

ENSUL, ENGINEERING PROJECT MANAGEMENT

# Report & Accounts 2006

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[The future] is our sphere

## Message from the Chairman

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The mission we have set ourselves and the values by which we are governed imply that in coherence and agreement with the path taken to this day, we look on the future with confidence and ambition. We advance motivated by a steadfast desire to achieve constant improvements, to meet and exceed shareholder expectations as well as those of our Customers, employees, partners and society in general.

Our central goal is to increase the worth of the company, which presupposes lending particular attention and being constantly open to innovation and change. For this reason, we have invested in the diversification of areas associated with current activities and in the widening of duly selected foreign markets, always based around the attentive careful analysis and evaluation of potentiality and risk as well as the appropriate rigorous prospective action.

The commendable success of the consolidation of our in-company reorganisation process together with the experience and success of our implementation abroad, faced with such diverse contexts as East Timor or France, have assured us we have the structure, capacity, resources, funds and knowledge to be qualified enough to continue along the path of broadening our horizons and making the most of the opportunities which arise for a company that has long opted for restlessness, evolution and novelty.

We shall continue to focus on the specialisation of skills in terms of the manner in which we approach different markets, seeking to integrate innovative solutions which single us out in a positive sense and confirm our standing as a credible partner, capable of instigating greater worth in strategic partnerships to be constituted as the preferential model of involvement in the respective large-scale projects which come to be announced.

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We shall continue to invest in the training and valorisation of all company employees in the knowledge that it is their competent and dedicated participation, thorough identification and intransigent defence of Company values which are the primary determining factors leading to the thorough achievement of our goals.

It is our aim to maintain a policy of Customer approximation, focusing on an increasingly deeper understanding of their concerns and needs, strengthening the ties of mutual confidence and extending to all those who become our business partners.

We undertake our social and environmental responsibilities, preserving the values of quality and safety, acting in a dignified, integral and transparent manner, promoting sustainable development, with respect for and safeguarding future generations, but also because we recognise this as the most correct, fitting and effective way of ensuring increased Company worth.

*António Simões Marques Couto*

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01

# Organisation Chart

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THE ENVIRONMENT BELONGS TO ALL OF US.  
BEFORE PRINTING THIS DOCUMENT, PLEASE  
CONFIRM IF IT'S TRULY NECESSARY.

**General Shareholders’ Meeting**

**Audit Council**

**Board of Directors**

**Technical and Commercial Directorates**  
Engineering and Construction

**Business Planning and Development Centre**

**Staff Bodies**

- Legal Department
- Auditing and Management Control
- Quality, Safety and Environment
- Communication and Image
- Project Management

**Logistics Directorates**

- Administrative & Financial
- Procurement
- Subcontracting
- Equipment and Resources
- Human Resources
- Information Systems

**Agencies & Affiliates**

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## Corporate Bodies

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## Board of the General Shareholders' Meeting

