

# Consolidated Report & Accounts '07

ESPHERA CAPITAL SGPS



## **Message from the Chairman of the Board of Directors**

In 2005, the process got underway of transforming the ENSUL MECI SGPS SA company into the investment company ESPHERA CAPITAL SGPS SA taking into account primarily the widening of its field of operations and the undertaking of a leadership role in a number of fields of activity and markets. After outlining this trajectory we pursued our investment in a strategy of growth and evolution in a balanced and sustained manner.

More recently the merger of the ENSUL and MECI companies was the result of this strategy, giving rise to ENSUL MECI – Gestão de Projectos de Engenharia S.A. as well as investment in the creation of Open Energy, a company associated with opportunities in the energy market and also capital invested in Urbanizadora da Praia do Sol S.A. with the primary aim of implementing a sustained valorisation and urban development project for an area of around 120ha belonging to the company in S. João da Caparica.

On the international scene, in addition to our already existing companies in France, East Timor and Australia, MECI - Engineering Project Management was created in the Republic of Ireland and more recently ENSUL MECI Gestión de Proyectos de Ingeniería España S.L. and both of these companies already have adjudicated projects. It is with

particular satisfaction that we have witnessed the practical results of this investment in our internationalisation both in terms of the growth of companies already incorporated and in the appearance of new challenges in developed and highly demanding markets.

The creation of new business structures within the public-private sectors is also worth emphasising during this trajectory, such as Caminhos do Campo S.A., and Mais Ílhavo S.A..

After reaching this consolidation and affirmation phase we have focused on reinforcing the logic of the Group as well as empowering skills, synergies and complementary areas, searching, assessing and promoting new opportunities, new business openings, new markets, new partnerships.

ESPHERA Capital SGPS shall pursue this trajectory and play a fundamental role in anticipating opportunities and business, maintaining firm control over the monitoring of its affiliate companies. As the holding of a group of companies which serves as a market reference it undertakes the role of establishing solid relations between these as well as the stakeholders monitoring the evolution and challenges of the respective markets.

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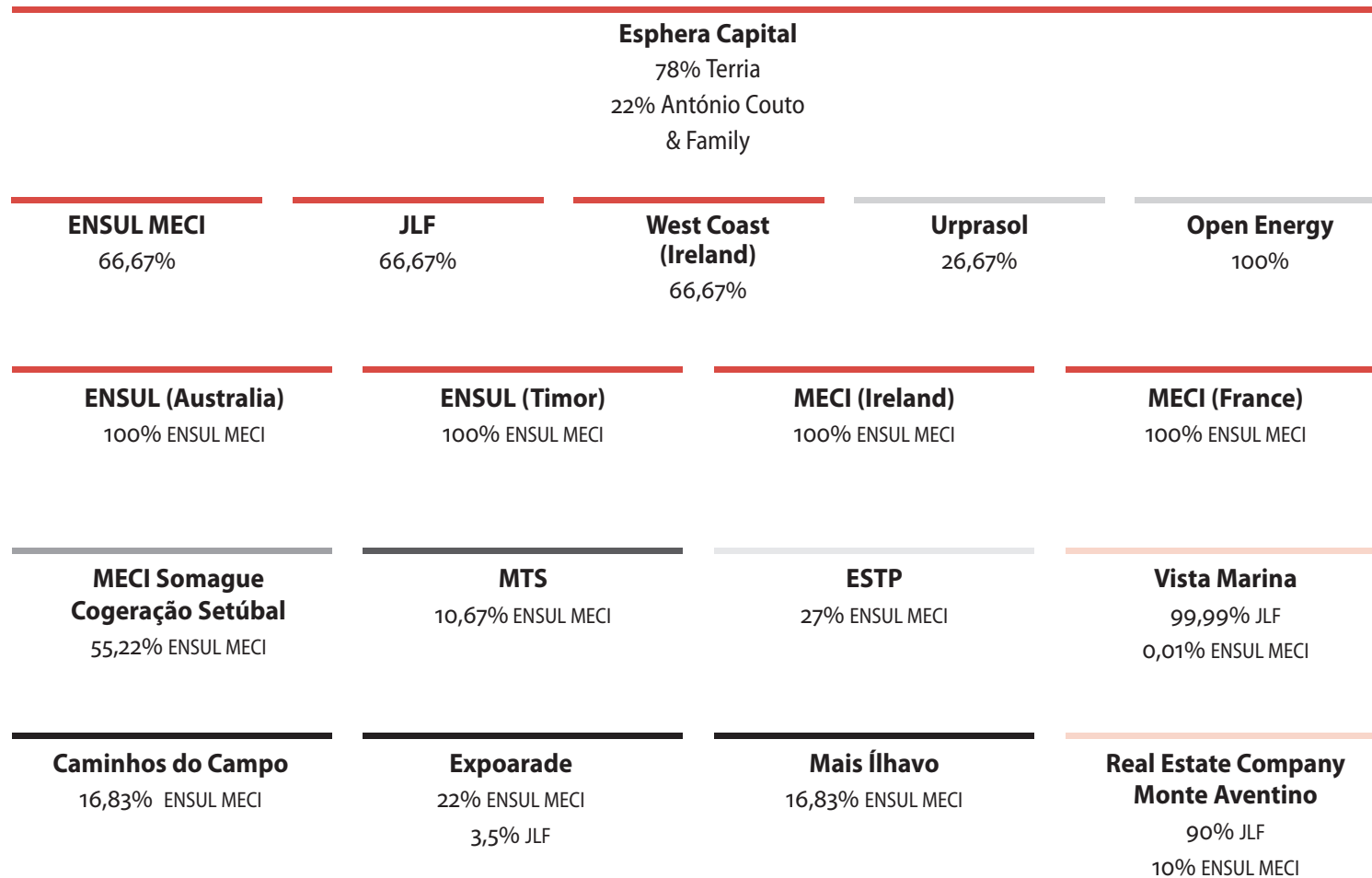
# List of Companies

01

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**The Environment belongs to us all.**

**STRUCTURE  
OF SHARE  
PARTICIPATION**

- Engineering
- Real Estate Company
- Public Private Sector
- Concessions
- ACE's
- Incubation



# Corporate Bodies

02

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## Board of the General Meeting

### CHAIR

Jorge Manuel Bonifácio Pedroso  
de Almeida

## Board of Directors

### CHAIR

António Simões Marques Couto

### MANAGING DIRECTOR

Alexandre António da Silva Costa  
Marques Couto

### VOTING MEMBER

António José Marçal Martins

### VOTING MEMBER

Carlos Francisco Diniz da Costa

### VOTING MEMBER

Sílvia Isabel da Silva da Costa  
Marques Couto André

## Certified Auditor

### STATUTORY AUDITOR

Armando dos Santos Nogueira

# Mission | Values

03

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## Scope | Development | Future

### **Vision**

To be a leading investor  
in any strategic business  
in any market.

### **Valores**

Competence  
Precision  
Innovation  
Vision  
Credibility

# Directors' Report

In compliance with the law, we hereby submit the Directors' Report and Accounts for the 2007 tax year for the perusal of our Shareholders.

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## 4,1 Consolidated Indicators

ITEMS	2007	2006
Net Assets	233,555,459.46	186,912,411.65
Own Equity	58,429,996.18	57,220,610.64
Minority Shares	8,319,367.65	7,967,126.39
Liabilities	166,806,095.64	121,724,674.62
Production	153,497,359.64	131,313,964.92
Operating Profit	7,633,355.76	6,882,664.16
Pre Tax Profit	2,006,528.05	519,932.55
Net Tax Year Profit		
Pre Minority Shares	748,937.64	(825,447.90)
Net Profit for Tax Year	357,154.78	-796,439.18
EBIT	9,685,350.01	6,348,026.04
EBITDA	12,635,838.73	8,737,184.74

TABLE I — CONSOLIDATED INDICATORS

## 4.2 Company Activity

2007 became a year in which investment was focused on strategic positioning, the reinforcement of our relationship with affiliates and the perspective of widening the scope of our new business activity and markets. The investment made sought to present an attitude of change, whose major aspects are presented below.

### 4.2.1 Adaptation of Image associated with ENSUL MECI Merger

Following on from the strategy adopted at the end of 2005 and creation of the ESPHERA corporate identity and the companies of the Group, in 2007 and in the light of the ENSUL and MECI merger we have maintained our strategy of creating coherent and identifiable identities within the Group.

The two companies in the Engineering cluster benefitted from major public exposure and their image was recognised by a range of partners. Based on analysis carried out basic guidelines for the development of our new image were drawn up. An identity for ENSUL MECI which inherited the principles of the image of the companies which merged within the sphere of the Esphera companies, the necessary difference sharing the philosophy established for the Group.

Today, fruit of the work carried out by the Corporate Image & Relations' Department, the Group maintains an array of identities under the same principle and ENSUL MECI continues to benefit from a high level of general recognition, subject to a smooth but determined transition between ENSUL and MECI and now as ENSUL MECI.

#### **4.2.2 Participation of the Real Estate Cluster in Preparation of the Operating Plan and respective analytical follow-up methodology**

With the aim of standardising procedures and benefitting the sharing of knowledge of Group services, affiliates in the Real Estate Cluster also began to draw up a POE revised on a quarterly basis.

This methodology is based on the definition of clear, fundamental goals and strategies, and monitoring of this enables Esphera Capital to gain an integrated insight into the economic and financial activity of its affiliates. In addition, it also enables the development of consolidated indicators which transmit the position of the Group in a straightforward and clear manner at any given moment.

This process encompassed all structures and operating areas which now participate in a more involved manner in the preparation of the Business Plan and its respective revisions, enabling necessary measures to achieve the goals set to be introduced in good time. Pursuant to the size and importance which Cluster Real Estate has acquired within the sphere of the Esphera Capital Group, this measure takes on great importance in terms of the overall vision of the Group.

#### **4.2.3 Assessment of Investment Projects**

To be able to exercise its mission in a structured and precision-like manner, Esphera Capital needed to recruit investment project analysis and assessment skills. This requirement results primarily from not just the indispensable need for the highest possible degree of precision when allocating available resources for projects which within the development strategy of Esphera Capital provide it with the creation of greater worth, but also in enabling it to take options to create new business areas considered as strategic ones, or make informed stakes in companies already operating in these business areas and which present major potential for valorisation

#### 4.2.4 Engineering

##### Water

Convinced of the increasing importance that this market represents for the development and sustainability of our activities, particular attention has also been given to monitoring ongoing projects both on a national and regional level.

