
Other deferred expenses	17,484	-	24,993	7
Over-coverage of pos employment responsibilities	1,031	-	1,212	-
	18,515	**348,243**	**26,205**	**310,770**

Deferrals - Liabilities	30/Jun/11		31/Dec/10	
	Current	Non current	Current	Non current
Deferred income	13,459	1,947,388	78,187	1,920,672
government grants related with assets	6,492	1,941,620	5,281	1,917,564
other	6,967	5,768	72,906	3,108
Regulatory liability - Tariff deviations	-	145,529	-	135,317
Other	11,102	614,627	137	571,055
	24,561	2,707,544	78,325	2,627,044

The captions Regulatory assets – tariff deviations and Regulatory liabilities - tariff deviations, are in full from AdP Group and can be detailed as follows:

	Asset deficit	Asset deferred tax	Liability Surplus	Liability deferred tax	Net effect in balance	Effect in sales
Production, Treatment e Transport						
Águas do Algarve, S.A.	11 984			(3 781)	8 203	(1 903)
Águas do Centro Alentejo, S A	6 717			(891)	5 826	(519)
Águas do Centro, SA	40 473			(9 821)	30 652	(4 753)
Águas do Douro e Paiva, S A		2 970	(6 850)		(3 880)	1 711
Águas do Mondego, S A	4 792			(975)	3 817	54
Águas do Norte Alentejano, S A	20 632			(2 766)	17 866	(1 250)
Águas do Noroeste, S A	68 836			(15 097)	53 739	(7 034)
Águas do Oeste, S A	26 884			(4 794)	22 090	(3 148)
Águas de Trás-os-Montes, S A	54 178			(7 402)	46 776	(5 615)
Águas do Zêzere e Côa, S A	37 555			(9 122)	28 433	(1 870)
Águas Públicas Alentejo, S A	440			(117)	324	242
Sanest, S A		10 491	(33 132)		(22 641)	789
Simarsul, S A	21 006			(4 929)	16 077	(3 356)
Simdouro, S A	634			(133)	501	12
Simlis, S A	15 921			(2 550)	13 372	(1 359)
Simria, S A	23 799			(5 523)	18 276	(943)
Simtejo, S A		5 749	(21 783)		(16 034)	1 076
Total UNAPD	**333 851**	**19 210**	**(61 764)**	**(67 899)**	**223 398**	**(27 866)**

	Asset deficit	Asset deferred tax	Liability Surplus	Liability deferred tax	Net effect in balance	Effect in sales
ADRA - Águas Região de Aveiro	14 393			(3 920)	10 473	(6 054)
Total UNADR	**14 393**			**(3 920)**	**10 473**	**(6 054)**
Solid waste						
Algar, S A		1 239	(4 158)		(2 919)	224
Amarsul, S A		1 101	(3 812)		(2 711)	1 028
Ersuc, S A		2 336	(7 155)		(4 820)	1 124
Resiestrela, S A		232	(1 555)		(1 323)	267
Resinorte, S A			(104)	(141)	(245)	(585)
Resulima, S A		113	(675)		(561)	690
Suldouro, S A		1 094	(4 175)		(3 081)	708
Valnor, S A		1 047	(4 344)		(3 297)	(226)
Valorlis, S A		500	(1 879)		(1 379)	(18)
Valorminho, S A		112	(660)		(548)	193
Valorsul, S A		19 451	(55 246)		(35 796)	3 246
Total UNR		**27 226**	**(83 764)**	**(141)**	**(56 679)**	**6 652**
Total	**348 243**	**46 437**	**(145 529)**	**(71 959)**	**177 191**	**(27 268)**

Other deferred expenses – current includes:

- 2 969 tEuros from ANA Group, related to materials and services consumed which expenses respect to subsequent periods; and
- 12 905 tEuros from AdP Group.

The line Over-coverage of pos employment responsibilities is detailed in Note 26.

Non-current deferred income is related, almost in full to government grants related with assets from AdP Group, as follows:

	30-Jun-11	31-Dec-10
Government grants related with assets – EC Cohesion Fund	1 558 641	1 577 458
Government grants related with assets – Other	24 455	16 612
Asset integration	285 426	248 402
	1 868 522	**1 842 472**

Government grants related with assets – EC Cohesion Fund	**Amount**
Grants on 31 December 2010	1 577 458
Recognition of right to receive	22 516
Income recognition	(28 262)
Recognition corrections (a)	(13 072)
Grants on 30 June 2011	1 558 641
Receipts on 30 June 2011	**43 449**

(a) On June 2011 it was made a correction to the amounts to be recognised related to the Cohesion Fund amounting to 4 391 tEuros in Águas do Centro, SA, 4 293 tEuros in Águas do Zêzere e Côa, SA and 5 171 tEuros in Águas do Noroeste, SA.

It is also included in deferred income the grants related with assets, related to ANA Group.

Other deferred income – current, includes:

- 3 948 tEuros regarding receipts in advance from ANA, mainly from the occupation and exploration of commercial areas; and
- 1 132 tEuros from rents received in advance by Estamo.

The receipts in advance from ANA, regarding the occupation and exploration of the commercial areas that will be regularized over a period of 12 months (2 924 tEuros), are included in the caption Other deferred income – non-current.

Other deferrals – non-current liabilities – are related essentially to contractual investments registered by AdP Group and can be detailed as follows:

	30Jun11	31Dec10
Water – Production, Treatment and Transport	392 108	361 531
Distribution and collection	7 465	4 098
Solid waste	215 030	205 425
	614 603	**571 055**

On 31 December 2010 the caption Deferrals included the following amounts regarding TAP Group: (i) 11,8 million Euros of Deferrals – current assets; and (ii) 52,6 million Euros of Deferrals – current liabilities. On 30 June 2011, the caption Deferrals from TAP Group, which included 16,5 million Euros – current assets – and 50 million Euros – current liabilities – was included in a disposal group classified as held for sale in accordance to IFRS 5, as described in Note 21.

18 - Inventories

Inventories	30/Jun/11	31/Dec/10
Merchandise	620,349	633,741
Finished and intermediate goods	11,521	9,959
Subproducts and other	1,748	1,945
Work in progress	27,530	33,036
Raw materials and Other	29,299	223,828
Purchase advances	606,240	578,965
Impairment losses	(24,631)	(24,829)
TOTAL	**1,272,056**	**1,456,646**

Merchandise includes the amount of 608 422 tEuros of real estate properties from Estamo (31DEC10: 609 880 tEuros).

It is also included in Merchandise real estate properties from Lazer e Floresta amounting to 10 974 tEuros (31DEC10: 10 935 tEuros).

Finished and intermediate goods are essentially from INCM (8 763 tEuros).

Work in progress includes essentially:

- real estate properties lot projects (9 293 tEuros of lot projects to be infrastructured and 7 755 tEuros of infrastructure land); and
- Infrastructures related to ESTAMO with a global amount of 9 268 tEuros.

Raw materials and other include essentially:

- Coins and other items from INCM, amounting to 20 266 tEuros; and
- Reagents and counters from AdP Group, with a total amount of 7 596 tEuros.

Purchase advances relate entirely with real estate properties of Estamo.

On 31 December 2010 the caption Inventories included 148,6 million Euros from TAP Group. On 30 June 2011 the inventories from TAP Group, which included an amount of 146 million Euros, were included in a disposal group classified as held for sale in accordance to IFRS 5, as described in Note 21.

19 – Trade debtors

Trade Debtors	30/Jun/11	31/Dec/10
Current account	450,598	618,136
Doubtful accounts	23,250	57,279
"Water on counter" to bill	19,480	15,963
Accumulated impairment losses	(21,958)	(91,678)
	471,370	599,700

Current account includes receivables from:

- AdP Group customers amounting to 343 850 tEuros (31DEC10: 279 316 tEuros) mainly related with receivables from municipalities;
- Customers from ANA Group with a total amount of 42 860 tEuros (31DEC10: 29 808 tEuros);
- Customers from SAGESTAMO Group with a total amount of 36 047 tEuros (31DEC10: 30 712 tEuros), regarding, essentially services rendered to companies owned by the Portuguese State;

- "Serviço de Estrangeiros e Fronteiras" amounting to 6,6 million Euros (31DEC10: 5,6 million Euros) and "Instituto de Registos e Notariado" amounting to 6,6 million Euros, regarding INCM;
- Customers from Baía do Tejo with a global amount of 2 689 tEuros (31DEC10: 2 449 tEuros).

Doubtful accounts balances come mainly from ANA and AdP.

Water on counter to bill relates with an estimate at 30 June 2011, which will only be invoiced after that date.

The changes occurred in accumulated impairment losses are detailed in Note 42.

On 31 December 2010 the receivables from customers included 222,9 million Euros regarding TAP Group. On 30 June 2011, the receivables from customers of TAP Group, which amounted to 285 million Euros, were included in a disposal group classified as held for sale in accordance to IFRS 5, as described in Note 21.

20 – Cash and cash equivalents

Cash and cash equivalents	30/Jun/11	31/Dec/10	30/Jun/10
Financial aplications	5,300	5,000	413
Time deposits	686,264	751,254	231,182
Other deposits immediately cashed	109,604	148,403	264,702
Cash	1,740	2,287	2,093
Other cash equivalents	-	-	720
	802,909	906,944	499,109

The cash equivalent assets shown by the Group essentially correspond to applications in time deposit accounts and other deposits immediately cashed, being the most relevant, the balances of AdP (316 354 tEuros), PARPÚBLICA (266 506 tEuros), INCM (79 881 tEuros) and Capitapor Group (50 818 tEuros).

On 31 December 2010 Cash and cash equivalents included 222,7 million Euros from TAP Group. On 30 June 2011, cash and cash equivalents from TAP Group, which amounted to 165,8 million Euros, were included in a disposal group classified as held for sale in accordance to IFRS 5, as described in Note 21.

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

Assets and liabilities Held for sale	30/Jun/11	31/Dec/10
Assets		
EDP	1,862,152	-
HCB	77,500	-
REN	626,932	-
TAP	2,078,831	-
TAP -Investment properties	2,690	-
TAP - Property, plant and equipment	1,010,821	-
TAP - Goodwill	209,959	-
TAP - Other intangible assets	1,245	-
TAP - Other financial assets	2,684	-
TAP - Deferred tax assets	24,459	-
TAP - Other receivales (non current and current) and diferrals	205,286	-
TAP - Inventories	146,021	-
TAP - Trade debtors and advances to trade creditors	292,550	-
TAP - Public administrative sector	17,316	-
TAP - Cash and cash equivalents	165,800	-
	4,645,415	-
Liabilities		
TAP	2,471,260	-
TAP - Retirement benefits obligations	82,093	-
TAP - Provisions, deferred tax liabilities and public administrative sector	320,766	-
TAP - Borrowings (current and non current)	1,186,758	-
TAP - Trade creditors and advances to trade debtors	105,961	-
TAP - Other payables (non current and current) and deferrals	775,682	-
	2,471,260	

In the Government Programme is foreseen the reprivatisation of the total shares held in REN and in EDP, preferably until the end of 2011, and also the total participation held in TAP. Internally, inside PARPÚBLICA Group, it is also considered the sale of the participation in HCB within one year. As such, the classification of assets and disposal groups as held for sale was reported to 30 June 2011 and, by management judgement, included EDP, REN and HCB as individual assets and TAP Group as a disposal group.

There are no indications that the carrying amounts of the assets classified as held for sale above described exceed the respective fair values less costs to sell.

HCB was registered as Other financial investments with a carrying amount (previously to the transfer for Non-current assets held for sale) of 77 500 tEuros, including an accumulated impairment loss amounting to 62 724 tEuros of which 22 500 tEuros were recognised on 2011.

EDP and REN, previously registered as Associates had the following carrying amounts, previously to the transfer to Non-current assets held for sale:

- 1 862 million Euros on EDP, including an accumulated impairment loss of 139,9 million Euros, after a reversal on the impairment loss occurred on 2011 amounting to 5,9 million Euros;
- 626,9 million Euros on REN.

22 - Equity

The share capital of PARPÚBLICA Group of 2 000 000 tEuros, is represented by 400 000 000 nominative shares, with a par value of 5 Euro each, and is totally held by the Portuguese State. Of the abovementioned subscribed capital is still to be paid in 972 849 tEuros, and the amount presented in the balance sheet corresponds to the paid in amount, i.e. 1 027 151 tEuros.

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

In Other reserves are included the fair value adjustments of financial instruments under cash-flow hedging, as well as currency exchange differences from the translation of foreign operations.

Share of changes in equity of associates mainly relates to:

- Adjustments from the application of the equity method (IAS 28);
- Adjustments on fair value of financial assets available for sale (IAS 39).

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

Other comprehensive income respects essentially to the recognition of other comprehensive income from associated companies as a result of the application of the equity method.

On 30 June 2010 other comprehensive income also included gains and losses on hedging instruments regarding jet fuel price hedging swaps.