### CHAIRMAN

Jorge Manuel Bonifácio  
Pedroso de Almeida

### VICE CHAIR

Fernando Manuel Rocha  
Cabrita Costa Cabau

### SECRETARY

Jorge Paulo  
Cunha Gonçalves

## Board of Directors

### CHAIRMAN

António Simões  
Marques Couto

### MANAGING DIRECTOR

Carlos Francisco  
Diniz da Costa

### VOTING MEMBER

Alexandre António da Silva  
Costa Marques Couto

### VOTING MEMBER

Paulo Alexandre  
Andrade da Silva

### VOTING MEMBER

Antonio Jorge  
Aldinhas Ferreira

## Certified Auditor

### STAFF

Armando dos Santos  
Nogueira

### SUBSTITUTE

António Noras Silvério

# Management and Board of Directors' Administrative Bodies

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03

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## Logistics Directorates

### ADMINISTRATIVE & FINANCIAL

Fernando Manuel Rocha  
Cabrita Costa Cabau

### PROCUREMENT

João Manuel Nogueira  
Rodrigues

### SUBCONTRACTING

Jorge Paulo Cunha  
Gonçalves

### EQUIPMENT AND RESOURCES

Jacinto Couto André

### HUMAN RESOURCES

Maria de Jesus Machado  
Courinha Leitão

### INFORMATION SYSTEMS

Ana Isabel da Silva Castanho

## Staff Management Bodies

### LEGAL DEPARTMENT

José Fernando Assis  
do Nascimento

### AUDITING & MANAGEMENT CONTROL

Maria Amália Rodrigues  
Afonso

### QUALITY, SAFETY AND ENVIRONMENT

Fernando David Garcês  
Ferreira Quaresma

### COMMUNICATION AND IMAGE

Jaime Manuel Soares Xavier

### PROJECT MANAGEMENT

Vitor Manuel Alcobia Coelho

## Technical and Commercial Directorates

### ENGINEERING AND CONSTRUCTIONS

Carlos José da Silva Manique

## Business Planning and Development Centre

### ASSISTANT BUSINESS COORDINATOR

Luís Miguel Ferreira  
Varela Pais

### BUSINESS ASSISTANTS

José Manuel Couto André

Jorge Manuel Bonifácio  
Pedroso de Almeida

António Lucas Sílvio Casal

João António Castilho Corte  
Real Neiva

Guilhermino da Silva Pinto

Faustino Freitas Ribeiro

04

# Management Report

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In compliance with legal requirements, the Board of Directors hereby presents its Report and Accounts for the 2006 Financial Year

THE ENVIRONMENT BELONGS TO ALL OF US.  
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In 2005, the ENSUL/MECI shareholder investment management company was transformed into ESPHERE CAPITAL, S.G.P.S. S.A. Investment Company with the aim of broadening our business base, venturing into new activity sectors, establishing new partnerships and evolving in terms its concept as an investment company.

This entailed in short, the embodiment of the evolution undertaken by the affiliate companies, ENSUL, S.A. and MECI, S.A., which throughout a constant and sustained expansion process, began to act and intervene far beyond the realm of the business areas for which they were conceived, which essentially revolved around infrastructure construction and engineering activities.

Pursuant to this transformation, ENSUL, S.A. by way of an amendment to its Certificate of Incorporation began trading in 2006 under the name of ENSUL – GESTÃO DE PROJECTOS DE ENGENHARIA, S.A.

Simultaneously, it also underwent the transfer of company headquarters from Lisbon to the district of Almada, reinforcing in this way its connection and approximation with the geographic area in which the Company originated and grew, and where its primary facilities and entire organization structural base have always been located.

## 4.1 General Indicators

|             | <b>2004</b> | <b>2005</b> | <b>2006</b> |
|-------------|-------------|-------------|-------------|
| Production  | 57.715      | 53.173      | 51.203      |
| Net Profit  | 196         | 157         | 154         |
| EBITDA      | 2.461       | 2.568       | 2.883       |
| EBIT        | 1.949       | 2.079       | 2.609       |
| Assets      | 32.370      | 34.637      | 35.437      |
| Liabilities | 24.848      | 26.958      | 27.605      |
| Own Equity  | 7.522       | 7.679       | 7.833       |

TABLE I — **GENERAL INDICATORS**, Unit: Thousands of euros

## 4.2 Sector Classification

The performance of the Portuguese economy in recent years has been especially influenced by the simultaneous occurrence of a series of domestic and foreign shocks. In terms of foreign classification, the increase in the price of petroleum to historically elevated levels, the rise in interest rates and sustained moderate growth in countries within the euro zone have been particularly damaging to the Portuguese economy, resulting in an increased demand for energy per produced unit, the level of national debt and the geographic distribution of Portuguese exports.

On a domestic level, the perception of the need for the excessive trade deficit of the Portuguese economy to be corrected as well as uncertainty regarding the impact of the measures adopted for this aim, have equally contributed to moderating the growth of economic activity.

However, the primary problem faced by the Portuguese economy over the last five years has resided in a permanent lack of investment. The construction industry has been the most penalised part. As a result, Portugal is the only country in the European Union in which investment in construction is set to decrease by around 5% in 2006, compared to an increase of around 3.9% in the euro zone.

Budget policy has not been employed to help reduce the deficit in investment. In real terms, the reduction in public investment in recent years averages 25%.

Public investment in construction throughout 2006 have demonstrated a significantly less favourable trend than was initially predicted and with substantially in terms of the level of works completed, which according to the latest data, has registered a drop across the board in excess of 50%.