In 2007, in particular we would emphasize activity within the scope of the services provided to different utility providers and SMAS, revealing the entry of two new customers, SMAS Vila Franca de Xira and SMAS Montijo.

Permanent and elevated levels of satisfaction in current customers is fundamental in this business segment when this fact has represented an opportunity for the entry of new customers as has been observed year upon year.

Service provision in this area in general encompasses: installation and replacement of water meters, suspension and reconnection of water mains, meter readings, refitting of domestic piping as well as emergency domestic technical assistance services, currently amounting to more than 3,000 interventions a day.

##### Communications

The year 2007 was marked by modifications to the strategy of communications' operators, the result of the lack of definition caused by the Sonaecom takeover bid to the PT Group, which implied a major reduction in investment in the communications' infrastructure segment.

MECI maintained the investment it began in 2006 in the Digital Cities & Regions projects, reinforcing its participation on a national level and present in the major projects developed throughout the year.

Its participation began with the Broadband infrastructure conception project and ends with the installation of fibre optics in local council buildings.

For 2008 there are clear signs of investment on the part of communications' operators, above all in Next Generation Networks (NGNs). These networks are entirely based around IP technology and their increased usage is related to the strong expansion projected for data traffic, in particular that originating from IP applications and intensive broadband use, this way creating a greater need for the implementation of fibre optic solutions.

In terms of the Technology Plan, MECI will once again be involved in community network projects to interconnect the array of Municipal Councils creating high speed fibre optic networks.

## Construction

ENSUL activity in 2007 was marked by the adjudication of the construction phase of the structure, finishing and installations of the Almada Business Centre development, following on from the contention and excavation phase which got underway back in 2006, a project promoted by the Group's Real Estate company and via the adjudication of Works in which Ensul and/or other Group companies retain participation, such as Caminhos do Campo S.A. which was adjudicated the conception and construction of the Cartaxo Multituse Pavilion, currently in the project development phase, and Expo Arade Estrutura S.A. which was adjudicated the refurbishment of the Portimão Fair & Exposition Park, as well as the continued fidelisation of our customers which constitutes our strategic aim, an example of which is the beginning of the construction of a new Works' project for REN - Rede Eléctrica Nacional S.A..

Parallel to this and throughout 2007, projects were developed, partnerships set up and skills developed so that in the medium-term these will enable the conditions of a permanently changing global market within the field of Engineering and Construction to be faced, in which specialisation and diversification play a fundamental role, associated with the profitability of the synergies between ENSUL and MECI.

## Railways

In this business segment there was the intention on the part of our principal customer - Refer - to begin a number of large scale projects, in particular the project of the Beira Baixa line between Castelo Branco and Guarda involving a range of different specialities. MECI had special interest in this project as in the past it was involved in the stretch between Mouriscas and Castelo Branco. It is a project which has been successively postponed and at the current time work is set to begin in 2008. Another project which has been affected by lack of definition is the High Speed Line associated with the modernisation of Coimbra B station as well as modernisation of the signalling and telecommunications of the Alfarelos Pampilhosa stretch, both on the northern line.

## Gas

In 2007, MECI activity within the Natural Gas national market remained at a stable level, even registering a slight increase in turnover.

This fact was due to the MECI decision to consolidate its presence alongside the two Natural Gas utility providers, witnessing development of the activity in practically all national territory, in particular within the concession areas of Duriensegás, Lusitâniagás, LisboaGás and Setgás (Galpenergia), Portgás (EDPGás) and also RenGasodutos (REN), and subsequent to which bearing in mind the type of contracts entered into, the projection is for an identical trend in the year 2008.

Even if one considers a reduction in the volume of investment in the Natural Gas sector resulting from the normal and expected conclusion of major networks, MECI has maintained the development of its activities in the construction of networks, both primary and secondary and their respective branch networks, at a reasonable level.

In terms of special works in Guided Horizontal Drilling and online interventions, 2007 was characterised by the continued number of interventions made in both specialty areas when compared with previous years, reflecting in this way the consolidation of this type of activity within the range of services provided by MECI.

## Geomatics

During the tax year in question, conclusion of the GeoEdp project was verified, in which MECI actively participated from the very inception and acknowledged by the customer for the fine work carried out by us.

The medium and low voltage electricity grid inventory, known more widely as the GeoEdp Project began in 1998 as a pilot project in Leiria, with the aim of determining technical specifications, surveying methodologies and information processing.

In September 2000 work began on the survey of Medium Voltage (MV) and Low Voltage (LV) in the district of Setubal. MECI surveyed approximately 25000km of overhead and underground MV stretches in around 100 districts across the country (Alentejo, Algarve, Greater Lisbon, Tagus Valley, Beira Interior, Beira Coastline and the Western Region).

In terms of LV, 33500Km of overhead and underground stretches were surveyed, corresponding to fewer geographical regions but comprising a greater complexity of works. LV districts surveyed were: Setubal, Seixal, Almada, Sintra, Amadora and the city of Lisbon, with Lisbon the most difficult due to the age of the electricity grid and the state of its conservation.

Given the level of customer requirements and MECI's concern in providing correct information, as otherwise a project of this dimension would not be successful, an

effort was made to always ensure the use of cutting-edge technology with which to implement the works. In terms of equipment, we would single out some of those of greatest importance, such as for example, centimetre precision GPS, subterranean canal detection probes employing electrical and audio frequency inputs and Pen Computers to collect data in the field, removing the need for paperwork.

The GeoEDp Project relied on 120 employees divided into three different types of activities but each inter-dependent on one another. For the geo-referencing and characterisation of data in the field the Conic Gis software was used and for editing purposes and information processing in the office as well as quality control of information registered, the SMALLWORLD software was used.

The GeoEdp Project had an approximate cost of 15 million euros.

As MECI is a pioneering company in this business segment, the GeoEdp Project has an extreme importance in the training of a team which today handles itself with profound knowledge of this type of activity. This means MECI is a reference company within this sector and takes part in major registration projects which have become more diversified in terms of other infrastructures besides electrical.

During 2007 another similar project got underway for EDA in the Azores on the island of Terceira, following

on from the project which began in 2006 for EEM on the island of Madeira. We would also emphasise the range of work carried out within the water sector.

In the area of Product Management & Partnerships, the continuity of representation partnerships for remote detection solutions in the commercialisation of specific software and Satellite imaging has been maintained.

In addition to continuing as the exclusive representative of PCI Geomatics in Portugal in Geomatic solutions, LidarEngine, SAR Polarimetry and Cartosat, our partnership with Definiens for software solutions associated with Earth sciences, namely the applications Definiens Developer and Definiens Professional, was restarted.

Partnerships with the European Space Imaging and Eurimage companies were renewed for the commercialisation of Satellite Images, in particular High Resolution images such as IKONOS and QuickBird in addition to more conventional satellite images such as LandSat, ERS, RADARSAT, ASTER, IRS and ALOS.

In terms of the sale and commercialisation of products, activity has been essentially centred around the renewal of Geomatic and Definiens Professional software support and update contracts, essentially requested by our most loyal customers, as well as the sale of High Resolution satellite images. Major requests come from customers such as IGP, IGEOE, COBA, IICT, EFN, Porto University, Lisbon University, Coimbra University, LandCOBA and LNEC.

For 2008, the beginning of work on the surveying of infrastructure at a number of airports on the continent and islands is scheduled and we shall continue with ongoing projects on the islands of Madeira and the Azores.

We shall be attentive to the SINERGIC project, the survey of rural geometric enrolment and possible developments following on from contacts and studies made in 2007.

### Special Facilities

This area has been particularly active in commercial terms and participation in projects which have been launched in the modernisation of Portela Airport in Lisbon and the work carried out both at the Airport (Terminal 2 and the new cargo complex), electrical grids and Rossio tunnel ventilation system, are worthy of note.

For 2008, perspectives are interesting as we shall continue to provide continuity for projects won in 2007 and which continue into 2008 - the Rossio Tunnel and the Lisbon Airport Cargo Complex and we expect to take part in any major projects with special emphasis on the airport sector.

### Transmission lines

MECI is licensed by REN, the National Grid Utility Provider to supply and assemble very high voltage electricity grid transmission lines as well as general electrical installations in substations.

Transmission line construction and refitting projects are complex in terms of the characteristics of their development, construction and refitting in terms of environmental, archaeological and other aspects. The quality of our conception and execution is among the best on a worldwide level.

Contrary to previous years in which continual growth was witnessed, in 2007 we saw a drop in investment on the part of REN and the appearance of a number of new companies on the market. This fact has contributed as a hindrance to existing companies and those which already possess the necessary working capacity.

## Maintenance

Maintenance services are acquiring increasing importance both in terms of transportation, energy distribution networks, industrial installations and the tertiary sector. Bearing our skills in mind, we provide corrective, preventative and 24hr emergency services 365 days of the year. Our major customers are EDP Distribuição, REN - Rede Eléctrica Nacional, Lusosider, REFER and VODAFONE.

## Power networks

Power grids are comprised of overhead and underground cables, sub-stations, sectioning stations, transformer stations and public lighting grids. Over the years we have accumulated experience which has enabled us to acquire the skills to develop the conception, construction and maintenance of all this infrastructure as well as keep abreast of all technological development. This fact has enabled us to become one of the key partners for EDP in terms of the construction, maintenance and assistance for its grid and customers, in this contributing to the improved quality of the service provided.

In 2007 we completed the programme contract as a continual sub-contractor to EDP for the grid of Greater Lisbon and Greater Porto. In this year we were also adjudicated a new electricity grid construction and maintenance contract as a continual sub-contractor in the districts of Oeiras and Cascais as part of the operational grid of Lisbon, in the districts of Nazaré, Caldas da Rainha, Óbidos, Peniche, Bombarral and Rio Maior as part of the operational grid of Caldas da Rainha and in the districts of Lagoa, Silves, Monchique, Portimão, Lagos, Aljezur and Vila do Bispo as part of the operational grid of Portimão.