23 – Non-controlling interests – Balance sheet

Non-controlling interests (Balance sheet)	30/Jun/11	31/Dec/10
Cateringpor	2,912	2,614
LFP	2,846	4,741
APIS	94	94
ENVC	2	1
SAGESECUR	7,030	7,097
ECODETRA	1,003	1,008
Margueira	244	267
ANA Group	103,717	106,963
ANAM	989	585
NAER	2,619	2,754
AdP Group	439,881	427,358
SPE	(1,887)	(1,887)
	559,450	551,594

24 - Provisions

	1st half 2011							
Provisions (Balance sheet)	Opening balance	Increases	Decreases	Reversions	Effects due to time value of money	Other movements	Transfers to "held for sale"	Closing balance
Provision - non current								
Lawsuit in progress	48,352	1,407	(89)	(4,102)	(527)	1,031	(36,352)	9,720
Environmental obligations	9,016	-	-	-	-	-		9,016
Cost of removal of materials	499	-	-	-	-	-		499
Guarantees given to associates	353	-	(21)	-	-	-		332
Provisions for investments in associates	116,159	7,300	-	-	-	-	(122,961)	498
Taxes	1,932	-	-	-	-	-		1,932
Work accidents/Industrial diseases	150	-	(31)	-	-	-		119
Other provisions	16,632	880	(335)	(764)	2	(60)	(1,418)	14,937
Provision for fical contigencies - Brasil	3,823	-	(885)	-	(71)	1,003	(3,870)	0
	196,917	9,587	(1,362)	(4,866)	(596)	1,974	(164,601)	**37,053**

	Year 2010							
Provisions (Balance sheet)	Opening balance	Reconciliation to consolidated statement	Increases	Decreases	Reversions	Effects due to time value of money	Transfers to "hold for sale"	Closing balance
Provision								
Lawsuit in progress	57,103	(56)	12,994	(206)	(27,157)	3,301	2,372	48,352
Environmental obligations	9,016	-	-	-	-	-	-	9,016
Cost of removal of materials	499	-	-	-	-	-	-	499
Guarantees given to associates	396	-	-	(43)	-	-	-	353
Provisions for investments in associates	72,603	-	43,556	-	-	-	-	116,159
Taxes	1,470	-	462	-	-	-	-	1,932
Work accidents/Industrial diseases	142	-	-	-	-	-	8	150
Other provisions	39,091	(713)	3,798	(1,070)	(17,600)	3,170	(10,043)	16,632
Provision for fical contigencies - Brasil	3,823	-	-	-	-	-	-	3,823
	184,530	(769)	60,810	(1,319)	(45,144)	6,471	(7,663)	**196,917**

Lawsuits in progress

The provisions for lawsuits in progress are set up in accordance to the evaluations of the risk carried out by the companies of the Group and by their legal consultants, based upon the historic success rates, taking into account the nature of lawsuit and the probability of an unfavourable outcome, being the existing provisions on 30 June 2011 meant essentially to face lawsuits regarding income tax, amounting to 8,5 million Euros, from INCM.

Environmental obligations

The provision for Environmental obligations and removal of materials comes from Baía do Tejo and is destined to anticipate and caution the charges that will be supported by the Company with the environmental recovery of the land entitled, including equally the costs of demolition and dismantling of old iron industry installations and waste removal.

Taxes

Tax provisions are mainly from ANA Group and were set up to face responsibilities that may be assumed regarding lawsuits in progress with the tax authorities. Considering the specificity of the matters and the absence of jurisprudence on those matters, ANA decided to set a provision in the amount required for the bank guarantee requested for the suspension of the execution process.

Other provisions

Other provisions are mainly from AdP Group (12 675 tEuros), essentially to deal with debts that are in process of injunction.

Other provisions includes also provisions from SAGESTAMO Group (2 206 tEuros) to face the contractually assumed obligation to share with the Portuguese State the gain obtained from the sale of some real estate properties.

The amounts transferred to Liabilities related to non-current assets held for sale correspond to the balances in the end of the period from TAP Group, since that group, as of 30 Jun2011, was considered a disposal group classified as held for sale in accordance to IFRS 5 as described in Note 21, by management judgement of PARPÚBLICA Group.

25 - Borrowings

Borrowings	30/Jun/11		31/Dec/10	
	Current liability	Non current liability	Current liability	Non current liabiliy
Finance lease creditor	5,247	25,896	111,931	581,520
Bonds	-	4,981,965	-	4,892,913
Comercial paper	1,122,313	938	1,054,000	1,563
Bank borrowings	422,792	2,321,013	473,482	2,805,102
Overdraft	221,782	-	203,879	-
Other borrowings	936	16,174	2,734	23,232
	1,773,069	**7,345,985**	**1,846,027**	**8,304,330**

Borrowings are essentially related to bonds issued and to borrowings from national and foreign credit institutions.

Maturity analysis at 30 June 2011:

Borrowings	30/Jun/11	31/Dec/10
By maturity		
Up to 1 year	1,772,844	1,865,811
From 1 year to 2 years	115,808	258,884
From 2 years to 3 years	212,183	1,153,863
From 3 years to 4 years	154,465	1,300,709
From 4 years to 5 years	1,009,642	321,605
Over 5 years	5,854,114	5,249,483
	9,119,055	**10,150,356**
By type of interest rate		
Variable rate		
Expires in one year	618,926	1,713,347
Between 1 and 2 years	52,677	114,238
Between 2 and 3 years	45,084	113,037
Over 3 years	5,691,648	1,919,811
	6,408,335	3,860,432
Fixed rate		
Expires in one year	1,153,918	160,158
Between 1 and 2 years	63,131	137,549
Between 2 and 3 years	167,099	1,040,230
Over 3 years	1,326,573	4,951,986
	2,710,721	6,289,922
	9,119,055	**10,150,356**

Bonds issued, mainly contracted by PARPÚBLICA, are measured using amortised cost and the options embedded in two of the contracts are measured at fair value. On 30 June 2011 and on 31 December 2010, it can be detailed as follows:

	30-Jun-11	**31-Dec-10**
PARPÚPLICA		
500,0 M€ Bonds issued in 2004	499 237	499 129
500,0 M€ Bonds issued in 2005	499 141	499 102
150,0 M€ Bonds issued in 2005	150 000	150 000
250,0 M€ Bonds issued in 2006	250 000	250 000
800,0 M€ Bonds issued in 2009	798 177	797 735
1 015,2 M€ Bonds issued in 2007		
Host contract	986 360	982 530
Embedded option		
Expenses	-1 568	-1 777
885,7 M€ Bonds issued in 2010		
Host contract	847 567	847 567
Embedded option	206 091	124 497
Expenses	-2 318	-5 120
Sub-total PARPÚBLICA	4 232 687	4 143 663
AdP Group	500 000	500 000
ANA Group	249 278	249 251
Total	**4 981 965**	**4 892 913**

The two bonds of 500.0 million Euros, the one of 150.0 million Euros and the one of 250.0 million Euros, respectively issued on October 14, 2004, September 22, 2005, December 28, 2005 and November 16, 2006, foresee, among other dispositions, the possibility for the bondholders to exercise their right to an anticipated reimbursement of the bonds, if the State stops holding the totality of the share capital of PARPÚBLICA and/or loses the direct or indirect control over the company, and/or also if Articles 501 to 503 of the Trading Companies Code stop being applied in the relationship between the State and the company. Additionally, PARPÚBLICA has the obligation to reimburse the bondholders, in case of an anticipated maturity of other financial debts, of insolvency, of total or substantial cessation of business, or of submission to lawsuits that affect the assets and the revenues.

The 800 million Euro Medium Term Notes loan was issued on July 2009 under a programme of a total amount of 1 500 million Euros, with a 4 year maturity, reimbursement on 2013 and an annual interest rate of 3,5%. It foresees the possibility for the bondholders to exercise their right to an anticipated reimbursement of the bonds, if the State stops holding the totality of the share capital of PARPÚBLICA and/or loses the direct or indirect control over the company, and/or also if Articles 501 to 503 of the Trading Companies Code stop being applied in the relationship between the State and the company. Additionally, PARPÚBLICA has the obligation to reimburse the bondholders, in case of an anticipated maturity of other financial debts, of insolvency, of total or substantial cessation of business, or of submission to lawsuits that affect the assets and the revenues.

The 1,015.2 million Euros loan was issued following Decree-Law Nr. 382/2007 as of November 15, over the 7th re-privatization phase of EDP, as the issued instrument gives to the bondholders the right to be reimbursed for the nominal value of the bonds or according to the current value of the EDP shares, if higher. If the reimbursement is determined by the current value of the underlying shares, PARPÚBLICA can choose between the hand-over of the shares, or of the corresponding amount in cash. Investors have the right to reclaim an anticipated reimbursement on 18 December 2012, or its swap after 18 December 2013. It foresees the possibility for the bondholders to exercise their right to an anticipated reimbursement of the bonds, if the State stops holding the totality of the share capital of PARPÚBLICA and/or loses the direct or indirect control over the company, and/or also if Articles 501 to 503 of the Trading Companies Code stop being applied in the relationship between the State and the company or in the event of a change in control in EDP. Additionally, PARPÚBLICA has the obligation to reimburse the bondholders, in case of an anticipated maturity of other financial debts, of insolvency, of total or substantial cessation of business, or of submission to lawsuits that affect the assets and the revenues.

The 885,65 million Euros loan was issued following Decree-Law 185/2008, of 19 September, over the 5th phase of reprivatisation of the share capital of GALP, as the issued instrument gives to the bondholders the right to be reimbursed for the nominal value of the bonds or according to the current value of the GALP shares, if higher. If the reimbursement is determined by the current value of the underlying shares, PARPÚBLICA can choose between the hand-over of the shares, or of the corresponding amount in cash. Investors have the right to reclaim an anticipated reimbursement on 28 September 2015, or its swap after 28 March 2013. PARPÚBLICA has the right to reimburse the bonds, if its value is 30% or higher, in at least 20 useful days over 30 consecutive days, after 13 October 2013. It foresees the possibility for the bondholders to exercise their right to an anticipated reimbursement of the bonds, if the State stops holding the totality of the share capital of PARPÚBLICA and/or loses the direct or indirect control over the company, and/or also if Articles 501 to 503 of the Trading Companies Code stop being applied in the relationship between the State and the company or in the event of a change in control in GALP. Additionally, PARPÚBLICA has the obligation to reimburse the bondholders, in case of an anticipated maturity of other financial debts, of insolvency, of total or substantial cessation of business, or of submission to lawsuits that affect the assets and the revenues.

The embedded options in the two convertible loans are measured at fair value through profit or loss (see note 11). The effects on profit or loss over the years related to changes in fair value of the loans and of the shares are as follows:

	30-Jun-11	2010	2009	2008	Up to 2007
Changes in options' fair value	-81 594	-54 671	64 792	147 108	180 508
Changes in fair value of related share stock	116 184	252 431	124 044	-134 222	312 000
Net gain /Net loss	**34 590**	**197 761**	**188 836**	**12 886**	**131 492**

After the recognition of these changes in the fair value, the obtained registered amounts are as follows:

Bonds issued 1 015 150 m€	**30-Jun-11**	**31-Dec-10**	**30-Jun-10**	**31-Dec-09**	**31-Dec-08**
Bonds as liabilities:	984 792	980 753	976 720	980 817	998 168
Basis *(bond floor)*	984 792	980 753	976 720	973 000	965 559
Option	0	0	0	7 817	32 609
Share as assets	371 065	377 429	369 701	471 218	407 581
Liabilities - Assets	613 727	603 324	6 070 190	509 599	590 587

Bonds issued 886 650 m€	**30-Jun-11**	**31-Dec-10**	**30-Jun-10**	**31-Dec-09**	**31-Dec-08**
Bonds as liabilities:	1 051 340	966 944			
Basis *(bond floor)*	847 567	847 567			
Option	206 091	124 497			
Expenses	2 318	5 120			
Share as assets	955 340	832 801			

The line non-current borrowings includes the amount of 1 679 461 tEuros (31DEC10: 1 606 083 tEuros), of loans from European Investment Bank (BEI) to AdP Group.

Financial lease liabilities, included in the borrowings, are detailed as follows:

Financial lease liabilities	**30/Jun/11**	**31/Dec/10**
Financial leases		
Financial leases debt		
Buildings and other constructions	22,272	23,023
Basic equipment	4,891	668,497
Transport equipment	1,998	1,870
Administrative equipment	860	61
Other fixed tangible assets	1,122	-
	31,143	693,451
Future minimum payments		
Up to 1 year	5,764	112,255
From 1 to 5 years	12,846	388,291
Over 5 years	15,415	194,968
	34,025	695,514
Interest		
Up to 1 year	517	324
From 1 to 5 years	1,342	928
Over 5 years	1,023	811
	2,882	2,063
Present value of minimum payments		
Up to 1 year	5,247	111,931
From 1 to 5 years	11,504	387,363
Over 5 years	14,392	194,157
	31,143	693,451

Financial lease liabilities respect, mainly to AdP Group.

On 31 December 2010 the caption Borrowings included an amount of 249 million Euros of current liabilities and 1 028 million Euros of non-current liabilities from TAP Group. On 30 June 2011, Borrowings from TAP Group, amounting to 238 million Euros – current liabilities – and 948 million Euros – non-current liabilities, were included in a disposal group classified as held for sale in accordance to IFRS 5, as described in Note 21.