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In fact, construction work tenders witnessed sizeable reductions in 2006 both in terms of numbers and figures, rising to 35.8% and 9.4% respectively, and equally for open tenders, and 50.2% and 52% respectively, for adjudicated tenders.

With reference to private works and taking into account the observation of a decrease in municipal licensing in 2005 of the order of 5% and the licensing of units of around 7%, and which in 2006 witnessed a decline in general licenses of 4.4% as well as licenses for unit construction of 3.9%, thus implying that uncertainty remained the dominant characteristic in relation to interest in the investment in private works.

As such, and since less licenses are being awarded, construction is also down. As a result, the number of edifications concluded in 2006 is around 28% lower than those terminated in the same period of 2005, leading to a drop in the conclusion of new family dwelling units of the order of 28%.

Thus this scenario only confirms that the construction industry has substantially retreated throughout 2006 and which merely serves to prolong the period of recession the sector has been experiencing since 2001.

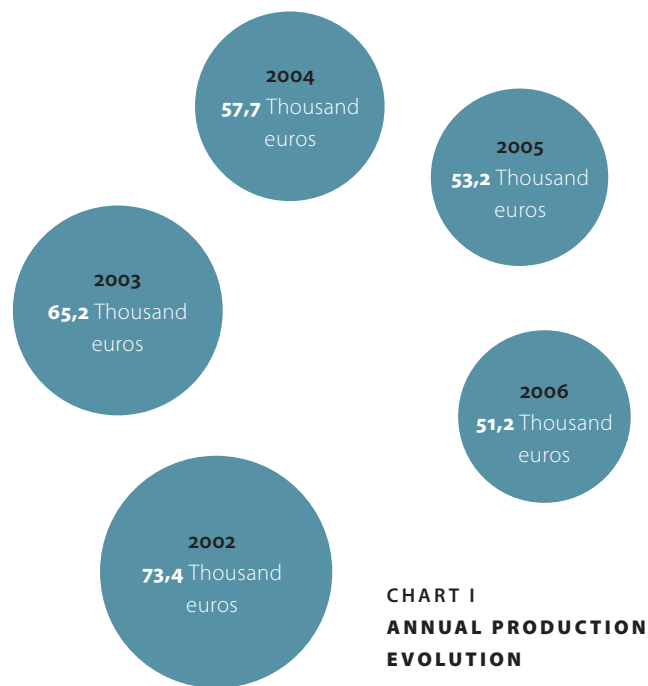
### 4.3 Activity in Portugal

In 2006 and subject to an unfavourable set of conditions, ENSUL production registered a decline of 3.8% in relation to the previous year (51.2 million euros in 2006, compared with 53.2 million euros registered in 2005). (CHART I)

In January 2006, ENSUL began construction of Empreendimento Panoramic, in Parque das Nações, a reference project in the midst of the Group in terms of the dimension of the same and the challenge it represents. In November, works began with the construction of the Almada Business Centre. Both projects have come to consolidate the relationship between ENSUL and the Group's Real Estate company.

2006 also saw the start-up of three projects under a Conception-Construction system within the Environmental sphere (Seixalinho, Afonsoeiro and Alcochete Residential Water Treatment Plants), emphasizing the importance of this business segment in which Ensul has worked on a steady stream of projects.

This year was also marked by the execution in record time of the Portimão Arena, a project carried out under the Conception-Construction system in a period of six months.