Vertical scope works comprise: metering equipment, energy suspension and reconnection, grid assistance and customer care (24hr call-out service), public lighting, sectioning stations and transformer station, low, medium and high voltage overhead and underground transmission grids.

We were also adjudicated maintenance and construction works for IP networks, low, medium and high voltage overhead and underground transmission grids, sectioning and transformer stations in the entire southern region of the country.

## Substations

As with transmission lines, sub-stations constitute structural installations and are of great importance to electrical energy transmission and distribution grids. In recent years there has been a substantial increase in investment in this segment both in terms of improving service quality and keeping abreast with the increase in energy consumption and new electrical energy production ventures, namely eolic, thermal and hydric plants.

MECI is currently licensed by REN, EDP Distribuição and EDA. For EDA - Electricidade dos Acores in recent years we have built and refitted the primary sub-stations on the islands of S. Miguel, Terceira and Faial. For REN we have constructed and completed 150, 220 and 400kv sub-station maintenance projects.

### Tension Works

The use of technology which enables maintenance to be performed on distribution grids without interrupting its use ensure service continuity and as such complies with the requirements of the sector regulatory authority.

For a long time, MECI has been licensed for this type of work and has low, medium and high voltage grid maintenance teams and a training centre and our own instructors at our premises.

Major projects carried out in this segment have been for EDP Distribuição within the cope of the multi-year programme contract for the execution of construction, refitting and maintenance works for electricity infrastructure.

### Urbanisation

Throughout 2007 we have witnessed confirmation of the trend towards public and private sector investment contracts in this segment as a result of the overall economic climate of the country.

Despite conditions being somewhat adverse in terms of attracting new customers and new projects, MECI has maintained a satisfactory level of activity.

During the 2007 tax year, numerous low and medium voltage distribution grid projects were carried out by MECI as well as the construction of transformer stations and public lighting grids for both public and private sector entities and promoters.

Over time, MECI has consolidated its condition as a strategic partner in the national electrical energy sector, keeping abreast with its evolution in Portugal with ability and safety. Hence, we intend to continue this work and participate in any major development projects in this segment at a national level via the offer of an overall project management service.

#### 4.2.5 Real Estate

2007 was a particularly important one in terms of the development and commercialisation of projects currently ongoing in our portfolio and representative of extremely high investment.

##### **PANORAMIC (LOTS 1, 2 & 3)**

During the first six months of 2007, an entire phase of the reinforced concrete structure was concluded and the finishing's and special installations' phase was initiated, which despite the amount of work involved, the complexity of the project and the timeframe in which to finish the project, has progressed at a healthy pace.

The level of finishing/percentage of the project concluded on December 31, 2007 was total in terms of structure and around 43% in terms of finishing's.

Processes relating to modifications to the architecture licensing projects

The timeframe set for conclusion of this project, scheduled for July 2008 is still on course.

##### **ABC - ALMADA BUSINESS CENTRE - PRAGAL**

The reinforced concrete structure was concluded before the end of the year and the finishing's and special installations' phase was initiated.

The overall license permit process was duly concluded and other special permit processes associated with average commercial surfaces and the Wellness Centre under assessment by the relevant authorities are ongoing. The license permit process for lot B - the Hotel is undergoing final assessment by the Tourism Institute of Portugal.

The timeframe set for conclusion of this project, scheduled for May 2008 is still on course.

**OTHER PROJECTS**

**Talaíde** is a project which is has already been in the JLF assets' portfolio for some time and which has witnessed significant progress. In June 2007, the Protocol & Relations' Agreement between the City Council of Sintra, Strategic Partners (Portuguese Catholic University and Santa Maria College) and the Owners was signed for the area encompassed by the Urbanisation Plan.

Preparation works for the Urbanisation Plan were put into action and consultation with entities continued as well as contacts and work meetings initiated with the owners of Execution 2 and 3 Units, with a view to early conclusion of implementation works on the Joint Lot Development Project.

**IMA** has dedicated much of its activity as a real estate promoter to proceeding with construction of Lot No.1.19.04 (public car park) at the Parque das Nações development as part of the Panoramic venture, with the start of the Your Space venture project in Monte de Caparica and also in accompanying the situation of the Encosta da Marina at Praia da Rocha and Quinta de Santo António in the town of Horta, Faial ventures.

Activity in the **Vista Marina** project can be characterised by three fundamental aspects:

- The beginning of the public sale & purchase deeds;
- IPT inspection process to allocate the definitive classification of the venture;
- Selection of a partner to exploit its tourist potential.

In relation to the first aspect it is worth noting that it was only in April that work began on the sale & purchase deeds. It was a long process and one which has been reflected in a significant manner in the financial costs incurred.

In relation to preparatory works for final inspection on the part of the Tourist Institute of Portugal, everything has already been concluded and the beginning of 2008 is awaited in order that this classification can be definitively awarded.

Work on selection of a partner to help manage tourism potential has been drawn out and negotiations were concluded in the beginning of 2008.

#### 4.2.6 Affiliates

##### **MTS – Metro Transportes do Sul, S.A.**

The MTS – Metro Transportes do Sul S.A. company in which MECI retains share capital ownership of 106,700 shares corresponding to a percentage of 10.67%, continued its activities pursuant to the Concession Contract entered into with the Portuguese Government on July 30 2002, with the aim of the project being the construction, rolling stock equipment supply, financing, exploitation, maintenance and conservation of the entire Tagus Southern Bank Light Metro System (MST).

As has been mentioned in previous reports, a range of impediments have persisted which are entirely separate to the actual Concessionaire in itself but which have prevented the regular advance of said Works and made the start-up of exploitation scheduled for December 12 2005 impossible.

During the course of 2007 important positive advances were made, reflected primarily in the conclusion of the slow negotiating process with the “Commission for the Monitoring of the study and preparation of the modification of public-private sector partnership conditions with respect to the Southern Tagus Light Surface Metro System”. Following this negotiation it was possible to determine the conditions for a Concessionaire Compensation Agreement which obtained formal approval on December 6 2007 by way of a Cabinet Resolution.

On behalf of MTS S.A., all commitments undertaken by it under the scope of this Agreement have been timely complied with, including exploitation on April 30 2007 of the 1st stage corresponding to the stretch between Corroios and Cova da Piedade, plus the entry into service of the stretch between Corroios and the University on December 15 2007.

The commitment registered by the Concessionaire and its Suppliers and the pace registered in terms of Works' progress are the guarantee that the commitment to ensure the entry into service of all the other stretches of the 1st Phase of the MST by November 27 2008 shall be complied with in time.

It is also expected and desired on the part of the Granting Authority that the Agreement reached be effectively implemented as a means of timely equipping the Concessionaire with the necessary means to comply with its contract commitments and the regular functioning of its activity within a stable and tranquil environment, so necessary to the provision of a public service with a high level of quality.

### **Expo Arade Estrutura, S.A.**

On March 29 2006 a public-private sector partnership model was constituted following on from the procedure for the selection of a private partner to take part in the construction of the company for the development, implementation, construction and management of the Multiuse Pavilion and renovation of the area surrounding the Fair & Exposition Park in the district of Portimão.

The EXPO ARADE ESTRUTURA S.A. company has a public sector shareholder - the municipal public company EXPO ARADE-ANIMAÇÃO E GESTÃO DO PARQUE DE FEIRAS E EXPOSIÇÕES DE PORTIMÃO E.M. - and a number of private shareholders including MECI, as the owner of share capital in the amount of 11000 euros corresponding to a 22% percentage share.

The object of the Company includes the construction, management and conservation of sports and recreational equipment as well as the construction, management and administration of tourist, urban and cultural infrastructure as well as other associated areas of activity.

In 2006 the company launched the conception/ construction contract of the Multiuse Pavilion of the Portimão Fair & Exposition Park, a venture implemented, concluded and inaugurated within the demanding timeframes which has been specified and which made it possible for a major international sporting event to be held on the intended date: The European Rhythmic Gymnastics' Championship.

### **ESTP – Energia Solar Térmica de Portugal, SGPS, S.A.**

Founded in August 2006, ESTP SGPS S.A. (Energia Solar Térmica de Portugal) works with the management, promotion and development of electrical energy generation parks based on CLFR (Compact Linear Fresnel Reflector) technology from AUSRA.

This technology enables electrical energy to be generated by steam turbines free of any carbon emissions. The turbines are powered by the heat of the sun which is concentrated into points to generate steam at high pressure.

With the growing interest of society in general in “Clean” energy sources, ESTP offers the capacity to generate large-scale low cost plants comparable in the medium term with those produced based on carbon. Existing technology is already in its second generation and poised in the short/medium term to meet production needs at 100 to 500 MW plants, thus replacing in a sustainable and CO<sub>2</sub> free way, more traditional energy generating forms based on fossil fuels. The shareholder group is comprised of MECI with a 27% stake, ENERPURA (an affiliate of the GESPURA Group) and SHP - AUSRA with registered head offices in Palo Alto, California (an affiliate of the risk capital fund Khosla Ventures & Kleiner Perkins Caufield & Byers).

## 4.3 International Market

The strengthening of our relationship with affiliates has a practical result in terms of keeping abreast with international growth. In 2007 very secure advances were made in the reinforcement of our presence in international markets and the advent of excellent perspectives for 2008.

### 4.3.1 MECI – Engineering Project Management Limited

On March 12 2007, MECI – Engineering Project Management Ltd was founded with registered head offices in Dublin in the Republic of Ireland, with share capital of 5000 euros wholly paid up by ENSUL MECI S.A.. This is the first step in the strategic internationalisation of ENSUL MECI in Anglo-Saxon countries. Its strategic objective includes the Utilities, Energy, Rail and Environment markets.

The evolution of commercial activity witnessed in 2007 enables a prediction to be made that 2008 shall mark the start of MECI activities in Ireland as a service provider in the electricity sector as well as the founding of an affiliate company in the United Kingdom.

In the United Kingdom, ENSUL MECI is pre-licensed for the UVDB purchasing platform as during 2007 its pre-licensing was renewed after an audit carried out by a UVDB technician of the Quality, Safety and Environment System implemented in Portugal.