26 – Retirement Benefit obligations

Retirement benefit obligations	30/Jun/11	31/Dec/10
Retirement benefit obligations as of N-1	166,246	166,407
Interest cost	838	14,433
Current service cost	764	3,667
Contributions to the plan - employer	-	(15,982)
Actuarial gains and losses	22	3,541
Foreign currency exchange rate changes on plans	-	3,586
Return on plan assets	-	(5,300)
Benefits paid	(2,673)	(5,884)
Other	525	1,778
Transfers to "held for sale"	(88,393)	
Retirement benefit obligations at closing date	77,330	166,246
Plan assets (Fund)		
Coverage surplus	(3)	(3)
Value at begining date	37,452	36,168
Efective return	137	1,794
Contributions to the plan	-	2,131
Benefits paid	(1,080)	(2,181)
Other	494	215
	37,003	38,124
Excess	1,031	1,212
Retirement benefit obligations	41,807	130,456

The retirement benefit obligations in the last 5 years were as follows:

	1st half 2011	31/Dec/10	31/Dec/09	30/Dec/08	31/Dec/07
Present value of obligations	95,115	289,840	267,939	228,788	216,426
Value of fund assets	54,338	160,597	139,306	113,215	106,310
Surplus/deficit	40,775	129,243	128,633	115,573	110,116

The fair value of plan assets was the following:

Fair value by category of plan assets	1st half 2011
Equity instruments	15,442
Debt instruments	33,751
Real estate property	1,567
Other assets	3,578
	54,338

Considering the company agreements, the Group maintains in some of the companies (namely PARPÚBLICA, after the merger with Portucel, Companhia das Lezírias, Lazer e Floresta, EPAL, EGF and INCM) a set of defined benefit obligations, towards its employees, which are in the scope of IAS 19.

The effective return on plan assets was of 2 810 tEuros (31DEC10: 7 678 tEuros).

The return rate of plan assets is determined based on the expected return, according to the established investment policy. It were used long term Government Bond yields, Euribor 6M (short term yield), equity return rates and investment properties that reflects effective long term rates, based on the experience and maturity of the correspondent markets.

ANA Group attributes retirement benefits to a part of its employees, through defined benefit plans, namely pension plans which guarantee survival, disability and age retirement complements, anticipated retirement pensions and healthcare during the retirement and the anticipated retirement periods. However, beyond a definite benefit plan which only covers retirees on the plan re-conversion date, (January 2004), ANA Group attributes post-employment benefits to its employees, through defined contribution plans.

Defined benefits plans are financed through pension funds, complemented by specific provision, whenever necessary.

In this context, ANA Group recognises as a liability, the difference between the present value of the defined benefit obligation at balance date and the fair value of the plan assets used to fulfil the obligations.

Under the Social Benefits Regulations in force, the permanent staff of Lazer & Floresta and some employees of PARPÚBLICA with more than five years of service and admitted up to 2005, are entitled, after retirement or in a disability situation, to a monthly retirement or disability pension complement. This complement is defined according to a formula, which takes into account the updated gross monthly remuneration for the professional category of the employee on the date of his retirement and the number of years in service, maximum 30, being also guaranteed a survival pension to the spouse and to the direct descendants. In order to cover this responsibility, an autonomous pension fund was created called Fundo de Pensões Portucel (Portucel Pensions Fund) managed by an external entity, being transferred from

Portucel SGPS to the Company the part of the value of the fund, concerning the employees transferred, by the time of its constitution.

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

During the first semester of 2008, EPAL changed its criteria/assumptions related to the obligations estimate for pre retirements. Until that moment, that estimate was based on the assumption that annually a set of workers representing 10% of payroll (eligible for pre-retirement) would pass to the situation of pre-retirement. Seeing that this assumption was unadjusted to reality, from that moment only the effective obligations of pre-retirement were considered as provisions, and hence when an employee enters in a pre-retirement situation the related total obligation is recognized.

Also in the first semester of 2008, was changed the Pension Plan, from defined benefit plan (DB) to a mixed plan with both defined benefit and defined contribution (DC) schemes. Consequently the company's portion of DB obligations concerning the employees now on DC was decreased, as well as the fund's value, since this fund was transferred to individual employee's accounts allocated to DC plan, all of this according to the agreement between the company and the EPAL's workers organization.

INCM has obligations regarding healthcare with active and non active employees that are under the public function regime and under the general regime, with no fund, being these obligations recognised as a liability.

Companhia das Lezírias attributes retirement defined benefits to some of its employees, through defined benefit plans, namely pension plans which guarantee survival, disability and age retirement complements, anticipated retirement pensions and healthcare during the retirement and the anticipated retirement periods.

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

	Portugal 30-Jun-11	Portugal 31-Dec-10	Brazil 31-Dec-10
Mortality table	TV 88/90	TV 88/90	AT 83
Invalidity table	EVK80	EVK80	IAPB – 57
Revenue rate	4,75%	4,75%	10,90%
Rate of growth			
Wages	2,00% - 2,5%	1,50% - 2,5%	6,49%
Pensions	1,50% - 2,0%	1,00% - 2,5%	4,40%
Social security retirement pension	2,0%	2,0%	
Medical expenses	n.a.	1,50%-3%	

On 31 December 2010 the caption Retirement benefits obligations included the amount of 88,4 million Euros from TAP Group. On 30 June 2011, the Retirement benefits obligations from TAP Group, which amounted to 82 million Euros, were included in a disposal group classified as held for sale in accordance to IFRS 5, as described in Note 21.

27 – Shareholders

This caption includes 25 million Euros of dividends to be paid to the Portuguese State.

28 – Advances from trade debtors

Advances from trade debtors amount to 118 tEuros (31DEC10: 3 628 tEuros).

29 – Trade creditors

Trade creditors	30/Jun/11	31/Dec/10
Current account	71,182	207,741
Invoices for aproval	8,191	35,783
Other	1,614	-
	80,988	243,524

The current account balance comes mainly from operating payables of AdP (42 881 tEuros), ANA (14 486 tEuros) and CE (4 074 tEuros).

On 31 December 2010 the caption Trade creditors included an amount of 142,6 million Euros from TAP Group. On 30 June 2011, Trade creditors from TAP Group, amounting to 113 million Euros, were included in a disposal group classified as held for sale in accordance to IFRS 5, as described in Note 21.

30 – Other payables

Other payables	30/Jun/11		31/Dec/10	
	Current	Non current	Current	Non current
Advances on sales	53,301	539	45,986	477
Fixed assets supliers	116,326	31,601	136,961	32,253
Group entities	-	-	137	-
Other related entities	4,424	-	543	-
Staff	19,207	-	20,852	-
Advances from customers - tickets to be used	-	-	239,237	-
Accrued expenses	239,259	13,030	276,379	12,256
Other	519,416	171,610	667,380	149,036
	951,934	216,780	1,387,474	194,022

Advances on sales essentially relate to the sale of real estate properties including a balance of 26 000 tEuros from the "Pavilhão do Conhecimento" (same amount as in 2010).

Debts regarding fixed assets suppliers are essentially from AdP Group (94 674 tEuros – current liabilities and 31 601 tEuros – non-current liabilities) and from ANA (20 937 tEuros).

Accrued expenses – current liabilities include:

- 121 476 tEuros from PARPÚBLICA (31DEC10: 38 529 tEuros) regarding interest to be paid;
- 57 742 tEuros regarding AdP Group (31DEC10: 52 556 tEuros);
- 48 991 tEuros regarding ANA Group, which respects to wages (30JUN11: 15 925 tEuros; 31DEC10: 13 581 tEuros), interest to be paid (30JUN11: 9 572 tEuros; 31DEC10: 4 839 tEuros) and materials and services consumed (30JUN11: 12 763 tEuros; 31DEC10: 8 883 tEuros).

Accrued expenses – non-current liabilities – are entirely related to contractual obligations inherent to the concession agreement of ANAM.

Other current liabilities include, mainly:

- 460 933 tEuros from PARPÚBLICA, related to the amount due for the purchase of EDP shares;
- 46 934 tEuros (31DEC10: 41 471 tEuros) from AdP Group;

- 6 505 tEuros from SAGESTAMO Group, related essentially to the amounts due to the Portuguese State for the purchase of real estate properties by ESTAMO, as it happened on 2010;

- 3 817 tEuros, from ANA Group for guarantees given by fixed assets suppliers.

Other non-current liabilities include, mainly:

- 163 380 tEuros (31DEC10: 138 559 tEuros) from AdP Group, related to the amounts due to the municipalities for the integration of assets in the Multi-municipal systems;

- 5 036 tEuros (31DEC10: 4 646 tEuros) corresponding to the net debt due by BAÍA DO TEJO Group to Direção Geral do Tesouro;

- 3 172 tEuros (31DEC10: 4 757 tEuros) from ANA Group for guarantees given by fixed assets suppliers.

On 31 December 2010 the caption other payables included an amount of 215,8 million Euros in current liabilities and 1 million Euros in non-current liabilities from TAP Group. On 30 June 2011, the balances of other payables from TAP Group, amounting to 730 million Euros – current liabilities and 277 tEuros – non-current liabilities, were included in a disposal group classified as held for sale in accordance to IFRS 5, as described in Note 21.

31 – Other financial liabilities

The amount of 11 896 tEuros recognised as other liabilities (31DEC10: 16 107 tEuros) corresponds to interest rate swaps not eligible for hedge accounting measures at fair value at the balance date, considering the valuations performed by independent entities, being 11 095 tEuros from AdP Group and 801 tEuros from ANA Group. These swaps have a global underlying amount of 325 000 000 Euros.

32 - Revenue

Revenue	1st half 2011	1st half 2010
Sales		
Internal market	274,577	220,593
External market	98,177	59,879
	372,754	280,472
Services rendered		
Internal market	450,676	630,967
Rentals from investment properties	16,067	8,879
External market	929,768	644,159
	1,380,443	1,275,126
Total	**1,753,197**	**1,555,598**

As it can be observed in segment report by business segments presented on note 1, the Aeronautical activities are the most significant segment, contributing with about 1 243 million Euros (1st semester of 2010: 1 152 million Euros), corresponding to 71% (1st semester of 2010: 74%) of the total revenue. The second most significant segment is water and waste contributing with 373 million Euros (1st semester of 2010: 337 million Euros), corresponding to 21% (1st semester of 2010: 22%) of the total revenue.

33 – Grants related to income

Grants related to income	1st half 2011	1st half 2010
Biological assets	-	933
Construction Contracts	772	-
Other revenue	6,631	3,108
Total	**7,403**	**4,041**

Grants related to income regarding construction contracts are related to the operating activity of CE.

Other grants related to income are essentially from the following subsidiaries:

- 4 052 tEuros (1st semester of 2010: 924 tEuros) of grants related to the performance of Moto GP event organised by CE; and
- 1 214 tEuros (1st semester of 2010: 1 842 tEuros) of grants receivable from the Portuguese State concerning the co-participation in the sale price of the tickets for passengers, whose destination or origin are the archipelagos of Azores, providing the passengers fit in the applicable legal system. The amount recognized in each financial year corresponds to the estimate, by TAP Group, of the value receivable for flown tickets in the very financial year, by passengers covered by this benefit.

34 – Share of profit and losses of associates

Share of profit and loss of associates	1st half 2011	1st half 2010
Gains - Aplication of the equity method		
CVP - Sociedade de Gestão Hospitalar, S.A.	779	211
Credip - Instituição Financeira de Crédito	33	49
EDP - Energias de Portugal, S.A.	127,322	79,615
REN – Rede Eléctrica Nacional, S.A.	34,082	28,244
GALP	-	18,186
INAPA - Invest. Part. E Gestão, SA	363	484
Parcaixa, SGPS, SA	7,693	3,839
ADA - Administração Aeroportos, Lda	174	191
Subtotal	170,446	131,139
Losses - Aplication of the equity method		
ISOTAL - Imobiliário do Sotavento Algarvio, S.A.	2	-
SPdH - Serviços Portugueses de Handling, S.A.	7,300	12,299
INAPA - Invest. Part. E Gestão, SA	-	0
Subtotal	7,302	12,299
TOTAL	163,144	118,839

35 – Dividends from investments at cost or at fair value

Dividend from investments at cost or at fair value	1st half 2011	1st half 2010
EDP - Energias de Portugal, SA	25,758	32,480
PT - Portugal Telecom, SA	1,042	461
GALP	8,131	
IHRV (ex-INH)	60	54
HCB	3,055	
ZON Multimédia	18	18
	38,063	**33,013**

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

Changes in inventories of finished goods and work in progress	1st half 2011			1st half 2010		
	Finished and intermediate goods	Subproducts and other	Work in progress	Finished and intermediate goods	Subproducts and other	Work in progress
Opening balance	(9,959)	(1,945)	(33,036)	(12,766)	(769)	(25,779)
Regularization of inventories	(1,705)	(18)	(11,362)	1,977	(0)	(656)
Transfers for "held to sale"			16,755			
Closing balance	11,521	1,748	27,528	11,406	802	36,747
Changes in inventories	**(144)**	**(215)**	**(115)**	**616**	**33**	**10,312**
			(474)			**10,961**

37 – Own work capitalised

Own work capitalised	1st half 2011	1st half 2010
Non current asset		
Property, plant and equipment	1,333	1,539
Other non current assets	14,872	18,502
	16,205	20,041
Current asset		
Inventories	513	1,947
	513	1,947
TOTAL	**16,718**	**21,988**

Own work capitalised related with Property, plant and equipment include essentially the capitalization of direct costs related with the technical areas involved in the construction of the assets from ANA Group, in the amount of 1 003 tEuros (1st semester of 2010: 1 199 tEuros).

Own work capitalised regarding other non-current assets, amounting to 14 872 tEuros, respect to AdP Group and are related with the capitalisation of materials and services consumed, employee benefits, and financial expenses regarding its incorporation into the formation of the cost of the concession right to use the infrastructures.

Own work capitalised related to inventories, amounting to 513 tEuros, respect to employee benefits and other expenses included in the acquisition/production cost of inventories from TAP Group (1st semester of 2010: 1 947 tEuros).