## Main projects and customers

### PROJECTS UNDERWAY ON THE CONTINENT

- General Urbanisation Infrastructures, Cell H1 and Water Mains for the Urbanisation of Quinta Fonte da Prata, in Moita; Customer: Fadesa Portugal;
- General Construction work - Earthmoving, Containment, Structures, Finishing and Facilities for Lots 48 and 49 at the Quinta dos Alcoutins, in Lisboa; Customer: HPF – Empreendimentos Imobiliários;
- Conservation and Restoration work on Buildings in the Rua de São Bento, in Lisbon (consortium with Construtora Vila Franca); Customer: Lisbon Town Hall;
- General Construction Contract of Projects for Lots 1.19.1 to 1.19.4 of Empreendimento Panoramic, at Parque das Nações, in Lisbon; Customer: JLF – Sociedade de Construções;
- Penela Substation – Civil Construction Contract; Customer: REN – Rede Eléctrica Nacional;
- Edification of Lot 237 – Rua Pedro José Pezarat, Chelas, in Lisbon; Customer: Cooplar – Cooperativa de Habitação e Construção;
- Almada Business Centre – Excavation & Periphery Contention Works; Customer: JLF – Sociedade de Construções;
- Conception Contract – Construction of Alcochete Sewage Treatment Plant (consortium with Somague Engenharia & Degrémont); Customer: Simarsul, – Sistema Integrado Multimunicipal de Águas Residuais da Península de Setúbal;
- Conception Contract – Construction of Seixalinho and Afonseiro Residential Water Treatment Plants (consortium with Somague Engenharia, e Degrémont); Customer: Simarsul, – Sistema Integrado Multimunicipal de Águas Residuais da Península de Setúbal.

PORTIMÃO ARENA



**PROJECTS CONCLUDED IN 2006:**

- Construction of Centre for Child Development and Psychiatric Service at Garcia de Orta Hospital, in Almada; Customer: Hospital Garcia de Orta;
- Construction of Vista Marina Tourist Apartment block, in Portimão; Customer: Vista Marina . Empreendimentos turísticos e Hoteleiros;
- Construction of Parque da Paz Municipal Stadium, in Almada; Customer: Almada Town Hall;
- Construction of “Ocean View” and “Cascais Riviera” closed condominiums in Cascais; Customer: Clasen – Investimentos Imobiliários;
- Pragal Station & Interface. Reinforcement of the Metro Sul do Tejo Platform Structure; Customer: Rede Ferroviária Nacional – REFER;
- Conception – Construction of the Multiuse Pavilion at the Portimão Parque de Feiras e Exposições; Customer: Expo Arade Estrutura.

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**PROJECTS UNDERWAY IN THE SELF-GOVERNING REGION OF THE AZORES**

— Remodelling and Extension of Casa da Cultura Bensaúde, in Horta, Ilha do Faial – 2nd Phase (consortium with Construtora Vila Franca); Customer: Regional Secretariat of Education & Culture – Regional Culture Office;

— Construction of Escola Básica 2.3 e Ensino Artístico de Angra do Heroísmo, on Terceira Island (consortium with Edifer and Luis Gomes, Successor) Customer: Regional Secretariat for Education and Culture– Regional Education Office.

In a market experiencing continual crisis, ENSUL relies on high quality Technical Staff capable of tackling new challenges, investing in the fidelity of its costumers based on the quality of the services we provide and the projects in which we are involved. Perspectives for 2007 include the continuation of our intervention in the Environment segment and the exploration of new markets in the field of Engineering and Construction, either by way of further specialisation or the development of new business and partnerships.

**PROJECTS CONCLUDED IN 2006:**

Construction of Building C – University Campus Lecture Block of the Azores University in Angra do Heroísmo, Terceira Island (consortium with Construtora Vila Franca); Customer: Azores University;

## 4.4 Activity in Timor

In Timor, 2006 was characterised by vivid social and political instability, primarily in the second and third quarters. The facts referred to above had a negative impact on the dynamics and productivity of projects underway at the Timor Agency, motivated by the lack of personnel and timely supply of materials, without however resulting in the paralysis of agency operational capacity.

The Democratic Republic of East Timor (RDTL), the youngest nation in the world, is facing the phenomena of instability resulting from the process of economic and political growth.

ENSUL, a partner of RDTL with a permanent presence in the territory since 2000, has left an indelible mark as a company of seriousness and quality in all the projects it has participated on, characterized by maintaining with its more than 140 Timorese employees, a tradition of investment in the continual training and integration of the values which we embrace: amplitude, competence, rigour, innovation, vision and credibility.

In the Engineering and Construction business segment, a variety of projects are being executed and underway, with special mention given to the construction of the dormitory building at the Centro Polivalente de Vemasse (Conceptionist Sisters at the Service of the Poor), the rehabilitation works on the Portuguese Embassy residences in Dili, the construction of the Maternity College in Dili (Mater Timor Foundation [Diocese of Dili and Diocese of Baucau]), Construction of the Dili Portuguese School in Dili 2nd Phase (Portuguese Ministry of Education), rehabilitation of GNR quarters in Caicoli, Dili (Ministry of Finance & Planning) or the provision and assembly of the telecommunications towers in Dili, Tibar and Batugadé (Timor Telecom).