#### 4.3.2 MECI – Gestion de Projects D'Ingénierie, SASU

The incorporation of this company under French law follows on from the work carried out within French territory since 2002 and the diversification of service provision and geographical expansion. MECI provides services in the gas and electricity segment for EDF/GDF in the region of Clermont-Ferrand, Lyons, Millau, Vichy, Roanne, Rodez and Moulin.

During 2007 and similar to that observed in the last three years, strong investment was made both in the field of human resources and equipment, machinery and vehicles, particularly in the projects under development in the Lyons region.

Of the range of project under development, we would single out the branch pipeline renovation project in Lyons, which due to the specific nature of its innovation is alone worthy of great importance. Our customer GDF considers this showcase project the model of a future industrial policy to be implemented at a national level.

### 4.3.3 ENSUL Timor, S.A.

The ENSUL Timor S.A. company began in 2006 following on from the work carried out in the Timorese territory where ENSUL arrived in 2000. During this period it has actively participated in the reconstruction of the country and the construction of a series of infrastructures vital to the development of Timor. An example of this is the Dili Maternity School concluded in 2007 and which stands out in the territory as a nuclear infrastructure in terms of investment in education in that territory.

### 4.3.4 Other Markets

In Germany ENSUL MECI is pre-licensed for the Connexio purchasing platform and hence valid for Utilities' companies in Germany, Central and Eastern Europe and has established initial contact with the German energy sector company EnBW.

## 4.4 New Business Structures

### 4.4.1 Engineering Cluster

#### **ENSUL MECI Merger**

As referred to in the first chapter of this report and as timely and publicly announced, at the end of 2007 the merger process via incorporation was implemented in which the entire overall assets of ENSUL were transferred to the incorporating company MECI, a company of the Engineering cluster of Esphera Capital SGPS.

This merger made the creation of new synergies possible which will make the company a reference in the Group within the engineering sector and also more competitive and qualified to achieve its priority objective of providing increasingly better and higher quality services with increased market reach and innovation

#### **Creation of MECI SOMAGUE Cogeração SETÚBAL ACE**

The contract for a new SPCG combined cycle power plant to be installed at Portucel's manufacturing complex in Setúbal has been awarded to a consortium led by MECI. This consortium led to a new business structure, MECI SOMAGUE Cogeração Setúbal ACE. It was founded in the tax year preceding the Ensul merger with MECI and at the outset participation in ACE was exclusive to MECI with a 55.22% share. This is a project which is essential to the increased capacity for paper manufacture and is associated with the implementation of a new paper factor of the Portucel Soporcel Group located in that factory complex.

The new cogeneration power plant, to be constructed inside the perimeter of the manufacturing complex situated on the Mitrena peninsula in Setubal, is intended to supply steam to the new paper mill belonging to About the Future - Empresa Produtora de Papel S.A., a company of the Portucel Soporcel Group. The power plant will consist of two gas turbines, two recovery boilers and a steam turbine.

#### 4.4.2 Cluster Concessions

##### **Caminhos do Campo, S.A.**

In 2007 CAMINHOS DO CAMPO S.A. began operating, a company incorporated within the scope of a public-private sector partnership with the Municipality of Cartaxo in which ENSUL MECI is the owner of share capital participation corresponding to 16.83% and its business purpose concerns the creation, installation, management and conservation of buildings and equipment of municipal interest and areas of urban development in the district of Cartaxo.

During the year the Multiyear Business Plan was drawn up with the inherent establishment of the respective priorities for the implementation and progress of the customary tender process, adjudication and start-up of the contract associated with the Conception/Construction of the Cartaxo Multiuse Pavilion.

##### **MaisÍlhavo, S.A.**

On 6 June 2007 the private limited liability company "MAISÍLHAVO - Sociedade de Desenvolvimento Urbano do Municipio de Ílhavo S.A." was incorporated within the framework of the public-private sector partnership with that municipality, in which ENSUL MECI S.A. retains share capital ownership corresponding to 16.83%.

The company purpose consists of the creation, development, construction, management, conservation, maintenance and exploitation of areas of urban development, priority construction, sports, educational, cultural and leisure infrastructure, areas of business localisation, industrial parks, business parks, technology centres and environmental renovation within the district of Ílhavo.

Throughout the albeit short existence of the Company a range of investments to be implemented has been analysed as well as the respective planning with the appropriate consideration of the essential related aspects, namely, the development of the projects of each of the ventures, the respective licensing processes, cost estimates and financing conditions, with the perspective that work may actually get underway in the 2nd quarter of 2008.

### 4.4.3 Incubation

#### Uprasol

Our affiliate, URPRASOL is advancing with the process concerned with the implementation of the urban development project with a view to the creation of an urban-touristic pole on the land it owns located in S. Joao de Caparica in the district of Almada which should integrate in particular habitation, commerce, services, tourism, sports, leisure and green spaces.

After approval by Almada Municipal Town Hall, the “Strategic Classification Study for the Trafaria Coast”, of the document in which the guideline bases for the integrated development of the respective intervention area (in which the URPRASOL property is included) were set out, the process relating to preparation of the Detailed Plan which will set up criteria for the organisation and use of space is underway, in particular conception of the manner of occupancy and use of the land plots included.

Technical preparation of these Detailed Plans is underway under the coordination of URPRASOL by PARQUE EXPO 98 S.A. following on from a service provision contract entered into with this entity and in close negotiation with Almada City Council and other public bodies with relevance in this area and which are hence required to manifest themselves.

#### Open Energy

In 2007 the Open Energy company, which is 100% owned by Esphera Capital, was founded. The creation of this business structure aims to legally formalise a set of business opportunities associated with the promotion and commercialisation of energy with special emphasis for the commercialisation of electricity on the open market. Formalisation of this company arises after exhaustive work on the prospective analysis of the business in question and comes to capitalise Group business in the energy segment.

## 4.5 Sustainable Development

### 4.5.1 Corporate Governance

In 2007 projects were developed by the various companies in the Group which were worthy of note and in some cases merited the attention of media organisations.

The strategy adopted includes the disclosure of company activities and involvement in several key national projects. The companies in the engineering cluster were involved in the projects which due to their size and importance were widely publicised. We would single out by way of example, the renovation and extension work carried out at Lisbon Airport and the Rossio Tunnel, projects which MECI was involved in but equally the start-up of exploitation of the 1st and 2nd stages of the Southern Tagus Metro, inauguration of the Portimão Arena or the Almada Business Centre projects which were widely covered in the news, in particular the inauguration of the 1st Southern Tagus Metro line on April 30.

The partnership with the Almada Theatre Company, which began in 2006 also enabled a relation to be maintained with a different public in 2007 and regular presence in the papers, due very specifically to the regular press releases of the Theatre Company.

The edition of the 1st ENSUL MECI Sustainability Report in March 2007 was widely disclosed by the various stakeholders and among journalists, with the posture of leadership and social responsibility adopted by the Group outlined in this report.

Internationalisation was another of the facets of the Group which merited media attention with new published on the beginning of the project in Ireland and the UK both in the specialist and general Press.

Participation in the Lisbon Real Estate Convention Centre (Salão Imobiliário de Lisboa) was also worth of reference, not just because of the recognition and publicity but also due to the media exposure and promotion of the range of ventures promoted by ORCHIDEA.

At the end of the year, attention was focused on two themes: Adjudication of the new Portucel Soporcel Cogeneration Plant to the consortium led by MECI and the merger of the ENSUL and MECI companies which appropriately disclosed by the corporate relations' department and also worthy of attention in the Press.



#### 4.5.2 Code of Ethics

Recognition and company image increasingly results not just from economic and financial performance but also from the perception and valorisation of the set of principles, values, standards and behaviour with which the company is governed on a day-to-day basis.

In this sense and due to the ethical values it has always allocated special attention and relevance, the Board of Directors decided to approve a Company Code of Ethics in which its ethical principles are explicitly stated which have long been consecrated and instituted, formalising a set of ethical and deontological rules which all employees must abide by with a view to ensuring the practice of professional conduct of a high moral standard, respecting the culture and central values of the Company, internally encouraging the sharing of these values and principles, as well as consolidating growing bonds of trust with all those with whom one establishes or broadens professional relations on a daily basis.

### 4.5.3 Alter Real Foundation

Esphera Capital SGPS is a member of the Board of Founders of the Alter Real Foundation. This Foundation undertakes the missions and attributions of the now extinct National Stable Service and amongst a range of other responsibilities is responsible for preserving the genetic and cultural heritage of the Lusitano horse and the Alter Real and National Stables, as well as developing the potential of the Portuguese School of Equestrian Art. It is therefore a Foundation which acts over a cast cultural and tourism heritage which it is important to preserve and develop.

### 4.5.4 In-house Esphera Innovation Project

In an initiative of the Management of these companies a competition for innovative ideas was launched which will enable the implementation of improvements in the methodology or processes of the companies on the ESPHERA Group.

The aim encompassed the gathering of ideas or projects which improve the efficiency and results of the company and which are proven to be of easy application and practical results in the areas such as management, human resources, processes, IT, communication, commercial, equipment, new technologies, the environment or others.

The competition which was open to all employees at ESPHERA companies was won in its first edition by the employee Luis Bernardes (GPS TomTom) with an alternative energy project for self-supply and a better environment in water supplies.

## 4.6 Economic & Financial Analysis

### Most Relevant Aspects

In economic and financial terms the most noteworthy aspects of the 2007 tax year are:

- Overall improvement in economic results;
- Significant increase in activity;
- Increase in assets;
- Maintenance of balanced financial structure.

### Economic Perspective

#### INCOME

Income for 2007 reached 157.5 million euros (their highest level ever), reflecting in a positive variation of 21.9 million euros, 16.2% more than in the previous tax year.

The following aspects are worthy of note for this tax year:

- Maintenance of the respective structure;
- A production of 153.3 million euros, reflecting an increase by 16.9% compared to the preceding tax year. This high variation has been registered in total profits.



CHART I  
INCOME

**COSTS**

During the 2007 tax year, costs registered a positive variation of 15.2%, rising from 135 million euros to 155.5 million euros.