38 – Inventories consumed and sold

Inventories consumed and sold	1st half 2011		1st half 2010	
	Merchandise	Raw materials and Other	Merchandise	Raw materials and Other
Opening balance (End of n-1)	633,741	223,828	375,244	168,193
Restatement/ reclassification impact	-	7,937	446	-
Notes			-	-
Restated opening balance	633,741	231,765	375,690	168,193
Purchases	49,320	86,034	153,992	94,090
Regularization of inventories	302	(3,520)	3,468	10,487
Transfers to "held for sale"	(13,779)	(176,230)		
Closing balance	(620,349)	(29,299)	(493,059)	(200,120)
Inventories consumed and sold	**49,236**	**108,750**	**40,092**	**72,650**
		157,985		**112,742**

Inventories consumed and sold in the first semester of 2011, in the amount of 157 985 tEuros (1st semester of 2010: 112 742 tEuros), include essentially:

- 81 932 tEuros (1st semester of 2010: 87 998 tEuros), mainly related to technical material to be used in the repairs of aircrafts of TAP Group;
- 41 218 tEuros (1st semester of 2010: 3 236 tEuros) of real estate properties from SAGESTAMO Group;
- 19 636 tEuros (1st semester of 2010: 8 266 tEuros) of coins and other items from INCM; and
- 12 829 tEuros (1st semester of 2010: 10 664 tEuros) related to reagents and counters from AdP Group.

The amounts identified as transfers to "Held for sale" respect in full to the inventories, as of 30 June 2011, from TAP Group which were included in a disposal group classified as held for sale in accordance to IFRS 5, as described in Note 21.

39 – Materials and services consumed

Materials and services consumed	1st half 2011	1st half 2010
Fuel	330,608	232,431
Other material and services consumed	126,629	88,763
Professional services	78,960	91,413
Air navigation fees	69,412	67,688
Airport assistance outsourced	63,066	71,732
Rents and leases	33,863	15,401
Subcontracts	33,058	28,096
Landing fees	31,571	31,924
Repair and maintenance of flying equipment	29,988	24,507
Repair and maintenance of other assets	29,300	38,081
Operational leases on aircrafts	26,116	32,752
Selling expenses related to air transport segment	18,388	17,208
Expenses on board (plain)	17,627	33,238
Airport assistance outsourced	14,422	13,811
Landing fees	12,361	11,900
Insurance expenses	10,370	10,554
Professional fees	4,491	1,959
	930,230	811,456

Aeronautical Activities is the most significant segment in this set of expenses with around 86% (85% on June 2010) of the total Materials and services consumed.

Fuel is the most significant expense, with around 36% of the total of Materials and services consumed.

The increase in the Materials and services consumed is due to the increase in the operational activity of TAP Group when compared to the 1st semester of 2010, and to the increase of the jet fuel average price.

The Other materials and services consumed come, mainly, from TAP Group with 62 770 tEuros (1st semester of 2010: 29 408 tEuros), from AdP Group with 42 713 tEuros (1st semester of 2010: 56 192 tEuros) and from ANA Group with 15 930 tEuros (1st semester of 2010: 14 358 tEuros).

40 – Employee benefit expenses

Employee benefit expenses	1st half 2011	1st half 2010
Wages	315,359	318,735
Social security	64,224	63,523
Other employee benefit expenses	30,912	30,052
Retirement benefit expenses	5,669	7,827
	416,164	420,136

Board and executive members' remunerations in the first semester of 2011 of PARPUBLICA were, as follows:

General Assembly Board: 500 Euros

Board of Directors: 179 thousand Euros

Statutory Auditor: 38 thousand Euros

Employee benefit expenses in the first semester of 2011, amounting to 416 million Euros (1st semester of 2010: 420 million Euros), showed a decrease of about 4 million Euros when compared to the same period of 2010. This net decrease is mainly due to an increase in TAP Group of 3 million Euros (1st semester of 2011: 267 million Euros; 1st semester of 2010: 264 million Euros) and a decrease in AdP Group of 5,8 million Euros (1st semester of 2011: 75,8 million Euros; 1st semester of 2010: 81,7 million Euros) and in INCM of 0,8 million Euros (1st semester of 2011: 11,8 million Euros; 1st semester of 2010: 12,7 million Euros).

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

Retirement benefits expenses	1st half 2011	1st half 2010
Current service cost	5,097	779
Interest cost	838	1,264
Expected return on plan assets	(792)	-
Other	525	5,783
TOTAL	5,669	7,827

Retirement benefit expenses include 4 319 tEuros from TAP Group, 710 tEuros from INCM and 640 tEuros from AdP Group. The changes occurred during the year regarding defined benefit obligations, as well as the major assumptions used for preparing the studies, are disclosed in Note 26.

41 – Increases and reversals of inventories adjustments

Increases and reversals of inventories adjustments	1st half 2011		1st half 2010	
	Increses in adjustments	Reversals of adjustments	Increses in adjustments	Reversals of adjustments
Merchadise	-	146	-	46
Finished and Intermediate goods	-	51	-	468
Raw materials and other	1,920	242	4,215	2,918
	1,920	**439**	**4,215**	**3,432**
		(1,481)		**(783)**

The balances of Inventories (see Note 18) are net from accumulated impairment losses.

The set and reversals of adjustments for inventories of raw materials respect mainly to TAP Group regarding technical material used to repair the aircrafts owned by TAP Group and for the construction works performed to other aviation companies.

42 – Increases and reversals of receivables adjustments

Increases and reversals of receivables adjustments	1st half 2011		1st half 2010	
	Increases in adjustments	Reversal of adjustments	Increases in adjustments	Reversal of adjustments
Accounts receivable - current	2,751	1,534	1,610	234
Othe accounts receivables - current	209	418	2,134	9,045
Other financial assets and liabilities	23	-	-	1,788
	2,983	**1,952**	**3,744**	**11,067**
		(1,031)		**7,323**

The balances of Other receivables and Trade debtors (see Notes 16 and 19) are net from accumulated impairment losses.

The Adjustments in receivables are mainly due to: (i) 1 082 tEuros from ANA Group; (ii) 979 tEuros from AdP Group; and (iii) 831 tEuros from TAP Group.

The Reversals of adjustments in receivables in the 1st semester of 2011 are mainly due to: (i) 1 411 tEuros from TAP Group; and (ii) 536 tEuros from AdP Group.

43 – Increases and reversals of provisions

Provisions (expenses/reversions)	1st half 2011	1st half 2010
Lawsuit in progress	2,709	2,821
Other provisions	(116)	843
	2,593	3,664

The major increases are explained in Note 24 – Provisions, with special notice for the amounts on TAP Group, from lawsuits still in progress.

44 – Impairment of assets (expense/reversals)

Impairment of non-depreciable assets	1st half 2011		1st half 2010	
	Expenses	Reversals	Expenses	Reversals
Other financial assets	-	-	-	-
EDP - Energias de Portugal, S.A.	0	5,925	-	-
INAPA - Invest. Part. E Gestão, SA	5,642	-	7,875	-
HCB - Hidroeléctrica de Cahora Bassa, S.A	22,500	-	-	-
REN, SA	-	-	-	-
Sociedade Mineira do Lucapa	411	-	-	-
Other	550	-	-	-
	29,103	5,925	7,875	-
		(23,178)		**7,875**

Impairment losses and reversals in EDP and in INAPA were considered after applying the equity method in those associated companies. As so, the amount of impairment losses of 5 642 tEuros related to INAPA, as well as the amount of reversal of impairment losses of 5 925 tEuros related to EDP, were obtained considering the difference between the carrying amount after applying the equity method and their fair value (given by the market share prices of these companies), as of 30 June 2011, less estimated costs to sell.

The impairment loss related to HCB is the result of valuation studies performed by independent entities, using the Dividend Discount Model (DDM) to assess the company value. The average value indicated in the study reported at 31 December 2010 for the 15% share quote is 77,5 million Euros, which was considered as reference in determining the fair value less the costs to sell, being recognised consequently an additional impairment loss of 22,5 million Euros.

Considering the current shutdown of the mines that constitutes the universe of Sociedade Mineira do Lucapa (SML) – Lucapa, Calonda, Yetwene – and given the uncertainties surrounding a possible resumption of production, it was considered strong the probability of existence of impairment, in what concerns to the carrying amount of the participation of 49% that SPE holds in SML, as well as in what respects to the loans granted and other credits held by SPE over SML. The increase in the accumulated impairment losses is related to the balances due by SML to SPE.

45 – Net changes in fair value

Net changes in fair value	1st half 2011	1st half 2010
Positive adjustments		
Investment properties	103	-
Net income from financial investment at fair value through profit or loss	127,756	19,140
Net income from other financial investments	1	1
Other	1,890	-
	129,750	19,141
Negative adjustments		
Investment properties	1,134	81
Net income from financial investment at fair value through profit or loss	89,215	159,062
Net income from other financial investments	-	2
Other	355	-
	90,704	159,145
	39,045	**(140,004)**

Net changes in fair value from investments measured at fair value through profit or loss arise essentially from the recognition of:

- A negative change in fair value of the option embedded in the bonds issued by PARPÚBLICA of 81 594 tEuros, and a positive change in fair value of the underlying Galp shares amounting to 122 548 tEuros;
- A positive change in fair value of swaps held by PARPÚBLICA amounting to 1 559 tEuros (1st semester of 2010: negative change of 524 tEuros);
- Negative change in fair value of the EDP shares, classified as the underlying to the embedded exchange option in one of the bonds issued by PARPÚBLICA, of 6 364 tEuros (1st semester of 2010: positive change in fair value of the options embedded in the bonds amounting to 31 743 tEuros and negative change in fair value of the EDP shares amounting to 190 145 tEuros).
- Negative change in fair value of ZON and PT shares amounting to 1 257 tEuros (1st semester of 2010: negative change of 658 tEuros).
- Positive net change of 3 648 tEuros (1st semester of 2010: 10 899 tEuros) related to interest and foreign currency swaps from AdP Group.

Other positive adjustments include 1 885 tEuros regarding biological assets from Companhia das Lezírias.

Fair value negative adjustments on investment properties are related in full to Fundo II Estamo. The techniques used to determine the fair value are described in Note 6 (Investment Properties).

46 – Other operating income

Other operating income	1st half 2011	1st half 2010
Supplementary income	27,741	38,667
Inventory gains	1,438	286
Property, plant and equipment gains	1,940	884
Other income from investment properties	9,361	1,282
Interest revenue	9,123	10,570
Other financial revenue	4,595	5,393
Exchange gains	2	18,361
Total	**54,201**	**75,444**

Supplementary income come, mainly, from the Aeronautical activities, and respects, among other, to sales of air miles under "TAP Victoria" Frequent flyer programme of 5 768 tEuros (1st semester of 2010: 5 832 tEuros), to sales of warehouse materials recovered of 3 701 tEuros (1st semester of 2010: 15 677 tEuros), gains with promotion and advertising of 3 073 tEuros (1st semester of 2010: 1 582 tEuros), rentals and subleases of 1 838 tEuros (1st semester of 2010: 1 923 tEuros), 3 704 tEuros from ANA Group and 2 925 from AdP Group.

The caption Other income from investment properties, amounting to 9 361 tEuros, includes mainly the rents from SAGESTAMO Group.

47 – Other operating expenses

Other operating expense	1st half 2011	1st half 2010
Taxes	11,941	11,549
Losses on disposal of Property, plant and equipment	1,309	769
Fraudulent use of credit card	59	28
Losses on disposal of inventories	1,659	3,927
Fines and penalties	519	290
Other	8,938	14,291
Exchange losses	1,953	19
Other financial expenses	7,514	13,096
	33,892	43,970

Tax expenses includes, essentially, 5 253 tEuros from TAP Group (1st semester of 2010: 3 952 tEuros), 4 349 tEuros from AdP Group (1st semester of 2010: 4 731 tEuros) and 1 708 tEuros from INCM (1st semester of 2010: 2 217 tEuros).

Losses on disposal of property, plant and equipment come mostly from TAP Group and ANA Group, with total losses of 708 tEuros (1st semester of 2010: 754 tEuros) and 494 tEuros, respectively.

In what concerns to losses on disposal of inventories, those are mainly related to INCM (1 100 tEuros).

Foreign exchange differences are, in full, from TAP Group.

Other operating expenses includes, essentially:

- 5 016 tEuros from ANA Group, of which 3 986 tEuros (1st semester of 2010: 1 745 tEuros) are regarding to incentives to airline companies with the aim to capture traffic, namely forming new routes and / or loyalty and maximize the offered capacity in the airports managed by this subsidiary;
- 1 251 tEuros (1st semester of 2010: 7 674 tEuros) regarding TAP Group; and
- 1 035 tEuros (1st semester of 2010: 1 935 tEuros) from AdP Group.

48 - Expense/reversals of depreciation and amortization

Expenses/reversals of depreciation and amortization	1st half 2011	1st half 2010
Property, plant and equipment		
Land and natural resources	4	254
Buildings and other constructions	23,270	20,938
Basic equipment	86,101	91,879
Transport equipment	1,560	1,848
Tools and utensils	941	486
Admninistrative equipment	3,543	4,070
Other fixed tangible assets	8,534	4,967
	123,954	124,442
Intangible assets		
Other intangible assets		-
With finite useful life	103,409	109,137
	103,409	109,137
Investment properties (at cost)	25	-
Biological assets (at cost)	107	-
Total	**227,495**	**233,579**

49 – Grants related to assets

Grants related to assets	1st half 2011	1st half 2010
EC cohesion fund	30,664	32,162
Other	2,313	4,719
Asset integration	3,895	1,532
Total	**36,872**	**38,413**

Grants related to assets come mainly from the water and waste segment (93% of total grants) and from the aeronautical activities segment (6% of total grants)

50 - Interest and other financial income / expense

Interest and other financial income /expense	1st half 2011	1st half 2010
Income and gains		
Interest from financial investments not at fair value through profit or loss	593	47
Other interest	17,744	9,859
Exchange gains	3,276	-
Other financial income and gains	254	280
	21,867	10,186
Expenses and losses		
Interest and similar expenses	184,802	134,680
Exchange losses	4	28,996
Other financial expenses and losses	8,288	3,846
	193,094	167,522

Other interest – income - in the amount of 23 531 tEuros include, essentially:

- 11 067 tEuros from AdP Group (1st semester of 2010: 7 660 tEuros), which change, when compared to 30 June 2010, is explained by the increase of over 3% in the average interest rates obtained in treasury surplus application.
- 4 201 tEuros of interest from investments of TAP Group (1st semester of 2010: 1 789 tEuros)
- 1 870 tEuros from SAGESTAMO Group (1st semester of 2010: 1 618 tEuros).