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Within the distribution business segment, the aforementioned and already expected drop in the sale of new vehicles motivated by the increased introduction in the territory of used vehicles should be mentioned, with inversely, increased activity in the commercialisation of foodstuff products, especially duty-free products.

Throughout the coming year of 2007, conclusion of works underway is planned, namely of the Portuguese School and Maternity College in Dili.

With the consolidation of the SAP process, inventory and consolidation management of products commercialized will be optimized as a result of the investment to be carried out in the stabilization and development of the respective management systems.

2007 is an electoral year, namely, the elections for President of the Republic and Parliament, which may have an impact on the widening of several economic sectors.

ENSUL remains motivated about the development of its activities in this country whose potential for the realisation of the same will certainly be levered by the organic growth factors of its economy.

Testimony left by ENSUL in Timor and the consistency of the same during critical situations shall without doubt be factors behind the positive differentiation of the same in a country as a reference in terms of personnel and economic potential.

## 4.5 Affiliates

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### **ENSUL ENGENHARIA, SA (TIMOR)**

On 29th December 2006, the ENSUL Engenharia joint-stock company was incorporated in Timor with share capital of 50,000 dollars, 100% controlled by ENSUL.

### **CAMINHOS DO CAMPO, SA**

On 29th December 2006, a model for a public-private sector partnership was incorporated in the joint stock business corporation Caminhos do Campo, SA, in the district of Cartaxo, with the aim of creating, implementing, developing, constructing, installing, managing and preserving municipal buildings and equipment as well as the urban development areas of the district of Cartaxo, in which ENSUL subscribed to a share participation of 8,830 euros, representative of an equal number of shares (8.83%).

## 4.6 Economic and Financial Analysis

### 1. More Relevant Aspects

During the 2006 Financial Year, in terms of economic and financial concerns observe that a number of factors are worthy of mention:

- Reduction in the level of profits, accompanied by the respective reduction in costs;
- Improved rates of profitability in comparison with the previous Financial Year;
- Significant improvement in relation to EBITDA and EBIT and profits;
- Slight increase in assets;
- Maintenance of a balanced financial structure.

### 2. Economic Perspective

#### INCOME

In 2006, total profits reached 52.1 million euros, representing a drop of 5.3 million euros in relation to the 2005 Financial Year. (CHART II)

From an analysis of the evolution of profits, one can mention the following aspects:

- Production has risen to 51.2 million euros;
- Variation in production has risen to 1.1 million euros, a reflection of the difficulty felt in this Financial Year in converting production into profits;
- Significant increase in financial gains.