**CHART II  
COSTS**

In relation to costs, it is important to emphasize the following aspects:

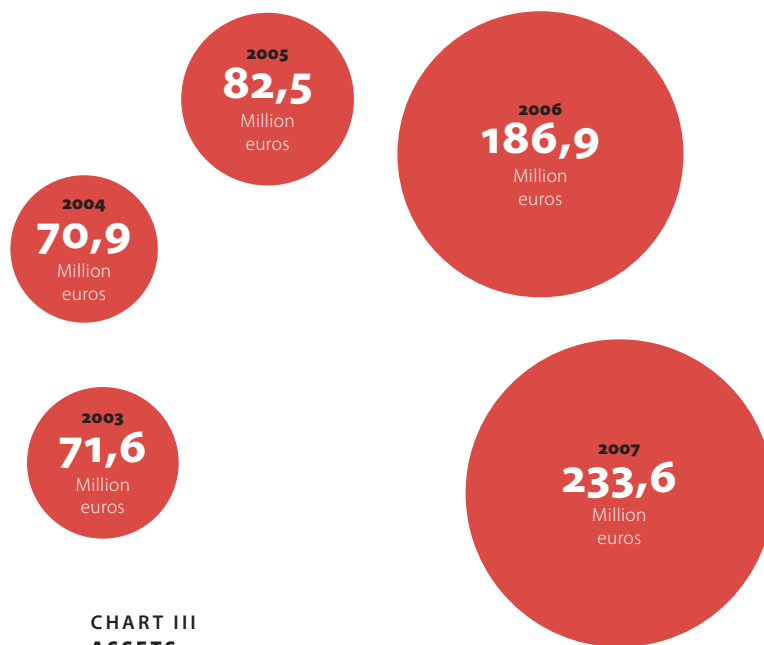
- Cost Items for sold and consumed stocks, supplies and external costs as well as personnel costs continue to represent 90% of all costs;
- A 4.6% drop in the personnel costs' item;
- A rise in financial costs which is once again derived from the longer average payment timeframes, increases in interest rates and specific financing for ongoing real estate projects.

**PROFITS**

In terms of profits, the 2007 tax year was an extraordinarily positive year with the ESPHERA CAPITAL Group returning Operating Profits of 7.6 million euros (10.9% more than in 2006), Pre-Tax Profits of 2.0 million euros (285.9% more than in 2006) and Net Profit of 357 thousand euros (144.8% higher).

## Financial Perspective

ESPHERA CAPITAL Group assets rose to 233.6 million euros. Liabilities rose to 166.8 million euros. Minority Share Interests rose to 8.3 million euros and Own Equity to 58.4 million euros.



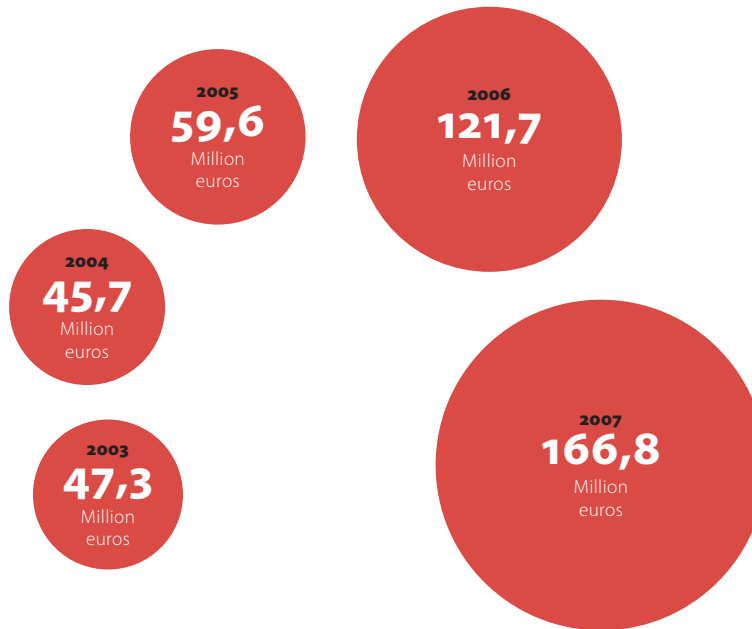
## ASSETS

In this tax year Assets registered a positive variation of 24.9%, rising from 186.9 million euros in 2006 to 233.6 million euros in 2007.

It is worth noting in terms of Assets that the structure of its Assets registered slight variations in particular in terms of Financial Investments which represent 16.2% (20.1% in 2006) and stocks which represent 53.9% (48.6% in 2006).

**LIABILITIES**

Liabilities registered an increase of 37.0%, rising from 121.7 million euros in 2006 to 166.8 million in 2007.



**CHART IV  
LIABILITIES**

It is worth highlighting:

- The significant increase of the order of 55.6% of the medium to long-term debts to third parties' item;
- A rise in debts to third parties of 24.6%.

**OWN EQUITY**

Own Equity rose in 2007 to 58.4 million euros, registering a positive variation of 1.2 million euros, result of the increase in capital invested and net profits for the tax year.

**Monetary Perspective****CASH FLOWS**

In 2007, the ESPHERA CAPITAL Group presented a positive balance of 3.4 million euros in monetary terms.

Aspects which are worth highlighting are the following:

- A negative flow in operating activities of 9.6 million euros;
- A negative flow in investment activities of 4.2 million euros;
- A positive flow in financing activities of 17.1 million euros;

## 4.7 Future Perspectives

A major impact and large scale cross-border project is on the drawing board which seeks to promote the urban development of a very extensive region encompassing on the Portuguese side the area of the districts of Mértola and Serpa.

Essentially it consists of promoting the entire legal-administrative process related to the urban use of properties currently set over merely for farming and forestry purposes, in order to implement through the appropriate land-use management instrument a change in land-use which will enable its classification as urban-type land and the subsequent development of the implementation and execution phases of consecrated urban solutions and their respective commercialisation.

It is an initiative to be implemented within the scope of a potential partnership with a Spanish company and one that presupposes before anything else the take-up and business availability on the part of the owners involved.

The aim is to promote the appropriate sustainable urban development of the area in question, its tourism, residential, commercial, services, sports, recreation and leisure possibilities which will enable greater economic and social profitability whilst preserving and valorising the social, natural and environmental characteristics of the region.

The aim is to develop an innovative essentially thematic project which will become a reference on a world level.

Also under study is a large scale urban renovation project in a region considered historical due to the activities exercised there in the past and which may come to be one of the most attractive areas both in terms of homes as well as services and leisure. When implemented, both banks of the River Tagus would gain from increased dignity, reducing the traditional dichotomy between the southern and northern banks and enabling Lisbon to achieve greater visibility and attractiveness in international terms.

Also in 2007 an analysis and potential acquisition process got underway of majority share ownership in a private Group with significant activity in the Oil & Gas sector, along with the presence of several countries, in particular Angola and Canada. This is an ongoing process and awaiting the results of the evaluation of the aforementioned Group which is being carried out by an investment bank.

*Monte de Caparica, April 28 2008.*

# Legal Certification of Consolidated Accounts

05

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be sure that you really need to do so.  
**The Environment belongs to us all.**

## Introduction

**1.** We have examined the attached Consolidated Financial Statements of ESPHERA CAPITAL SGPS S.A. which comprise the Consolidate Balance Sheet on 31 December 2007, (which attest to a Balance Sheet Total of €233,555,459 and an Own Equity total of €58,429,996, including a Consolidated Net Profit Total of €357,155), the Consolidate Statement of Profits per nature, the Consolidated Cash Flow Statement for the tax year ending on that date and corresponding Appendices.

## Responsibilities

**2.** The Board of Directors of ESPHERA CAPITAL SGPS S.A. is responsible for preparing the Consolidate Financial Statements which present in a faithful and appropriate manner the financial standing of the group of companies included in the consolidation, the consolidated profit of their operations and consolidated cash flow as well as the adoption of appropriate accounting policies and criteria and the maintenance of appropriate control systems.

**3.** Our responsibility is to express a professional, independent opinion, based on our audit of the above-mentioned financial statements.

### Scope

**4.** The audit was performed in accordance with the Technical Standards and Directives for Auditing of the Ordem dos Revisores Oficiais de Contas (Portuguese Institute of Chartered Accountants), which require the audit be so planned and performed so as to obtain acceptable degree of assurance that the consolidated financial statements are free from any materially relevant financial distortion.

As such the aforementioned examination comprised:

- (i) Verification that the Financial Statements included in the consolidation have been appropriately examined; Verification based on sampling of substantiation for the amounts and disclosures set forth in the same and an assessment of the respective estimates based on the judgements and criteria specified by the Board of Directors of ESPHERA CAPITAL SGPS S.A. used in the preparation of the same;
- (ii) Verification of the consolidation operations and application of the integral method;
- (iii) Appraisal of the adequacy of the accounting policies adopted, their equal application and disclosure, taking the respective circumstances into consideration;
- (iv) Verification of the applicability of the going-concern principle; and
- (v) Appraisal of the adequacy, in overall terms, of the presentation of the Consolidate Financial Statements.

**5.** Our examination also included verification of compliance of the consolidated financial information stated in the Consolidated Directors' Report with the respective Consolidated Financial Statements..

**6.** We consider that the audit provides an acceptable basis for the expression of our opinion.

### Opinion

**7.** 7. In our opinion, the Consolidate Financial Statements present a correct and appropriate statement of all the materially relevant aspects of the consolidated financial standing of ESPHERA CAPITAL SGPS S.A. on 31 December 2007, the consolidated profit of its respective operations and consolidated cash flow during the tax year ending on that date in compliance with the accounting principles generally accepted in Portugal.

*Monte de Caparica, April 29 2008.*

# Statutory Auditor Report & Opinion

on the 2007 Tax Year Consolidated Accounts

06

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Dear Shareholders,  
Pursuant to the terms of Law and Company Bylaws I hereby present pursuant to the powers vested in me as Statutory Auditor for ESPHERA CAPITAL SGPS S.A., my Report & Opinion of the Consolidated Accounts and Consolidated Directors' Report presented by the Board of Directors relating to the tax year ending on December 31 2007.

At the end of the year I examined the Consolidated Balance Sheet, the Consolidated Income Statements by nature and function, the Consolidated Cash Flow Statement and respective Appendix on the consolidated accounts, documents which are in compliance with applicable legal resolutions and present a correct and appropriate statement of the financial situation of the companies included in said consolidation.