The changes occurred in foreign exchange differences are mainly from TAP Group.

Interest expenses from funding, amounting to 184 802 tEuros, include:

- 104 061 tEuros from PARPÚBLICA (1st semester of 2010: 67 038 tEuros);
- 46 918 tEuros from AdP Group (1st semester of 2010: 35 827 tEuros);
- 21 789 tEuros from TAP Group (1st semester of 2010: 21 023 tEuros); and
- 8 453 tEuros from ANA Group (1st semester of 2010: 7 537 tEuros).

Other financial expenses, amounting to 8 288 tEuros, include:

- 3 789 tEuros from SAGESTAMO Group;
- 2 857 tEuros from AdP Group (1st semester of 2010: 2 838 tEuros); and
- 1 345 tEuros from TAP Group (1st semester of 2010: 1 002 tEuros).

51 – Net income tax for the period

Income tax for the period	1st half 2011	1st half 2010
Current tax expense (gain)	48,773	28,174
Adjustments recognised in the period for current tax of prior years	(9,554)	(453)
Income arising from a temporary difference of a previous period used to reduce tax expenses	(633)	380
Deferred tax expenses (income) relating to the origination and reversal of temporary differences	-	(131)
Expenses due to a reduction or reversal of deferred tax asset	931	(41)
TOTAL	**39,517**	**27,928**

Income tax - Relation between the tax expense (gain) and the profit or loss for the year	1st half 2011
Earnings before taxes	176,459
Tax rate	10.5%
Product	18,551
Non deductible or non tributable income and expenses	(19,181)
Non deductible expenses	5,660
Deferred tax assets and liabilities	-
Municipal tax	4,517
Separate taxation	1,908
Temporary differences	7,088
Non relevant tax amortization	-
Use of tax losses not previously recognised	(2,699)
Actualization of expenses with agricultural expenses	(163)
Other	23,836
TOTAL	39,517

Tax losses not recognised as deferred tax assets (by extinction date):	30-Jun-11	30/Dec/10
N	5,212	8,380
N+1	20,692	26,350
N+2	32,480	18,599
N+3	52,089	33,077
N+4	10,314	24,573
N+5	12,517	17,837
TOTAL	133,305	128,816

Income tax expenses for the period, amounting to 39 517 tEuros correspond mainly to AdP Group (19 118 tEuros), to ANA Group (13 045 tEuros) and to INCM Group (7 293 tEuros).

PARPÚBLICA Group is subject to local income taxation (IRC) and to the correspondent local municipal tax surcharge. Local income tax rate is 25% and is added by local municipal tax surcharge that can amount to a maximum of 1,5% on taxable profit after adjustments. Deferred tax was calculated, on 2010, considering a taxation of 26,5%.

Corporate tax declarations, by PARPÚBLICA Group, are deemed to be subject to inspection and eventual adjustments by the local tax authorities for a period of four years.

Adjustments recognised in the current period for current tax of prior years respect to AdP Group (-10 408 tEuros) and to ANA Group (854 tEuros).

52 – Non-controlling interests – profit or loss

Non-controlling interests (Profit or loss)	1st half 2011	1st half 2010
Cateringpor	296	250
LFP	1,708	1,232
SAGESECUR	(69)	855
ECODETRA	(5)	(5)
Margueira	(9)	8
ANA, SA	9,128	7,916
ANAM	404	301
NAER	(136)	(419)
AdP Group	25,966	11,031
SPE	-	(95)
	37,284	21,075

53 – Related parties

Balances and transactions among affiliated companies, are eliminated in the consolidating process, and are not disclosed in the present Note. The balances and transactions between the major companies of PARPÚBLICA Group and its related parties are as follows:

Balances and transactions with related parties at 30 June 2011	Total	Entities with joint control or significative influence on the Company	Associates	Management of the entity or parent company	Other related parties
Assets	1,272,377	1,149	122,539	-	409,995
Liabilities	714,832	-	19,924	-	286,726
Income	-	-	254,646	-	261,985
Expense	25,950	14	30,213	3,217	32,666

Balances and transactions with related parties at 30 June 2010	Total	Entities with joint control or significative influence on the company	Associates	Management of the entity or parent company	Other related parties
Assets	366,965	1,149	83,084	-	282,732
Liabilities	102,869	-	26,386	-	76,483
Income	252,372	-	6,071	-	246,301
Expense	37,562	8	37,176	318	60

The terms or conditions, which would be practiced between the Group and the related parties, are substantially identical to the terms, which would normally be contracted between independent entities in comparable operations.

The relationship between PARPUBLICA and the Portuguese State and Other Public Companies, presents a debtor balance of 1 273 588 tEuros and a creditor balance of 714 832 tEuros.

54 – Financial assets and liabilities

Financial assets and liabilities	30-Jun-11 Loans and accounts receivables	Financial assets available for sale	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
ASSETS						
Non current assets						
Financial Investments - Other methods	-	11,959	1,332,312			1,344,271
Other financial assets	1,398,972	9	2,248			1,401,229
Other accounts receivable	199,484	-	-			199,484
	1,598,456	**11,968**	**1,334,560**	**-**	**-**	**2,944,984**
Current assets						
Trade debtors	471,370	-	-			471,370
Advances to trade creditors	5,673	-	-			5,673
Other accounts receivable	258,847	-	-			258,847
Other financial assets	-	-	5,029			5,029
Cash and cash equivalents	802,909	-	-			802,909
	1,538,799	**-**	**5,029**	**-**	**-**	**1,543,828**
Total assets	**3,137,255**	**11,968**	**1,339,589**	**-**	**-**	**4,488,812**
LIABILITIES						
Non current liabilities						
Borrowings				206,091	7,139,894	7,345,985
Shareholders				-	-	-
Other accounts payable				-	216,780	216,780
Other financial liabilities				11,896	-	11,896
	-	**-**	**-**	**217,987**	**7,356,674**	**7,574,661**
Current liabilities						
Trade creditors				-	80,988	80,988
Advances from trade debtors				-	118	118
Shareholders				-	25,022	25,022
Borrowings				-	1,773,069	1,773,069
Other accounts payable				-	951,934	951,934
	-	**-**	**-**	**-**	**2,831,131**	**2,831,131**
Total liabilities	**-**	**-**	**-**	**217,987**	**10,187,805**	**10,405,792**
Net value	**3,137,255**	**11,968**	**1,339,589**	**(217,987)**	**(10,187,805)**	**(5,916,980)**

LEVEL OF HIERARCHY OF FAIR VALUE IN WHICH THE FAIR VALUE MEASURES ARE CATEGORIZED IN FULL, SPLITTING THE FAIR VALUE MEASUREMENTS IN ACCORDANCE WITH THE LEVELS DEFINED IN PARAGRAPH 27 A OF IFRS 7	**30-Jun-11 Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	1,337,533	2,056	-	1,339,589
Financial assets at fair value - hedging derivatives	-	-	-	-
Financial assets available for sale - Fair value	-	-	363	363
	1,337,533	**2,056**	**363**	**1,339,952**
Financial liabilities at fair value through profit or loss	-	217,987	-	217,987
Financial liabilities at fair value - hedging derivatives	-	-	-	-
	-	**217,987**	**-**	**217,987**

	31-Dec-10					
Financial assets and liabilities	Loans and accounts receivables	Financial assets available for sale	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
ASSETS						
Non current assets						
Financial Investments - Other methods	-	111,965	1,217,388	-	-	1,329,353
Other financial assets	1,401,270	24,201	2,328	-	-	1,427,799
Other accounts receivable	216,731	-	-	-	-	216,731
	1,618,001	**136,166**	**1,219,716**	**-**	**-**	**2,973,882**
Current assets						
Trade debtors	599,700	-	-	-	-	599,700
Advances to trade creditors	12,635	-	-	-	-	12,635
Other accounts receivable	376,129	-	-	-	-	376,129
Other financial assets	-	-	2,602	-	-	2,602
Cash and cash equivalents	906,944	-	-	-	-	906,944
	1,895,409	**-**	**2,602**	**-**	**-**	**1,898,011**
Total assets	**3,513,410**	**136,166**	**1,222,318**	**-**	**-**	**4,871,893**
LIABILITIES						
Non current liabilities						
Borrowings	-	-	-	-	8,304,330	8,304,330
Shareholders	-	-	-	-	190	190
Other accounts payable	-	-	-	-	194,022	194,022
Other financial liabilities	-	-	-	16,107	-	16,107
	-	**-**	**-**	**16,107**	**8,498,542**	**8,514,649**
Current liabilities						
Trade creditors	-	-	-	-	243,524	243,524
Advances from trade debtors	-	-	-	-	3,628	3,628
Shareholders	-	-	-	-	18	18
Borrowings	-	-	-	-	1,846,027	1,846,027
Other accounts payable	-	-	-	-	1,387,474	1,387,474
	-	**-**	**-**	**-**	**3,480,671**	**3,480,671**
Total liabilities	**-**	**-**	**-**	**16,107**	**11,979,212**	**11,995,319**
Net value	**3,513,410**	**136,166**	**1,222,318**	**(16,107)**	**(11,979,212)**	**(7,123,426)**

LEVEL OF HIERARCHY OF FAIR VALUE IN WHICH THE FAIR VALUE MEASURES ARE CATEGORIZED IN FULL, SPLITTING THE FAIR VALUE MEASUREMENTS IN ACCORDANCE WITH THE LEVELS DEFINED IN PARAGRAPH 27 A OF IFRS 7	**31-Dec-10**			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	1,220,090	2,228	-	1,222,318
Financial assets at fair value - hedging derivatives	-	-	-	-
Financial assets available for sale - Fair value	-	-	372	372
	1,220,090	**2,228**	**372**	**1,222,690**
Financial liabilities at fair value through profit or loss	-	16,107	-	16,107
Financial liabilities at fair value - hedging derivatives	-	-	-	-
	-	**16,107**	**-**	**16,107**

55 – Perspective on risks arising from financial instruments

The risks that entities are exposed can arise from internal and external factors. The identification of the relevant risks is based on a profound understanding of the entity, of its core business and the market within that business operates. Taking into account the perspective of impact of loss, the material relevant risks that the PARPÚBLICA Group is exposed to are, as follows:

- Market Risk, which comprises three types of risk: (i) currency risk – is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates; (ii) interest rate risk – The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates; and (iii) other price risk – is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

- Credit Risk – is the risk that one party of a financial instrument will cause a financial loss on the other party by failing to discharge an obligation. PARPÚBLICA Group is subject to this risk when granting credit to its customers. However, credit sales are subject to rules that assure that those are made to costumers with an adequate credit history and that are within the maximum pre-defined limits of exposure approved for each customer.

- Liquidity Risk (also referred as financing risk) – is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at the close of the market at its fair value.

For its expression in PARPÚBLICA Group, the following entities should be mentioned: PARPÚBLICA, AdP Group, ANA Group and TAP Group.

PARPÚBLICA

In its activity, PARPÚBLICA identifies the following areas of financial risks that may affect its asset value or its interest in third parties: (i) credit risk, (ii) liquidity risk, and (iii) market risk, for interest rate and price.

i) Credit risk

Credit risk, associated with the possibility that one of the parties involved in a financial instrument does not fulfil its obligation, is presented in the financial treasury investments, in the swaps and in the loans to subsidiaries.

Loans to subsidiaries are granted to companies, whose financial policies are controlled to be applied in investments with adequate return, considering the fulfilment of policies and orientations defined by the Government. These loans are approved by the Executive Commission Board of PARPÚBLICA and they earn interest.

ii) Liquidity risk

Liquidity risk is mitigated by the existence of four Commercial Paper Programmes with a global amount of 2 050 million Euros, which are contracted with financial institutions of recognised financial strength. These instruments confer to PARPÚBLICA an immediate access to liquidity.

Segmentation of debt by nature of instruments and by maturity is as follows (nominal amounts in millions of Euros):

Financial Liabilities **30 June 2011**	**1-3 months**	**4-12 months**	**1-2 years**	**3-5 years**	**> 5 years**	**Total**
Commercial Paper	750,0	350,0				1 100,0
Eurobonds			800,0	500,0	900,0	2 200,0
EDP Convertible Bonds				1 015,2		1 015,2
GALP Convertible Bonds					885,7	885,7

Financial Liabilities **31 December 2010**	**1-3 months**	**4-12 months**	**1-2 years**	**3-5 years**	**> 5 years**	**Total**
Commercial Paper		710,0				710,0
Eurobonds			800,0	500,0	900,0	2 200,0
EDP Convertible Bonds				1 015,2		1 015,2
GALP Convertible Bonds					885,7	885,7

Covenant clauses existing in debt instruments are as follows:

Borrowings	***Covenants***
Eurobonds	
EMTN 800 million Euros - 2009 *due* 2013	*Cross Default / Negative Pledge*
Bonds 500 million Euros - 2004 *due* 2014	*Cross Default / Force Majeure*
Bonds 500 million Euros - 2005 *due* 2020	*Cross Default / Force Majeure*
Bonds 150 million Euros - 2005 *due* 2020	*Cross Default*
Bonds 500 million Euros - 2006 *due* 2026	*Cross Default*
EDP Convertible Bonds - 2007 due 2014	*Cross Default*
GALP Convertible Bonds -2010 due 2017	*Negative Pledge/ Restrictions on Activities*

iii) Market risk

Interest rate risk

Interest rate risk respects to the possibility that, due to changes in interest rates, the remuneration of financial instruments indexed to a floating interest rate or the fair value of financial instruments indexed to a fixed interest rate, changes.