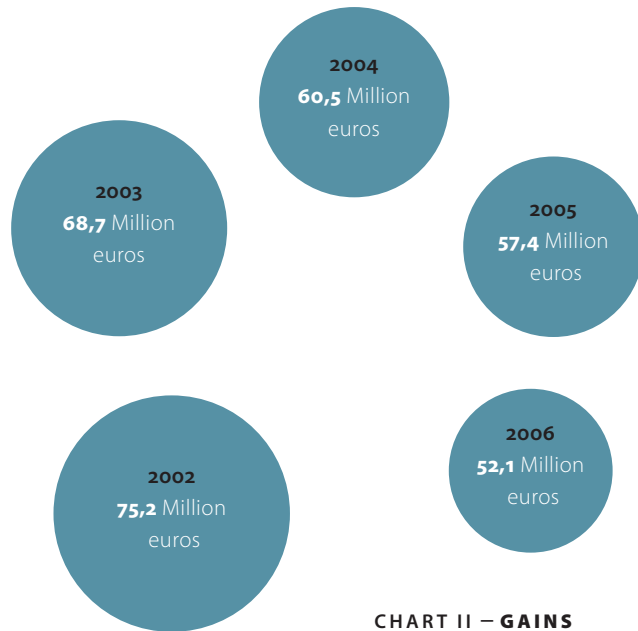


CHART II – GAINS

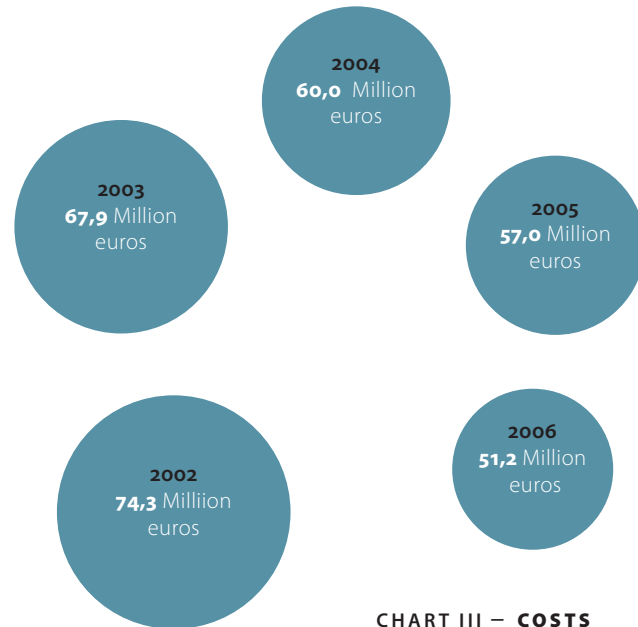


CHART III — COSTS

|                  | 2004      | 2005      | 2006      |
|------------------|-----------|-----------|-----------|
| Operating Profit | 1.736.259 | 1.712.270 | 3.421.911 |
| Pre-Tax Profits  | 453.107   | 473.475   | 846.187   |
| Net Profit       | 196.255   | 157.067   | 153.562   |

TABLE II — RESULTS Unit: Euros

### COSTS

Costs increased in this Financial Year to 51.2 million euros which represents a 5.8 million euro reduction in relation to the previous year. (CHART III)

The following aspects are worthy of mention in terms of cost trends:

- Increased weight of the cost of goods sold and materials consumed, supplies and foreign services;
- Reduced weight of personnel costs, which still reflect the conclusion of the internal re-organisation of the Group;

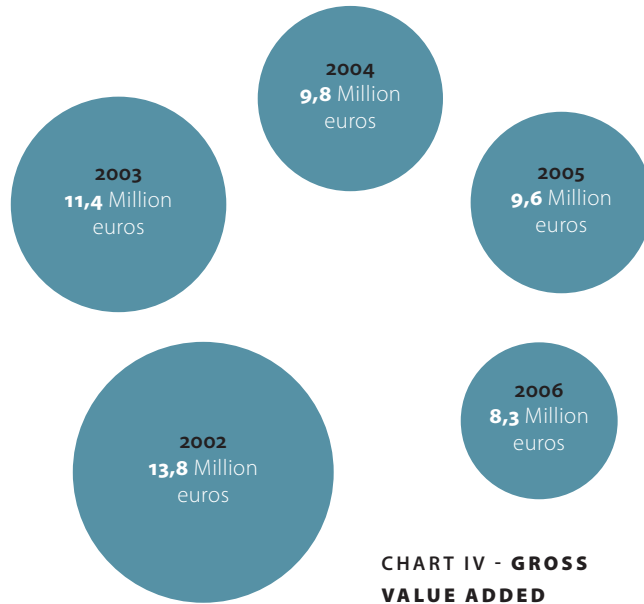
The cost headings of goods sold and goods consumed, supplies and foreign services, as well as personnel costs represent 92% of total costs.

### PROFITS

Despite the drop, although reduced, in activity profits displayed an extremely positive trend:

- Operating profit of 3.4 million euros (+99%) and
- Pre-tax profits of 846 thousand euros (+78%)