I have evaluated the Consolidated Directors' Report drawn up by the Board of Directors and it is a correct representation of the consolidated accounts for the tax year.

Any explanations I requested were always promptly provided.

I hereby issue the Legal Certification of these Accounts pursuant to the terms of Law and which constitute an integral part of this Report and Opinion.

In the light of that shown and the Legal Certification of these Accounts, it is my OPINION that nothing hinders the approval of:

- a) The Consolidated Directors' Report;
- b) The Consolidated Balance Sheet;
- c) The Consolidated Income Statement per nature;
- d) The Consolidated Cash Flow Statement; and
- e) The respective Appendix on the consolidated accounts relating to the tax year ending on December 31 2007.

*Monte de Caparica, April 29 2008*

# Notes to the Directors' Report

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07

Pursuant to the terms of Art.447, Item No.5 of the Companies Act, the number of shares owned by each of the members of the Administrative and Auditing Bodies and company title-holders are:

**BOARD OF DIRECTORS**

António Simões Marques Couto	2,471,623 shares
Silvia Isabel da Silva Costa Marques Couto	133,696 shares
Alexandre António da Silva Costa Marques Couto	133,696 shares

Pursuant to the terms of Art.448, Item No.4 of the Companies Act, on the closing date of the respective tax year shareholders with quotas of over 10% of share capital are:

Compagnie Financiere Terria	75 %
António Simões Marques Couto	19 %

# Financial Statements

08

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## 8.1 Balance Sheet

on December 31 2007. Currency Unit: Euro.

REMARKS	TAX YEARS				
	2007		2006		
	GROSS ASSETS	AMORTISATIONS & ADJUSTMENTS	NET ASSET	NET ASSET	
<b>FIXED ASSETS</b>					
<b>Intangible Fixed Assets</b>					
Fixed Intangible Asset	27	2,769,144.23	495,272.07	2,273,872.16	1,170,337.72
Consolidation Differences	27	11,906,309.63	3,186,559.15	8,719,750.48	9,045,669.34
		14,675,453.86	3,681,831.22	10,993,622.64	10,216,007.06
<b>Tangible Fixed Assets:</b>					
Share capital Participation	27	31,322,774.68	22,833,244.85	8,489,529.83	6,692,492.96
Ongoing Fixed Assets	27	0.00	0.00	0.00	54,906.49
		31,322,774.68	22,833,244.85	8,489,529.83	6,747,399.45
<b>Financial Investments</b>					
Tangible Fixed Asset	27	1,239,941.32	0.00	1,239,941.32	626,580.00
Real Estate Investments	27	37,310,005.05	715,364.16	36,594,640.89	36,860,043.29
		38,549,946.37	715,364.16	37,834,582.21	37,486,623.29
<b>CURRENT:</b>					
<b>Inventories:</b>					
Goods		979,289.68	0.00	979,289.68	867,037.08
Raw materials, Subs. and Consumption		2,861,411.93	0.00	2,861,411.93	1,807,302.20
Finished & Intermediary Products		15,707,371.73	0.00	15,707,371.73	11,060,131.83
Ongoing Products & Works		106,543,655.85	0.00	106,543,655.85	77,075,529.63
		126,091,729.19	0.00	126,091,729.19	90,810,000.74
<b>Accounts Receivable – Short Term:</b>					
Customers, c/a		35,054,760.85	0.00	35,054,760.85	29,343,314.64
Doubtful Collection Customers		775,305.48	775,305.48	0.00	0.00
Customers with Deeds to Receive		515,435.93	0.00	515,435.93	717,904.62
Advances to Suppliers		163,703.44	0.00	163,703.44	925,311.94
State and other public bodies		2,280,369.70	0.00	2,280,369.70	2,420,708.93
Affiliate & Holding Companies		971,770.50	0.00	971,770.50	869,637.50
Other Debtors		2,311,705.67	0.00	2,311,705.67	1,042,591.52
Share Capital Subscribers		0.00	0.00	0.00	37,965.07
		42,073,051.57	775,305.48	41,297,746.09	35,357,434.22
<b>Bank Deposits &amp; Cash:</b>					
Bank Deposits		6,279,728.60		6,279,728.60	3,162,985.86
Cash		379,936.33		379,936.33	128,679.90
		6,659,664.93		6,659,664.93	3,291,665.76
<b>Accruals and Deferrals:</b>					
Income Accruals		421,353.78		421,353.78	495,086.26
Deferred Costs		1,767,230.79		1,767,230.79	2,508,194.87
		2,188,584.57		2,188,584.57	3,003,281.13
<b>Amortisation Total</b>			27,230,440.23		
<b>Adjustment Total</b>			775,305.48		
<b>Asset Total</b>		261,561,205.17	28,005,745.71	233,555,459.46	186,912,411.65

### STATUTORY AUDITOR

Paulo Alexandre Andrade da Silva

REMARKS	TAX YEARS		
	2007	2006	
<b>OWN EQUITY &amp; LIABILITIES</b>			
<b>OWN EQUITY</b>			
Capital	50	13,100,000.00	12,500,000.00
Supplementary Instalments	50	45,372,646.00	45,272,646.00
Re-evaluation Reserves	50	0.00	0.00
Conversion Reserves	50	15,222.66	0.00
Legal Reserves	50	278,362.26	243,620.60
Free Reserves	50	4,068,820.38	3,729,774.80
Retained Profits	50	-4,762,209.91	-3,728,991.58
Net Profit for Tax Year	50	357,154.78	-796,439.18
<b>Own Equity Total</b>		<b>58,429,996.18</b>	<b>57,220,610.64</b>
<b>MINORITY SHARE INTERESTS:</b>			
Minority Share Interests - Own Equity	50	7,927,584.79	7,996,135.11
Minority Share Interests - Year Profit	50	391,782.86	-29,008.72
<b>Minority Share Interest Total</b>		<b>8,319,367.65</b>	<b>7,967,126.39</b>
<b>LIABILITIES:</b>			
<b>ACCOUNTS PAYABLE - MEDIUM AND LONG TERM:</b>			
Debts at Credit Institutions		59,003,654.04	47,045,023.84
Fixed Asset suppliers, c/a		18,461,933.01	2,089,267.33
Other Creditors		386,896.71	895,146.71
		77,852,483.76	50,029,437.88
<b>ACCOUNTS RECEIVABLE – SHORT TERM:</b>			
Debts at Credit Institutions		25,130,000.00	12,665,000.00
Advances to Customers		17,817,027.03	11,730,377.71
Advances per Sales Account		838,026.85	1,738,529.01
Customers with Discounted Notes		515,435.93	717,904.62
Suppliers, c/a		30,959,996.07	29,797,692.38
Suppliers, with deeds		0.00	1,881,864.70
Fixed Asset suppliers, c/a		2,755,295.61	1,980,736.11
State and other public bodies		2,500,391.60	3,643,857.50
Other Creditors		4,619,729.96	4,171,270.84
		85,135,903.05	68,327,232.87
<b>ACCRUALS AND DEFERRALS:</b>			
Deferred income		62,861.63	7,500.00
Costs' Accruals		3,754,847.20	3,360,503.87
		3,817,708.83	3,368,003.87
<b>Total Liabilities</b>		<b>166,806,095.64</b>	<b>121,724,674.62</b>
<b>Total Own Equity, Minority Share Interests &amp; Liabilities</b>		<b>233,555,459.46</b>	<b>186,912,411.65</b>

### BOARD OF DIRECTORS

António Simões Marques Couto

António José Marçal Martins

Carlos Francisco Diniz da Costa

Silvia Isabel S. C. Marques Couto André

Alexandre António S. C. Marques Couto

## 8.2 Income Statement by Nature

on December 31 2007. Currency Unit: Euro.

	REMARKS	TAX YEARS	
		2007	2006
<b>COSTS &amp; LOSSES</b>			
<b>Cost of Goods Sold and Material Consumed</b>			
Goods		5,723,729.27	2,941,256.51
Materials		21,948,214.60	27,671,943.87
			19,115,841.72
			22,057,098.23
<b>Supplies &amp; External Services</b>		84,911,192.86	71,739,232.73
<b>Personnel Costs</b>			
Remunerations		21,987,225.94	21,439,937.03
Social Charges			
Others		6,864,928.87	28,852,154.81
6,147,990.81			27,587,927.84
Amortisations of Tangible & Intangible Fixed Assets	27	2,642,083.39	2,252,205.64
Adjustments		308,405.33	136,953.06
Provisions		0.00	2,389,158.70
		2,950,488.72	0.00
			2,389,158.70
Taxes		1,872,687.49	1,334,988.43
Other Operating Costs		126,700.85	1,999,388.34
	(A)	146,385,168.60	124,943.81
			1,459,932.24
Losses in Group Companies to Associate Companies		0.00	0.00
Amortisations & Adjustments in Applications & Investments Financial		0.00	0.00
Goodwill Amortisation	10	595,315.48	581,845.65
Interest & Similar Costs:			
Others	44	7,083,506.48	7,678,821.96
	(C)	154,063,990.55	5,246,247.84
			5,828,093.49
			131,061,443.23
Extraordinary Costs & Losses	45	1,478,772.31	3,982,170.54
	(E)	155,542,762.86	135,043,613.77
Tax Year Income Tax		1,257,590.42	1,345,380.45
	(G)	156,800,353.28	136,388,994.22
Minority Shares Interests	50	391,782.86	-29,008.72
	(H)	157,192,136.13	136,359,985.50
Net Profit for Tax Year		357,154.78	-796,439.18
		157,549,290.92	135,563,546.32
<b>INCOME &amp; GAINS</b>			
Sales		17,654,203.52	4,578,577.24
Service Provision		102,192,484.24	119,846,687.76
			100,541,939.64
			105,120,516.88
Production Variation		33,650,671.88	26,193,448.04
Supplementary Income		345,261.14	571,830.13
Exploitation Subsidies		110,872.29	44,044.57
Works for Own Company		64,231.28	130,110.75
Other Operating Income		800.00	918.00
Amortisations & Adjustment Reversions		0.00	521,164.71
	(B)	154,018,524.35	55,145.53
			802,048.98
Other Interests & Similar Income			132,116,013.90
Others	44	1,187,776.91	1,187,776.91
	(D)	155,206,301.26	965,078.01
			965,078.01
			133,081,091.91
Income & Extraordinary Gains	45	2,342,989.66	2,482,454.41
	(F)	157,549,290.92	135,563,546.32
<b>SUMMARY</b>			
<b>Operating Profits: (B) – (A)</b>		<b>7,633,355.76</b>	<b>6,882,664.16</b>
<b>Financial Profits: (D – B) – (C – A)</b>		<b>-6,491,045.05</b>	<b>-4,863,015.48</b>
<b>Operating Profits: (D) – (C)</b>		<b>1,142,310.71</b>	<b>2,019,648.68</b>
<b>Pre-Tax Profits: (F) – (E)</b>		<b>2,006,528.05</b>	<b>519,932.55</b>
<b>Net Tax Year Profit Pre Minority Shares: (F) – (G)</b>		<b>748,937.64</b>	<b>-825,447.90</b>
<b>Net Profit for Tax Year: (F) – (G)</b>		<b>357,154.78</b>	<b>-796,439.18</b>

### STATUTORY AUDITOR

Paulo Alexandre Andrade da Silva

### BOARD OF DIRECTORS

António Simões Marques Couto

António José Marçal Martins

Carlos Francisco Diniz da Costa

Silvia Isabel S. C. Marques Couto André

Alexandre António S. C. Marques Couto

## 8.3 Cash Flow Statement

on 31 December 2007. Currency Unit: Euro.