Medium and long term debt, in what respects to interest rate contracted, kept its distribution, i.e., 96,3% in fixed interest rate and 3,7% in floating interest rate, on 30 June 2011 and also on 31 December 2010.

With such a high percentage of debt issued with a fixed interest rate, PARPUBLICA has, in terms of cash flows, little exposure to the changes in interest rates. In what concerns to fair value risk, it is not relevant for the existing borrowings.

To minimize the interest rate risk due to increases in spreads in short term borrowings, the Commercial Paper Programmes existing at 30 June 2011 had a fixed spread, up to the limit of 1 100 million Euros, in force until the date of its renovation.

PARPÚBLICA has contracts for three interest rate swaps structures, with the aim to diverse interest rate risk (swap fixed rate for floating rate, swap floating rate for floating rate, swap fixed rate for fixed rate). The total notional amount of the structures is of 550 million Euros. The set of the three structures had the following impacts, with effects in profit or loss (tEuros):

	1st semester of 2011	**2010**
Net cash-flows	-	4 964,9
Changes in fair values	1 559,5	-822,1

There is only one borrowing with a floating interest rate, amounting to 150 million Euros and that pays interest indexed to the Euro Mid Swap at 10 years - 0,48%. A change in 1% in the indexed rate would lead to a change in the annual interest amount to be paid of 1 500 000 Euros, which represents a change of less than 2% of the total amount of interest to be paid. This borrowing has embedded a swap through which PARPÚBLICA receives annually the Euro Mid Swap at 10 years – 0,48% and pays in a quarter basis, 3 months Euribor + 0,02%, with a cap of 8%, which had a favourable behaviour to PARPÚBLICA.

Predictable flows, not discounted, of medium and long term debt interest and the swaps contracted are the following (millions of Euros):

Predictable flows, not discounted 30 June 2011	< 1 year	1 to 5 years	> 5 years	Total
Medium and long term debt interest	-160 965,5	-538 556,8	-328 749,8	-1 028 272,1
Flows from swaps	3 321,7	7 181,6	10 473,4	20 976,7

Predictable flows, not discounted 31 December 2010	< 1 year	1 to 5 years	> 5 years	Total
Medium and long term debt interest	-160 965,5	-538 717,3	-327 726,5	-1 027 409,3
Flows from swaps	3 864,0	8 087,0	5 611,2	17 562,2

The fair values of the swaps, in million Euros, would be the following for variations in the interest rate and volatility curve:

GALP Shares			**Option**			**Net changes (million Euros)**
Quote	**(million Euros)**	**Change**	**%**	**(million Euros)**	**Change**	
16.45	955.3	-	23.3%	206.1	-	-
18.918	1098.6	15.0%	34.8%	307.9	49.4%	41.5
13.983	812.0	-15.0%	13.4%	118.3	-42.6%	-55.5

Price risk

Price Risk is the possibility of the value of a financial instrument floats as the result of changes in markets, whether those changes are caused by specific individual instrument factors or its issuer, or whether by factors that affect every single instruments traded in the market. This risk exists in the two bond issues with nominal amounts of 1 015,15 million Euros and 885,65 million Euros with embedded options that allows the investors to convert its bonds, respectively, by EDP shares or by GALP shares, held in PARPÚBLICA portfolio, for the effects of changes in the quotes of these shares.

The borrowing of 1 015,15 million Euros has its maturity in 18 December 2014, with the possibility of (i) the investors to demand the reimbursement of the bonds after 18 December 2012, or (ii) the investors to exercise their right to convert for EDP shares after 18 December 2013. If at the exercise date, the market value of the underlying shares is higher than the conversion price (6,70 Euros per share) and PARPÚBLICA chooses to pay the reimbursement in cash, the amount to be paid will be adjusted to the value of the underlying shares.

The borrowing of 885,65 million Euros has its maturity in 28 September 2017, with the possibility of (i) the investors to ask for the reimbursement of the bonds after 28 September 2015, (ii) the investors convert its bonds for shares after 28 March 2013 or (iii) the company reimburse the bonds after 13 October 2013 if throughout 20 working days within a period of 30 days, the pro-rata value of the underlying share exceeds 130%. If in the exercise date of the bonds, the market value of the underlying shares is higher than the conversion price (15,25 Euros per share) and PARPÚBLICA chooses to pay the reimbursement in cash, the amount to be paid will be adjusted to the value of the underlying shares.

The host contract and the embedded option of these borrowings are separated for accounting purposes and are measured according to the referred in note 2t.

By using the fair value to measure the options, and also the underlying shares, the annual net effects caused by the changes in the quotes of the underlying asset are recognised. Those effects were the following (in million Euros):

Changes in the value of the options and of the underlying asset	**1st semester 2011 (million Euros)**	**2010 (million Euros)**
Changes in the value of the options	-81,59	-54,67
Changes in the value of the underlying asset	116,18	252,43
Net Gain	34,59	197,76

Assuming positive and negative changes of 15% in the quotes of the underlying GALP shares at 30 June 2011, the following effects would occur:

Galp Shares			**Opção**			**Net change (million Euros)**
Quote	**(million Euros)**	**Change**	**%**	**(million Euros)**	**Change**	
16.45	955.3	-	23.3%	206.1	-	-
18.918	1098.6	15.0%	34.8%	307.9	49.4%	41.5
13.983	812.0	-15.0%	13.4%	118.3	-42.6%	-55.5

The effects in the same option by changing credit spread and implicit volatility would be the following:

Credit Spread				**Implicit Volatility**			
Basis points	**%**	**(million Euros)**	**Change**		**%**	**(million Euros)**	**Change**
975	23.3%	206.1	-	22%	23.30%	206.1	-
1275	24.7%	218.8	6.1%	28%	26%	230.3	11.7%
675	22.0%	194.9	-5.4%	16%	20.80%	184.2	-10.6%

In what concerns to the option embedded in the EDP convertible bonds, the change in the same percentage in the market price, in the credit spread or in the volatility would not change the null value existing on 30 June 2011.

AdP Group

Risk factors

AdP Group activities are exposed to a variety of financial risk factors: credit risk, liquidity risk and risk from cash flow related to interest rate. It is a common practice in AdP Group, among other instruments, to contract derivative financial instruments to minimize some of the risks. AdP Group developed and implemented a risk management programme that, together with the permanent monitoring of the financial markets, seeks to minimize the potential adverse effects in the financial performance of AdP Group. Risk management is driven by the treasury central department and based on policies approved by the Board of Directors. The treasury department identifies, accesses and performs operations seeking to minimize the financial risks, in strict cooperation with the operating units of AdP Group.

The board of Directors provides principles for risk management as whole and policies that cover specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivatives, other non structured instruments and treasury surplus investments. The Board has the responsibility to define the general principles of risk management as well as the exposure limits. All operations with derivative instruments need to be previously approved by the Board of Directors that defines the parameters of each operation and approves formal documents where the goals of the operations are described.

i) Credit risk

Credit risk is essentially related with the risk that one party fails to comply with its contractual obligations, resulting in a financial loss for AdP Group. Group is exposed to credit risk in its operating, investing and treasury activities.

Credit risk related with operations is essentially related with receivables from the services rendered to customers (water supply). This risk is reduced given the characteristics of the service rendered, and there is no significant credit risk with a particular customer, given that, accounts receivable are due from a large number of different customers. Impairment adjustments on accounts receivable are measured considering: (i) customer risk profile, evaluating whether if that customer is residential or a business company; (ii) average term of receipt, which differs from business to business; and (iii) the customer’s financial condition. Given the customers dispersion it is not necessary to consider an additional adjustment of credit risk, over the impairment already booked in accounts receivable.

The following table represents the maximum exposure of AdP Group to the credit risk (not including balances of trade debtors and other debtors) at 30 June 2011, not considering any collateral held or other credit risk improvements. For assets in the balance sheet, the defined exposure is based on its carrying amount as reported in the balance sheet.

Banking financial assets	**30-Jun-2011**
Bank deposits	66 402
Time deposits	249 952
Derivatives	2 056
Equipment renovation fund	4 970
Reconstitution capital fund	97 075
Other	109
Total	**420 564**

Rating	**30-Jun-2011**
S&P A-3	119 156
Fitch F3	215 786
Fitch F2	15 585
Fitch F1+	13 584
Fitch F1	2 056
Fitch B	52 955
Unknown rating	1 442
Total	**420 564**

Note: The rating notes were obtained in the financial institutions websites on July 2011.

Receivables from trade debtors – Municipalities

Given the present conjuncture, AdP Group is significantly exposed to the credit risk arising from its customers – municipalities, with serious implications in its treasury management. Although, in theory, the risk of collection is null (considering also the possibility of the tax acceptance of any impairment losses), there is an immediate impact on the activity of AdP Group, since that in extreme situations there may be a need to transfer cash flows assigned to the investing function to the operating function.

ii) Currency risk

Currency risk exposure is not relevant for AdP Group. This risk materialises on future commercial transactions, recognised assets and liabilities, as well as investments on foreign operations that did not yet took place or expressed on the AdP's functional currency. The Group's central treasury department is responsible for the management of the net exposure of every currency, contracting centrally SWAPS, in order to minimize the commercial risk, recognised assets and liabilities. AdP Group holds investments on foreign currency, of which the related net assets are exposed to currency risk, as well as those loans in foreign currency. Currency risk embedded on foreign currency assets is managed trough the contracting of loans in the same currency and through loans with currency hedge SWAPS.

iii) Liquidity risk

Liquidity risk management involves keeping cash at a reasonable level, floating debt consolidation viability trough an adequate amount of credit facilities and the ability to liquidate market positions. In face of its own business dynamics, AdP cash pretends to assure floating debt flexibility, holding for this effect the credit lines available. AdP group manages liquidity risk trough contracting and maintain credit lines and funding facilities with commitment of underwriting next to national and international financial institutions of high credit rating that allow an immediate access to funds.

The table bellow presents AdP Group responsibilities for contracted residual maturity intervals. The amounts presented in that table are the contracted cash flows, not discounted to pay in the future (not including the interests related to these liabilities).

	< 1 year	**1 to 5 years**	**> 5 years**
Borrowings	600 751	292 249	2 085 025
Trade creditors and other liabilities	283 504	72 214	122 767

Despite the risk of collection of receivables from customers, the Group does not foresee any problems related to the payments of its obligations in the short term.

iv) Risk from cash flow and fair value related to interest rate

AdP group interest rate risk, essentially comes from contracting long-term loans. In this context, loans with variable rate expose AdP group to cash flow risk and loans with fixed interest rates expose the group to risk of fair value associated to the interest rate. AdP group manages cash-flow risk related to interest rate, by contracting swaps that allow the conversion of variable interest rate loans into fixed interest rate loans. Also related with the variance of the interest rate is the guaranteed return on the concession agreements, and consequently the tariff deviation.

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

	1st semester 2011	**Average rate + 1%**	**Average rate - 1%**
Interest paid	46 918	61 950	39 910

v) Capital risk

AdP Group objective concerning capital management, which is a vaster concept than the share capital presented on the balance sheet is to maintain an optimal capital structure, by using funding prudently and maintaining a solid capital structure that would permit the Group to reduce capital cost.

The objective of capital risk management is to assure the group will continue its operations, with an adequate return to the shareholders and generating benefits for all interested third parties.

AdP Group policy is to contract loans from financial entities, by the group parent company – AdP, SGPS, SA (with the exception of EPAL and of investing loans) that, in its turn, will grant loans to its subsidiaries. This policy aims the optimization of capital structure in order to get tax efficiency and a decrease in the average cost of capital.

	30-Jun-2011	31-Dec-2010
Non-current borrowings	2 377 274	2 416 058
Current borrowings	600 751	509 375
Cash and equivalents	(317 760)	(478 840)
Debt	**2 660 265**	**2 446 593**
Grants related to assets	1 868 522	1 842 472
Total equity	955 902	928 4720
Capital	**5 484 689**	**5 217 535**
Debt/Capital	**0,49**	**0,47**

vi) Regulatory risk

As a public service provider, AdP group operates in a highly regulated environment. The regulator – ERSAR – with a mandate from the Government, regulates, among other aspects, the price to charge for the services rendered. In the attempt to balance public interest, in what concerns to the adequate access to those services, and its own interest in making profit that satisfy and remunerate the invested capital of the shareholders, the regulator may take measures with negative impact on cash flow, with all its adverse consequences. As it is publicly known, it is presently ongoing an analysis of the sector regulatory system, which may in the future lead to some impacts on the financial statements.

ANA Group

The activities of ANA Group are exposed to a variety of several financial risk factors: credit risk, liquidity risk and risk from cash flow related to interest rate. The Group has a risk management programme that focuses its analysis in the financial markets seeking to minimize the potential adverse effects, using derivative instruments to hedge certain risks that it is exposed to. It should be noticed that the derivatives are contracted only with the goal to hedge financial risks that the Group is exposed to, in particular interest rate risk.

i) Market risk

Since ANA Group does not have significant remunerated assets, profit and operating cash flows are substantially independent from changes in the market interest rates.