	NOTAS	EXERCÍCIOS	
		2007	2006
<b>OPERATING ACTIVITIES</b>			
<b>Resultado líquido</b>		<b>357,154.78</b>	<b>-796,439.18</b>
<b>Adjustments:</b>			
Amortisations		2,950,488.72	2,389,158.70
Provisions		0.00	0.00
Financial Profits	50	6,491,045.05	4,863,015.48
Minority Shares Interests		352,241.26	-219,885.78
Increase in third party debts		-7,082,693.36	-2,687,866.41
Reduction in third party debts		1,142,381.49	13,624,550.25
Increase in inventories		-35,281,728.45	-74,123,033.02
Reduction in inventories		0.00	668,622.30
Increase in third party debts		24,844,637.31	20,241,872.83
Reduction in third party debts		-4,636,551.45	-6,183,546.48
Increase in deferred income		55,361.63	0.00
Reduction in deferred income		0.00	-50,437.66
Increase in income accruals			
Reduction in income accruals		73,732.48	88,112.86
Increase in deferred costs		0.00	-1,487,622.86
Reduction in deferred costs		740,964.08	0.00
Increase in cost accruals		394,343.33	337,726.84
Reduction in cost accruals			
Gains in sale of fixed assets			
Losses in sale of fixed assets			
		-9,955,777.93	-42,539,332.95
<b>Flow of Operating Activities [1]</b>		<b>-9,598,623.14</b>	<b>-43,335,772.13</b>
<b>INVESTMENT ACTIVITIES</b>			
<b>Receipts resulting from:</b>			
Financial Investments		53.68	2.00
Tangible Fixed Assets		82,327.56	4,478,295.09
Intangible Fixed Assets			
Investment Subsidies			
Interest & Similar Income		1,187,776.91	965,078.01
Dividends			
		1,270,158.15	5,443,375.10
<b>Payments associated with:</b>			
Financial Investments		613,415.00	92,078.00
Tangible Fixed Assets		4,829,605.99	2,750,587.09
Intangible Fixed Assets		0.00	213,720.68
		5,443,020.99	3,056,385.77
<b>Flow of investment activities [2]</b>		<b>-4,172,862.84</b>	<b>2,386,989.33</b>
<b>FINANCING ACTIVITIES</b>			
<b>Receipts resulting from:</b>			
Loans obtained		24,423,630.20	47,760,023.84
Increases in capital, additional instalments and issuing premiums		715,222.66	42,607,646.00
Subsidies & donations			
Sale of own shares (quotas)			
Cover for losses			
		25,138,852.86	90,367,669.84
<b>Payments associated with:</b>			
Loans obtained			
Amortisations of financial leasing contracts			
Interest & Similar Costs	44	7,678,821.96	5,828,093.49
Dividends		320,545.75	0.00
Capital reductions & additional instalments			
Acquisition of own shares (quotas)		0.00	42,607,646.00
		7,999,367.71	48,435,739.49
<b>Flow of investment activities [3]</b>		<b>17,139,485.15</b>	<b>41,931,930.35</b>
<b>Cash variation and its equivalents [4] = [1] + [2] + [3]</b>		<b>3,367,999.17</b>	<b>983,147.55</b>
<b>Effect of exchange rate differences</b>		<b>0.00</b>	<b>0.00</b>
<b>Cash and its equivalents at start of tax year</b>		<b>3,291,665.76</b>	<b>2,308,518.21</b>
<b>Cash and its equivalents at end of tax year</b>		<b>6,659,664.93</b>	<b>3,291,665.76</b>

### STATUTORY AUDITOR

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Alexandre António S. C. Marques Couto

# Notes to Consolidated Financial Statements

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## Introductory Note

Esphera Capital SGPS S.A. was incorporated on December 20 2000. Its company purpose is that which is normally attributed to a holding company constituting the Mother Company of Ensul/Meci and JLF Groups, with activities in the civil construction, public works sector and real estate sales.

The Groups encompass the companies referred to in Note I in addition to Esphera Capital.

The notes below are organised in compliance with the Official Chart of Accounts (POC) and it is worth noting that any figures not included in this note are not applicable.

## I. Information pertaining to the companies included in the consolidation

### 1. Companies included in the consolidation via the integral method (subsidiaries)

#### 1.1. ENSUL

Ensul – Gestão de Projectos de Engenharia S.A. with share capital of EUR 5,250,000 is 66.6667% owned by Esphera Capital. Its company purpose consists of the exercise of civil construction and public works' sector activities.

#### 1.2. MECI

Meci – Gestão de Projectos de Engenharia S.A. with share capital of EUR 5,250,000 is 66.6667% owned by Esphera Capital. Its business consists of the assembly and installation of gas, water, telecommunications and electrical networks.

#### 1.3. JLF

JLF – Sociedade de Construções S.A. with share capital of EUR 5,233,705 is 66.6667% owned by Esphera Capital. Its business consists of real estate mediation and sales.

#### 1.4. WEST COAST

West Coast – Portuguese Properties with share capital of EUR 100,000 is 66.6667% owned by Esphera Capital. Its business consists of real estate mediation.

### **7. Average number of workers in service during tax year**

The average number of works in service at the Group during the tax year was 829.

### **II. Information associated with correct and appropriate image**

The application of consolidation rules was sufficient to ensure the Consolidated Financial Statements present a correct and appropriate image of the financial standing, profits and cash flow of the group of companies included in the consolidation.

### **III. Information associated with consolidation procedures**

The Consolidated Financial Statements have been drawn up with reference to the same date as the annual financial statements of the Mother-Company, namely December 31 2007. For the purposes of comparison the consolidated balance sheet and income statement for December 31 2006 are presented.

## 10. Differences in consolidation

### 10.1. DIFFERENCES IN ASSET CONSOLIDATION

Differences in asset consolidation refer to the excess of the acquisition cost of share participation in proportion to the fair value of the respective equity. The Board expects that all consolidation differences are recoverable within the timeframes specified (See Item 17).

On December 31 2007 the net accounting amount of consolidation differences is analysed in the following manner (in Euros):

COMPANIES	YEAR OF ACQUISITION	ACQUISITION COST (A)	% ACQUIRED (B)	OWN EQUITY ACQUISITION (C)	OWN EQUITY ACQUIRED (D) = (B) * (C)	GOODWILL ACQUISITION (E) = (A) - (D)	ACCUMULATED AMORTISATIONS (F)	RESIDUAL GOODWILL ON 31/12/2007 (E - F)
Ensul	2000	6,234,973.71	47.6190%	6,562,469.00	3,124,985.24	3,109,988.48	-1,101,454.25	2,008,534.22
Ensul	2006	2,114,286.00	19.0470%	7,679,164.90	1,462,646.88	651,639.12	-65,163.91	586,475.21
Meci	2000	8,679,083.41	55.2381%	7,030,010.00	3,883,243.62	4,795,839.79	-1,698,526.59	3,097,313.20
Meci	2006	1,760,000.00	11.4279%	9,257,185.97	1,057,902.40	702,097.60	-70,209.76	631,887.84
West Coast	2005	66,666.00	66.6660%	100,000.00	66,666.00	0.00	0.00	0.00
JLF	2006	38,733,360.00	66.6660%	6,315,081.12	4,210,011.98	2,377,348.02	-237,734.80	2,139,613.22
Meci SASU	2007	769,396.62	100.0000%	500,000.00	500,000.00	269,396.62	-13,469.83	255,926.79
						11,906,309.63	-3,186,559.15	8,719,750.48

**14. Modifications to consolidation perimeter**

Compared with December 31 2006 the consolidation perimeter remained unchanged.

**17. Amortisation of consolidation differences**

The Board understands that consolidation difference amounts are recoverable over the respective amortisation period of twenty years, given that due to the volume and business area investments made they imply an extended recovery timeline.

**18. Share participation in associate companies**

Share participation in associate companies is accounted for using the asset equivalence method if share participation is equal to or higher than 20%. If not, the acquisition cost of said share participation is maintained.

**IV. Information associated with commitments****22. Bank and real guarantees**

The total of bank guarantees provided to third parties was EUR 64,513,488.17 listed as follows:

ENSUL	28,574,156.92 EUR
MECI	26,347,318.17 EUR
JLF	9,592,013.08 EUR

## V. Information associated with accounting policies

The most significant accounting policies used in the calculation of the consolidated results for the tax year and presentation of the consolidated financial situation are as follows:

## 23. Calculation criteria adopted

### 23.1 BASIS FOR PRESENTATION

The consolidated financial statements were prepared in accordance with the accounting principles normally accepted in Portugal and according to the principle of historic cost, and no increases in the market value of assets were included except when expressly referred to.

In compliance with Portuguese law, Group companies maintain their accounting records in accordance with the Official Chart of Accounts and these records are the sole accounts recognised by legal and tax authorities.

### 23.2 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements reflect the assets, liabilities and profits of Esphera Capital SGPS and its subsidiary companies.

**23.3 INTANGIBLE FIXED ASSETS**

Intangible Fixed Assets are valued at acquisition cost net of any amortisations made and within the limits of legally stipulated rates.

**23.4 TANGIBLE FIXED ASSETS**

Tangible Fixed Assets are valued at acquisition cost net of any accumulated amortisations.

Depreciations in tangible fixed assets are calculated in the following manner:

- Equipment acquired up to 31/12/1988 - method of constant quotas in accordance with the rates of Administrative Ruling 737/81 of 19 August introduced by Administrative Ruling Nos. 990/84 and 85/88.
- Equipment acquired during the period of 01/01/1989 and 31/12/1995 - method of constant quotas and degressives/duodecimals in accordance with rates of Decree Regulation No.2/90.
- Equipment acquired from 01/01/1996 - method of constant quotas per duodecimals in accordance with rates of Decree Regulation 2/90 of January 12.

**23.5 INVENTORIES**

Raw materials and diverse materials valued at acquisition cost with warehouse outputs (consumables) at average cost of article in warehouse.

Ongoing products and works are valued at production cost.

**23.6 PROVISION FOR DEPRECIATION OF INVENTORIES**

Provision for depreciation of inventories is based on evaluation of implementation value, state of conservation and potential obsolescence of the same shown as deduction to asset.

**23.7 PROVISION FOR DOUBTFUL COLLECTIONS**

Provision for doubtful collections is based on an assessment of balances considered of unlikely collection and shown as deductions in Customer accounts.

**23.8 ACKNOWLEDGEMENT OF COSTS AND INCOME**

Costs and income are accounted for during the tax year they refer to regardless of the moment they are paid or received.

**23.9 FINANCIAL LEASING CONTRACTS**

Fixed Assets acquired via financial leasing contracts as well as their respective responsibilities are accounted for via the financial method by which the corresponding values are acknowledged in the Balance Sheet. As a result amortisations of these goods and interest included in the amount of said rents are registered in the Income Statement for the tax year they refer to.

**23.10 TAX ON PROFITS**

Tax on profits is calculated in accordance with the tax criteria in force on the date of the Balance Sheet.

In accordance with legislation in force, tax declarations are subject to revision and correction on the part of tax authorities for a period of four years and ten years in the case of Social Security.

**23.11 MINORITY SHARE INTERESTS**

Minority Share Interests correspond to the values attributable to the Interested Parties in the share capital of the companies included in the integral consolidation and belonging to third parties. When losses attributed to minority share interests exceed the value of their share quota in the own equity of the branches, these are wholly assumed by Esphera Capital SGPS.

**24. Exchange Rate Conversion****24.1 CONVERSION RATES**

Currency exchange conversion rates adopted are the official rates published by Banco de Portugal on the reference date.

**24.2 CONVERSION OF TRANSACTIONS AND BALANCES IN FOREIGN CURRENCY**

Transactions in foreign currency are converted into Euros at the exchange rates on the respective dates and any exchange rate differences incurred are acknowledged as profits on their respective payment dates. Asset and liability values in foreign currency are converted into Euros at official exchange rates on the date of the Balance Sheet. Differences in currency exchanges resulting from this conversion are included as tax year profits.

## VI. Information associated with specific items

### 27. Movements occurred in fixed asset items during 2007 tax year

#### GROSS ASSETS

ITEMS	MECI CONSOLIDATED	ENSUL CONSOLIDATED	JLF CONSOLIDATED	WEST COAST	ESPERA	AGGREGATE	GOODWILL REGISTRATION	WEST COAST REVERSAL	CONSOLIDATED
Intangible Fixed Assets									
Set up Costs	1,369,746.06	951,868.79	18,962.45	599.00	137,958.42	2,479,134.72	0.00	0.00	2,479,134.72
Industrial Property and other rights	269,431.94	16,898.69	3,678.88	0.00	0.00	290,009.51	0.00	0.00	290,009.51
Consolidation Differences	269,396.62	0.00	0.00	0.00	0.00	269,396.62	11,636,913.01	0.00	11,906,309.63
	1,908,574.62	968,767.48	22,641.33	599.00	137,958.42	3,038,540.85	11,636,913.01	0.00	14,675,453.86
Tangible Fixed Assets:									
Tangible Fixed Asset	22,301,469.85	8,617,978.54	401,839.29	1,487.00	0.00	31,322,774.68	0.00	0.00	31,322,774.68
Ongoing Fixed Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	22,301,469.85	8,617,978.54	401,839.29	1,487.00	0.00	31,322,774.68	0.00	0.00	31,322,774.68
Financial Investments									
Share capital Participation	570,000.00	64,245.00	1,750.00	0.00	58,193,315.44	58,829,310.44	-57,521,703.12	-67,666.00	1,239,941.32
Real Estate Investments	0.00	0.00	5,164,005.05	0.00	0.00	5,164,005.05	32,146,000.00	0.00	37,310,005.05
	570,000.00	64,245.00	5,165,755.05	0.00	58,193,315.44	63,993,315.49	-25,375,703.12	-67,666.00	38,549,946.37

**ACCUMULATED AMORTISATIONS**

ITEMS	MECI	ENSUL	JLF	WEST	ESPERA	AGGREGATE	GOODWILL	WEST COAST	CONSOLIDATED
	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED	COAST			AMORTISATION	REVERSAL	
Intangible Fixed Assets									
Amortisations	194,330.62	143,356.70	19,476.33	150.00	137,958.42	495,272.07	0.00	0.00	495,272.07
Consolidation Differences	13,469.83	0.00	0.00	0.00	0.00	13,469.83	3,173,089.32	0.00	3,186,559.15
	207,800.45	143,356.70	19,476.33	150.00	137,958.42	508,741.90	3,173,089.32	0.00	3,681,831.22
Tangible Fixed Assets:									
Amortisations	15,213,318.26	7,453,526.13	165,953.46	447.00	0.00	22,833,244.85	0.00	0.00	22,833,244.85
	15,213,318.26	7,453,526.13	165,953.46	447.00	0.00	22,833,244.85	0.00	0.00	22,833,244.85
Financial Investments									
Real Estate Investments	0.00	0.00	715,364.16	0.00	0.00	715,364.16	0.00	0.00	715,364.16
	0.00	0.00	715,364.16	0.00	0.00	715,364.16	0.00	0.00	715,364.16

## 44. Consolidated Income Statement

COSTS LOSSES	TAX YEARS		INCOME GAINS	TAX YEARS	
	2007	2006		GAINS	2006
Interest born	5,522,478.06	4,131,544.71	Interest obtained	26,801.00	60,935.79
Losses in Group companies and associated companies	15,000.00	0.00	Property Revenue	311,903.49	304,220.50
Differences in currency exchange rate losses	290,160.77	10,994.99	Revenue from share capital ownership	213,697.17	5,548.05
Losses in sale of treasury applications	0.00	6,428.47	Differences in currency exchange rate gains	0.00	33.72
Other financial costs	1,255,867.65	1,097,279.67	Discounts from ready payments obtained	171,211.78	218,486.70
Goodwill Amortisation	595,315.48	581,845.65	Gains in sale of treasury applications	0.00	87,865.67
Financial Profits	-6,491,045.05	-4,863,015.48	Other financial income	464,163.47	287,987.58
	1,187,776.91	965,078.01		1,187,776.91	965,078.01

## 45. Consolidated Extraordinary Profit Statement

COSTS LOSSES	TAX YEARS		INCOME GAINS	TAX YEARS	
	2007	2006		2007	2006
Donations	389,264.6	22,752.84	Tax redemption	5,687.5	0.00
Uncollectable Debts	5,273.03	0.00	Debt recovery	0.00	58,378.7
Losses in inventories	559.55	1,699.66	Gains in inventories	0.00	0.00
Losses in fixed assets	13,030.71	1,445,104.76	Gains in fixed assets	1,462,388.54	1,630,647.13
Fines and penalties	95,032.45	47,835.21	Benefits from contract penalties	0.00	0.00
Increases in amortisations	241,934.18	195,932.56	Reductions in provisions	0.00	0.00
Corrections associated with previous tax years	305,921.35	705,509.34	Corrections associated with previous tax years	76,440.08	75,082.37
Other Extraordinary Costs & Losses	427,756.44	1,563,336.17	Other extraordinary income and gains	798,473.54	718,346.21
Extraordinary Profits	864,217.35	-1,499,716.13			
	2,342,989.66	2,482,454.41		2,342,989.66	2,482,454.41

## VII. Misc. Information

### 50. Other information

#### 50.1 MINORITY SHARE INTERESTS

Minority Share Interests were calculated in the following manner:

#### MINORITY SHARE INTERESTS

COMPANIES	% NOT WITHHELD ( A )	OWN EQUITY ON 31-12-2007 ( B )	MINORITY SHARE INTERESTS ON 31-12-2007 ( A * B )
Ensul	33.3340%	7,280,012.44	2,426,719.35
Meci	33.3340%	8,914,812.59	2,971,663.63
JLF	33.3340%	8,697,681.75	2,899,285.23
West Coast	33.3340%	65,097.00	21,699.43
			8,319,367.64

#### 50.2 MOVEMENT IN CONSOLIDATED OWN EQUITY

Movement in consolidated own equity during the tax year is analysed as follows:

#### OWN EQUITY

ITEMS	INITIAL BALANCE	INCREASES	REDUCTIONS	FINAL BALANCE
Capital	12,500,000.00	600,000.00	0.00	13,100,000.00
Supplementary Instalments	45,272,646.00	100,000.00	0.00	45,372,646.00
Conversion Reserves	0.00	15,222.66	0.00	15,222.66
Re-evaluation Reserves	0.00	0.00	0.00	0.00
Reserves	3,973,395.40	373,787.25	0.00	4,347,182.65
Retained Profits	-3,728,991.58	-1,033,218.33	0.00	- 4,762,209.91
Net Profit for tax year	-796,439.18	357,154.78	-796,439.18	357,154.78
	57,220,610.64	412,946.36	-796,439.18	58,429,996.18

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