Interest rate risk for ANA Group comes from long term debt. Debt issued with floating rates, expose the Group to cash flow risk, and debt issued with fixed rates expose the Group to the risk of fair value.

ANA Group manages risk from cash flow related to interest rate by contracting derivative instruments that allow the conversion of variable interest rates into fixed interest rates.

ii) Credit risk

In what concerns to receivables from financial institutions, the following table presents a resume of the credit quality from deposits and treasury applications:

	Receivables from financial institutions	
Rating	**30Jun11**	**31Dec10**
Cash equivalents		
AA	1	1
A	-	52 897
<A	-	227
BA	10 646	-
BAA	17 494	-
Other	145	221
	28 285	**53 346**

iii) Capital risk

The company's goal concerning capital management, which is a wider concept than equity on balance sheet, consists on keeping ANA Group ability to maintain its business and make all the necessary investments related to its core concession purpose, keep an outstanding capital structure that permits the group to decrease the capital cost and create long-term value for the shareholders.

This management is developed through measures such as: issuing debt instruments (issue of bonds), negotiation and rescaling of debt and shareholders contributions.

Funding policy of ANA considered the following principles and conditionings:

- Maintenance of a balanced capital structure;
- Fulfilment of the debt ratios assumed with the funding entities;
- The limits predicted in Despacho n.º 510/10 from Secretaria de Estado do Tesouro e das Finanças, that imposed a set of rules regarding the maximum annual debt growth limits settled in Stability and Growth Programme 2010-2013, where establishes that the average growth of debt for the period 2010-2013 does not exceeds 5%;

- The downgrade revision of the Portuguese State debt rating and its eventual replication in ANA;

On the first semester of 2011 the debt of ANA Group (remunerated financial liabilities), in the amount of 714 million Euros, increased about 3,4% in comparison to the end of 2010. In ANA, the total debt amounting to 529,8 million Euros represented an increase of 6,8%.

The increase in remunerated financial liabilities in ANA, resulted on 2011, of a new funding from European Investment Bank (Banco Europeu de Investimento - BEI), amounting to 32 million Euros, with very competitive cost and maturity conditions, only possible to obtain in an institution with the principles and goals of BEI.

In the end of the first semester of 2011, the medium and long term loans of ANA Group, represented 688,2 million Euros of a total of 714 million Euros and a weight of 96% of total debt.

On 30 June 2011 the weight of floating rate debt in the Group was 44,6%. The hedging for this component is balanced between natural business hedging and derivative instruments considering the standards of IAS 39.

As most of the Group's debt is contracted with the European Investment Bank (BEI), which predicts the direct fixing of the interest rates without any additional expenses, ANA Group privileges this option whenever possible.

In the fixing of the interest rates for other borrowings (not with BEI), ANA Group privileges the contract of hedging instruments that complies with the standards of IAS 39.

As this is a capital intensive business, ANA Group have been privileged funding solutions that grants the stability of the capital employed.

The minimization of the use of debt in the funding of annual and multi-annual investments has been achieved with self funding and with the adoption of a pro-activity policy to apply for EU grants, always considering the minimization of WAAC.

<u>TAP Group</u>

The financial risk management, with the aim to protect TAP Group from the diversity and dimension of economical shocks caused by the behaviour of the markets, was an aspect to which TAP Group devoted significant time and resources considering its importance and potential impacts. Despite that fact, the results attained were not immune to the present economic situation. The economic and financial environment experienced in the first half of 2011, not only in Portugal, but also in Europe, in general, and also both in the financial markets and in the oil markets, was particularly difficult. The dramatic deterioration of sovereign debt crises in Southern Europe, as well as the dramatic rising in oil prices, supported by the outbreak of riots and wars in North of Africa and Middle East, was a clearly adverse geopolitical and economic-financial scenario.

i) Price risk

Despite the increasingly negative scenario, the Air Transport sector showed capacity of resilience, even in the domestic market and in the European markets, where the growth rhythm of the economies was less dynamic. However, as a result of the geographic diversification and the modulation of the supply in each specific market, it was possible to achieve a growth in the number of passengers and passengers kilometres used (PKU's) in the European markets beyond expectations, in the home of 2 digits, when compared to the same period of 2010. Globally, the operation also presented good performances and interesting growth rates in other markets, in particularly in Brazil, where the fast-growing economy continued to feed a even more diversified and efficient operation, giving the multiple destination choices and number of frequencies offered by TAP Group network, and possible connections with the other markets, in other geographical areas, from Lisbon or Porto.

The exposure to risk is currently 70% in the foreign markets and only 30% in the domestic market. Portugal and Europe represent approximately 2/3 of total ticket sales. Brazil weights over 20% in total sales, being Africa is responsible for 6-7% of total sales, USA, 3% and Venezuela 2%. However, considering an optical sector network, where the operation takes place, Europe (including Portugal) represents about 41% of total activity (measured by PKU's), while Brazil represents 42% and Africa 11%. There is, thus, a strong exposure and interdependence between Europe, Portugal, Brazil and Africa, and the global trends of the respective economies tend to reflect, in higher or lower level, in the revenue and in the return of the correspondent routes, and previously, in the load-factors and in the yields obtained. For example, during the first half of 2011, load-factors in Europe were around 60%-70%, while in Brazil were over 80%. Yields, by its turn, decrease 10% in Europe and increase about 10% in Brazil, when compared to the same period of 2010.

ii) Currency risk

The exposure of TAP Group to currency risk does not derive for itself from the geographical dispersion, but instead from the considerable weight of the operation in Brazil (where tariffs are set in US dollars), determining an exposure to US Dollar, reinforced by sales in Angola and in lower levels in USA, with the consequent reflection in the exploitation of US Dollar currency fluctuations and indirectly of Brazilian Real. On the other hand, a very significant part of the Air Transport activity, from Cape Verde, passing through several routes in West and North Africa, and through most European countries, results on revenues denominated in Euros (or in currencies with fixed exchange rate or highly correlated to euro), in a very high percentage. Therefore, the main sources of exposure, directly or indirectly, to US Dollar, Brazil, Angola and USA, in revenue, account for approximately 30% of the total revenues of Air Transport. Despite the growing stability of Brazilian Real against Euro since mid-2010, after 2 years of appreciation, the pronounced trend towards the appreciation of euro against US Dollar resulted in lower revenues. The appreciation of Euro against the majority of the currencies also had a negative effect in markets whose currencies, although with lower volatility, still have some weight in the total revenues, like the British market, with 3% of the total, or Scandinavian, with 3,5%. In the case of Switzerland (3,5% of total revenues), there was a consistent appreciation of the currency against Euro.

In addition to the Air Transport activity, also Maintenance and Engineering, in Portugal and in Brazil, is a source of currency exposure, as the maintenance and engineering international market remains highly correlated to US Dollar.

On expenses side, the implicit exchange rate impact in the fuel invoice was, in the first half of 2011, an amount clearly over 400 million US Dollars, given the dramatic increase in the price of jet fuel, compared to the previous year (Platts average of 1 015 USD/ton in the first half of 2011 compared to 724 USD/ton in 2010). It should be noted that this is not a direct impact on funding needs in US Dollars, since many contracts are settled in Euros, however the clearance of the invoices considers the average exchange rates observed in Eurodollar, with the consequent relief or worsening of the amount to be billed due to the exchange rate.

Also the expenses with operating leases are contracted, mainly, in US Dollars, whether on the level of the rents or on the maintenance reserves; however the impact on the operation in this caption is less than 1/10 of the impact with jet fuel expenses, representing the operating leases, in Euros, about 30 million Euros of expenses in the semester. In what respects to the finance expenses, the majority of finance leases, as well as the short and long term working capital funding, are denominated in Euros, resulting in a not more than residual exposure to US Dollar, in about 3,1% of total debt as of 30 June 2011, and less than 3% in what concerns to interest expenses.

Throughout the first half of 2011, the appreciation of Euro against US Dollar was 7,5%, and the Eurodollar was, on average, 5,5% above 2010 levels. In what concerns to the Brazilian Real, the depreciation was only of 2% against the Euro.

The exposure of the TAP Group to currency risk on 30 June 2011, based on the amounts of assets and liabilities of TAP Group translated to euro using the exchange rates of the balance sheet date, were as follows:

Assets and liabilities in currencies	**30-Jun-2011**			
	USD	**BRL**	**Other**	**TOTAL**
ASSETS				
Cash and cash equivalents	5 795	12 059	32 929	50 783
Accounts receivables – Trade debtors	32 072	112 757	24 257	169 086
Accounts receivables - Other	15 125	22 004	157	37 286
	52 992	**146 820**	**57 343**	**257 155**
LIABILITIES				
Debt	36 647			36 647
Accounts payable – Trade creditors	6 789	13 008	226	20 023
Accounts payable – Other	1 482	3 337	181	5 000
	44 918	**16 345**	**407**	**61 670**

Assets and Liabilities in currencies	31-Dec-2010			
	USD	BRL	Other	TOTAL
ASSETS				
Cash and cash equivalents	18 449	12 610	20 973	52 032
Accounts receivables – Trade debtors	29 912	97 523	24 969	152 404
Accounts receivables – Other	22 042	17 892	4 135	44 069
	70 403	**128 025**	**50 077**	**248 505**
LIABILITIES				
Debt	38 792	-	-	38 792
Accounts payable – Trade creditors	15 865	13 967	3 994	33 826
Accounts payable – Other	159	4 697	268	5 124
	54 816	**18 664**	**4 262**	**77 742**

iii) Interest rate risk

TAP Group’s debt decrease about 7% since the end of 2010 until 30 June 2011. In a context of extreme aggravation of tension in financial markets, with an unprecedented restrictions on credit concession to companies, to the economy as a whole and even to many of the sovereign States in Eurozone, the management of financial risks continued to be a complex challenge and an arduous task in a context filled with threats. Despite the significant increases in credit market prices, with spreads approaching 2 digits for some segments of companies, it was possible for TAP Group to continue to mitigate this risk, since the weight of short term debt in total debt was very limited (only 6% of the total). Therefore, the average spread for the total debt remained at the same level as last year. On the other hand, the impact of the progressive increase in Euribor was also mitigated due to the fact of 53% of the capital is borrowed at a fixed rate, an amount similar to the existing in the end of 2010, although lower than the existing in the mid-2010. Meanwhile, some of the fixed interest rate that reached their term was higher than the average levels in debt, and so, its effect was positive in the weighted average cost. The weight of debt in US Dollars remained at 3%, and, so, there was no significant foreign currency exposure at this level. As for the Libor, it remained very low, as opposed to Euribor, for example in the 3 months term, which rose from 1% to 1,5%. Finally, the average life of loans and finance leases remained comfortable, despite no new long-term operations occurred. The average life of TAP Group loans and finance leases remains more than 3 years (assuming the settlement of short term debt in the current year), with maturities that go to 2020.

In terms of operations for setting interest rates, it was not carried out any transaction of this nature during the semester, being terminated some long term swap operations, whose underlying leases came to the end, and, on the other hand, maintained all other fixed rate operations, in particular the ones embedded in the correspondent contracts, as a result of options included in the contractual provisions of the respective loans.

In the following table are presented the scheduled amounts of debt, including estimated interest expenses, based on the assumptions, among other, of interest rates of 3% for Euro and 1,75% for US Dollar, intraannual linear reimbursements of principal and reimbursement of the credit facilities in the first projected year:

	30-Jun-2011				
	< 1 year	1- 2 years	3 - 5 years	6 - 10 years	TOTAL
Loans	145 049	69 158	280 447	90 574	585 228
Finance leases	88 828	107 761	255 318	152 371	604 278
Total	**233 877**	**176 919**	**535 765**	**242 945**	**1 189 506**
Fixed-rate loans	51 739	51 710	203 108	73 836	380 393
Fixed rate finance leases	51 497	49 070	147 387	92 390	340 344
Total	**103 236**	**100 780**	**350 495**	**166 226**	**720 737**

	31-Dec-2010				
	< 1 year	1- 2 years	3 - 5 years	6 - 10 years	TOTAL
Loans	160 565	85 607	310 878	135 671	692 721
Finance leases	131 747	119 340	321 236	190 979	763 302
Total	**292 312**	**204 947**	**632 114**	**326 650**	**1 456 023**
Fixed rate Loans	51 747	51 748	205 703	98 134	407 332
Fixed rate finance leases	72 906	49 609	158 039	106 791	387 345
Total	**124 653**	**101 357**	**363 742**	**204 925**	**794 677**

iv) Fuel price risk

The rise in the international priced of commodities return in force this year, after the calming registered from late 2008 to late 2010. The oil market was one of the most affected, possibly because of the instability lived in many Arab countries in North Africa and in Middle East. Brent rose from an average of 80 USD per barrel in 2010 (after 60 USD in 2009) to 110 USD per barrel in the semester. As for aviation fuel, the increase was from 724 USD/ton in 2010 (570 USD/ton in 2009) to 1 015 USD/ton this year, i.e. 40% more than the average recorded in the previous year, and a little more when compared to the first half of 2010. Considering that the increase in volume consumed in the current semester, when compared to the first semester of the previous year (about 5%), was compensated by the depreciation of USD, and also considering the time lags resulting from the invoicing protocols in place, the fuel bill of TAP ended up to rise 40% when compared to the first semester of 2010. The weight of fuel in the sales volume of TAP Group will have increased from 23% to 30% of the total. The absence in the current semester of financial protection, in part due to the abruptly way that the high in the autumn of 2010 was conducted, very influenced by geopolitical reasons, caused that the compensation in the increase of expenses had to be made on the side of the sales, fees, surcharges, etc. The deterioration of the fuel bill also represented a considerable increase in the exposure to US Dollar that, however, as usually is, moved in the opposite direction to the cost of commodities.

Below is presented a summary of the sensitivity analysis for the expenses with fuel of the Company, for a standard annual consumption of 900 thousand tons:

Standard consumption: 900 thousand tons

Variance: 100 usd/ton

Exchange rate EUR/USD: 1.40

Annual impact in operation: 90 million USD, 64,3 million Euros

v) Credit and liquidity risk

The global context has been deteriorating over the recent years, and the first semester of 2011 was no exception. The aggravation of the financial and economical conditions is already a long term trend that went through, over the last years, for the phases of subprime, Lehman Brothers and its sequels, recession and aggravation of deficits in 2009, sovereign debt crisis in 2010, and now, in 2011, a new sovereign debt crisis, apparently more serious, more wide, more intense.

It is with this scenario that the activity of credit prospection and liquidity management was conducted in TAP Group. Since that in previous years it had been possible to assemble several new lease operations and working capital funding, the market was approached with the care and caution required by the situation, considering the almost total retraction of financial institutions in conceding credit, and considering the exponential increase in spreads in the renewal or in the contracting of operations, that accompanied the increase in the prices of Credit Default Swaps and the breakdown of the ratings of the banks and of the Republic.

In addition to two new short-term operations related to the receipt in advance of receivables from sales abroad that it was possible to implement and start to use in the semester, it was still possible to keep the roll-over until the end of the semester of the other short-term operations, despite increasing difficulties for the part of the institutions in maintain the same level of leverage, which may involve some reduction in future levels of credit concession. As for new long term operations, including leases on the available fleet, in a total of 13 units (7 of long distance and 6 of medium distance), negotiations were held during the semester involving several entities in order to refinance those aircrafts through finance leases. These negotiations were still ongoing at the end of the semester.

Considering the multiple conditioning factors of the Group's liquidity levels, including the payment of final balloons in the long-term leases, the long-lasting high fuel prices, the impact of the economic crisis in the markets and the financial needs of Groundforce, among others, the treasury decreased, but remained in balanced levels considering the seasonal annual cycle of liquidity in the Air Transport activity.

The following table presents the elements regarding the liquidity position of TAP Group as at 30 June 2011 and 31 December 2010, as well as the balances of trade receivables, which reflect the credit risk in these same dates:

	30-Jun-11	31-Dec-10
Non-current assets		
Court deposits – Brazil	17 400	16 283
Associates and other non-current assets	13 477	13 914
Current assets		
Cash and cash equivalent	165 800	222 677
Accounts receivable – Trade debtors	285 109	223 212
Associates and other current assets	168 064	128 134
	649 850	**604 220**
Off-balance sheet credit risk exposure		
Guarantees	40 402	37 999
Other commitments	220 221	241 871
	260 623	**279 870**

Noted that a percentage greater than 45% of the total "accounts receivable – trade debtors" in 30 June 2011 respect to receivables not yet due. As for the credits already past due with more than 1 year old, they are essentially related to receivables from several public entities and receivables from customers of TAP Manutenção e Engenharia Brazil, SA, at 30 June 2011.

56 – Contingent assets and liabilities

As for the disclosures reported in the 2010 consolidated financial statements, regarding contingent assets and liabilities, there are no significant changes occurred in the first semester of 2011, being all related to situations in which it was estimated not be probable to result in a charge for the Group, as follows:

- AdP Group: lawsuits against AdP Group or moved by AdP Group against third parties, relating to defaults on construction contracts, tax proceedings and others;
- ANA Group: lawsuits related to expropriation and recognition of land ownership, labour processes, civil nature processes and others;
- Baía do Tejo Group: lawsuits involving environmental contraventions, litigations with suppliers and others.

57 – Interim report – Significant events and transactions

Classification of non-current assets held for sale

In the Government Programme is foreseen the reprivatisation of the total shares held in REN and in EDP, preferably until the end of 2011, and also the total participation held in TAP. Internally, inside PARPÚBLICA

Group, it is also considered the sale of the participation in HCB within one year. As such, the classification of assets and disposal groups as held for sale was reported to 30 June 2011 and, by management judgement, included EDP, REN and HCB as individual assets and TAP Group as a disposal group.

Increases/Decreases in fair value and impairment losses

Net changes in fair value from investments measured at fair value through profit or loss arise essentially from the recognition of:

- A negative change in fair value of the option embedded in the bonds issued by PARPÚBLICA of 81 594 tEuros, and a positive change in fair value of the underlying Galp shares amounting to 122 548 tEuros;
- Negative change in fair value of the EDP shares, classified as the underlying to the embedded exchange option in one of the bonds issued by PARPÚBLICA, of 6 364 tEuros (1st semester of 2010: positive change in fair value of the options embedded in the bonds amounting to 31 743 tEuros and negative change in fair value of the EDP shares amounting to 190 145 tEuros).
- Negative change in fair value of ZON and PT shares amounting to 1 257 tEuros (1st semester of 2010: negative change of 658 tEuros).
- A positive change in fair value of swaps amounting to 1 559 tEuros (1st semester of 2010: negative change of 524 tEuros);

58 – Events after balance sheet date

The special rights associated to the shares held in EDP and GALP were suppressed.

No other relevant subsequent events were perceived regarding to the first semester of 2011.

59 – Non-accounting nature disclosures

i) Guarantees

ADP Group

Responsibilities with bank guarantees given to business units of the companies included in the consolidation perimeter were as follows:

	30-Jun-2011	31-Dec-2010
Courts	28 053	27 126
Financial institutions	51 775	49 633
Concession grantors	3 273	4 181
Other	28 526	58 203
Total	**111 627**	**112 017**

ANA Group

	30-Jun-2011	31-Dec-2010
BEI Funding	212 073	214 982
Income tax	4 056	3 190
Expropriation litigation	492	492
Management of customs warehouses	718	718
Other	182	345
	217 521	**219 727**

TAP Group

	30-Jun-2011	31-Dez-2010
Bank guarantees given to TAP S.A. headquarters		
Portuguese State – Exploration of Azores flying route	4 460	4 460
Natwest - *Acquiring* regarding credit cards	5 855	5 855
Labour court	3 248	2 674
Aircrafts	10 198	10 318
Fuel	4 317	2 997
Other	4 833	4 198
Guarantees given to L.F.P., S.A.		
Concession agreements regarding the exploration of the airport shops	6 336	6 336
Bank guarantees given to other Group companies	**393**	**399**
Cautions given to insurance companies	**762**	**762**
Total	**40 402**	**37 999**

Baía do Tejo Group

On 30 June 2011, the banking guarantees given to third parties were as follows:

Beneficiary	Nature	30-Jun-2011	31-Dec-2010
Seixal Municipality	Good execution of the construction contract.	141	141
Seixal Civil Court	Caution to be attributed a suspension effect to the appeal related with Terriminas process (Pós da Maia)	1 666	1 666
BESLEASING - Imobiliária, S.A.	Guarantee an eventual reimbursement of the sale price of one of the lots of the Industrial Park in Seixal (PIS), sold by former Urbindústria, S.A.	249	249
Administração do Porto de Lisboa	Guarantee the expenses related with the use of Seixal terminal	68	68
Administração do Porto de Lisboa	Use of public domain area	42	42
Almada Labour court	Caution for a process involving a former worker	19	19
SLE	Supplying of electrical power to the facilities located in Barreiro Park	7	7
Total		**2 192**	**2 192**

Additionally, the Company have contracted in Sales promising contracts of lots located in PIS I, between former Urbindústria and particulars, joint guarantees, to ensure contingent indemnities to pay to the former owners of the lands of former Siderurgia Nacional, S.A.

In turn, it promised, as collateral, to the Municipality of Seixal, to make the lieu of compliance of 10 plots of land in Parque Industrial do Seixal – 3rd stage (PIS III) in the event of breach of commitment to proper implementation of the infrastructure to be made in that park.

Companhia das Lezírias

Companhia das Lezírias has the following bank guarantees:

- Banking collateral (1) with the amount of 15 tEuros, for fuel supply;
- Banking collateral (1) with the amount of 49 tEuros, for real estate construction;
- Banking collateral (1) with the amount of 2,4 tEuros, for wine export.

ii) Financial off-balance sheet commitments

AdP Group

The estimate of off-balance sheet commitments assumed by AdP Group resulting from the celebration of the concession agreements regarding initial, replacement, renewal and expansion investments to be made throughout the remaining concession period, can be shown as it follows:

UN	Contractual investment	Investment made	Ongoing investment	Contractual future investment - N	Contractual future investment (N+1)	Contractual future investment (N+2 .. N+5)	Contractual future investment (>N+5)
UNA-PD	6 504 276	3 811 531	677 715	190 516	321 281	534 342	968 890
UNA-DR	490 758	1 391	3 726	11 357	47 598	107 038	319 647
UNR	1 519 770	887 979	97 869	65 441	110 435	152 783	237 779
Total	**8 514 804**	**4 700 901**	**779 311**	**267 314**	**479 314**	**794 163**	**1 526 316**

Companies	Supply and sanitation	Waste	Distribution and collection	30-Jun-2011	31-Dec-2010
Contractual investment	6 504 276	1 519 770	490 758	8 514 804	8 394 120
Investment made	3 811 531	887 979	1 391	4 700 901	4 487 136
Ongoing investment	677 715	97 869	3 726	779 311	757 443
Future investment					
Contractual future investment - N	190 516	65 441	11 357	267 314	-
Contractual future investment (N+1)	321 281	110 435	47 598	479 314	701 262
Contractual future investment (N+2 .. N+5)	534 342	152 783	107 038	794 163	998 020
Contractual future investment (>N+5)	968 890	237 779	319 647	1 526 316	1 487 582

In the following table it can be found the future commitments of AdP Group regarding the rents to be paid to municipalities, as defined in the concession agreements.

Companies	Rents already recognised	Recognised rents not yet paid	Future rents - N	Future rents - (N+1)	Remaining future rents	30-Jun-2011	31-Dec-2010
Águas do Algarve, S.A.	457	-	-	96	3 225	3 778	3 778
Águas do Centro Alentejo, S.A.	1 100	169	-	175	4 515	5 959	5 790
Águas do Mondego, S.A.	27 931	-	679	1 389	6 267	36 267	36 267
Águas do Norte Alentejano,S.A.	235	-	27	53	1 075	1 391	1 391
Águas do Noroeste, S.A.	3 195	188	224	215	3 917	7 739	7 488
Águas do Oeste, S.A.	28	-	2	5	122	158	158
Águas de Santo André, S.A.	4 549	-	239	479	9 098	14 365	14 365
Águas de Trás-os-Montes, S.A.	2 323	1 452	329	674	14 207	18 985	18 985
Águas do Zêzere e Côa, S.A.	5 749	407	358	734	19 873	27 120	27 174
Águas Públicas Alentejo, S.A	-	212	-	150	7 118	7 479	6 235
Simarsul, S.A.	2 789	-	441	441	8 460	12 132	12 132
Simdouro, S.A.	21 072	-	-	3 621	31 925	56 618	1 285
Simlis, S.A.	1 012	-	51	101	1 715	2 879	2 879

Companies	Rents already recognised	Recognised rents not yet paid	Future rents - N	Future rents - (N+1)	Remaining future rents	30-Jun-2011	31-Dec-2010
Simtejo, S.A.	38 690	391	-	-	7 425	46 898	46 898
Total	**109 130**	**2 817**	**2 352**	**8 524**	**118 943**	**241 766**	**184 824**

ANA Group

Off-balance sheet financial commitments assumed	30-Jun-2011	31-Dec-2010
With signed contracts in progress	100 422	90 111

TAP Group

On 30 June 2011 there were financial commitments assumed by TAP S.A. regarding aircrafts operating leases, in the amount of 220 221 tEuros (241 871 tEuros on 31 December 2010).

Additionally, it is contracted with Airbus a purchase of twelve future Airbus A350, with 3 more as an option, to be received between 2014 and 2018.

Baía do Tejo Group

Off-balance sheet financial commitments assumed	30-Jun-2011	31-Dec-2010
IMT payment regarding "Complexo da Margueira"	3 782	3 781
Renting contracts	129	129
	3 912	**3 912**

There are also responsibilities assumed for the execution of infrastructure of PIS III lands, estimated in about 10 180 tEuros.

iii) Employees at service

During the semester ended on 30 June 2011 and throughout the year of 2010, the average number of employees of PARPÚBLICA Group was of 19 171 and 20 387, respectively.

iv) Fees and services performed by the Statutory Auditor (ROC)

The fees of the Statutory Auditors of the Companies from PARPÚBLICA Group in the period up to 30 June 2011 were the following:

- Statutory Audit - 197 tEuros;

- Other assurance services – 24 tEuros.

APPROVAL OF FINANCIAL STATEMENTS

These consolidated interim financial statements were approved by the Board of Directors at 30 August 2011, being its opinion that they present a complete, true, timely, clear, objective and licit view of the operations of PARPÚBLICA Group, as well as of its financial position as at 30 June 2011 and of its performance and cash-flows for the first half of 2011, in conformity with the International Financial Reporting Standards, as adopted in the European Union.

The Board of Directors

Joaquim Oliveira Reis, *Chairman*

Carlos Durães da Conceição

José Manuel Barros

Fernanda Mouro Pereira

Pedro Vasquez

Mário Donas