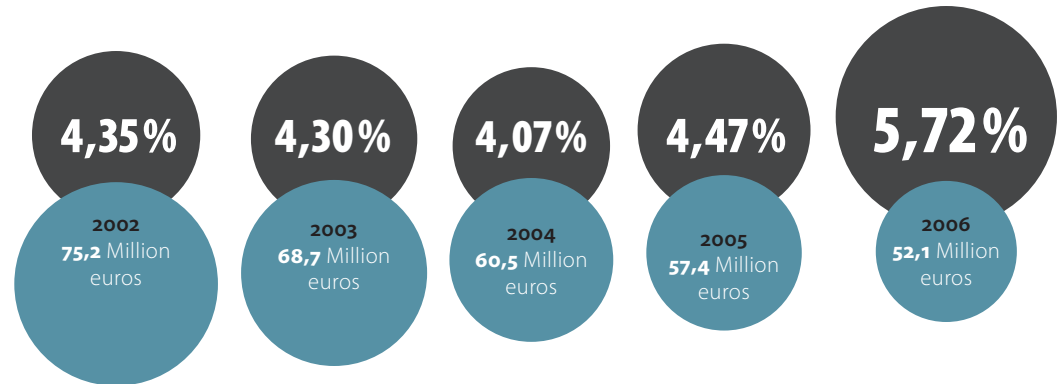
With regard to net profits, the same increased to 153 thousand euros, once again affected by a tax burden of around 82%, which converts into tax of some 692 thousand euros.

**VALUE ADDED**

During 2006, ENSUL generated Gross Added Value of 8.3 million euros, which represents a negative variation compared to 2005 of 13%. (CHART IV)

**EBITDA E EBIT**

Though the decline in activity weighs to an extent, it has been possible to maintain normal levels of profitability, worthy of mentions that EBITDA/Profits also registered a positive variation of 28%, rising from 4.47% in 2005 to 5.72% this year, which also contributed to an actual EBITDA increase in absolute terms of 16%.



**CHART V - EBITDA VS PROFITS** ● EBITDA vs Profits ● Profits

Also in relation to EBIT / Profits also registered a positive variation, in this case of 38%, increasing from 3.62% in 2005 to 5.01% this year. This substantially high variation reflects the fact that EBIT in absolute terms also registered growth of 25%.

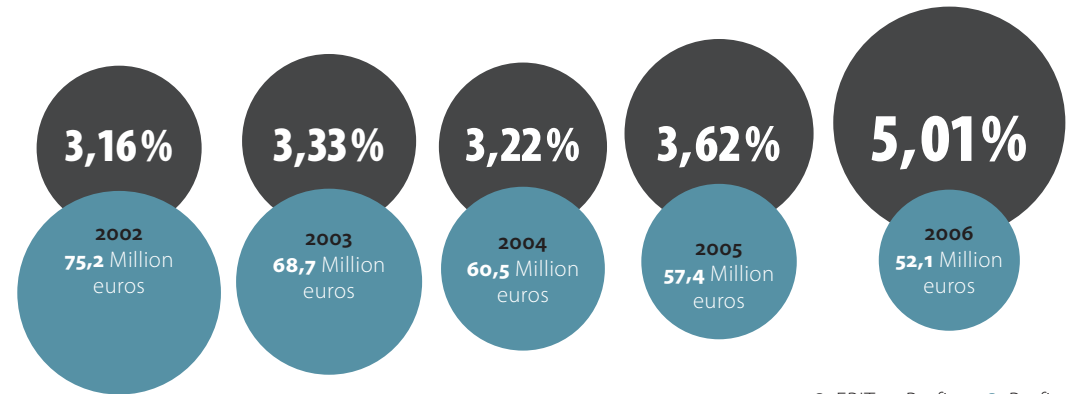


CHART VI – EBIT VS PROFITS ● EBIT vs Profits ● Profits

#### MAIN ECONOMIC INDICATORS

Economic indicators for 2006 were as follows:

|                          | 2004 | 2005 | 2006 |
|--------------------------|------|------|------|
| Sales Profitability      | 3%   | 3%   | 7%   |
| Assets Profitability     | 6%   | 6%   | 7%   |
| Own Equity Profitability | 3%   | 2%   | 2%   |

TABLE III — ECONOMIC INDICATORS

### 3. Financial Outlook

In terms of equity structure, ENSUL presented at the close of 2006, assets of 35.4 million euros, liabilities of 27.6 million euros and company capital of 7.8 million euros.

|             | 2004 | 2005 | 2006 |
|-------------|------|------|------|
| Assets      | 32,4 | 34,6 | 35,4 |
| Liabilities | 24,9 | 26,9 | 27,6 |
| Own Equity  | 7,5  | 7,7  | 7,8  |

TABLE IV – ASSETS STRUCTURE, Unit: Millions of Euros

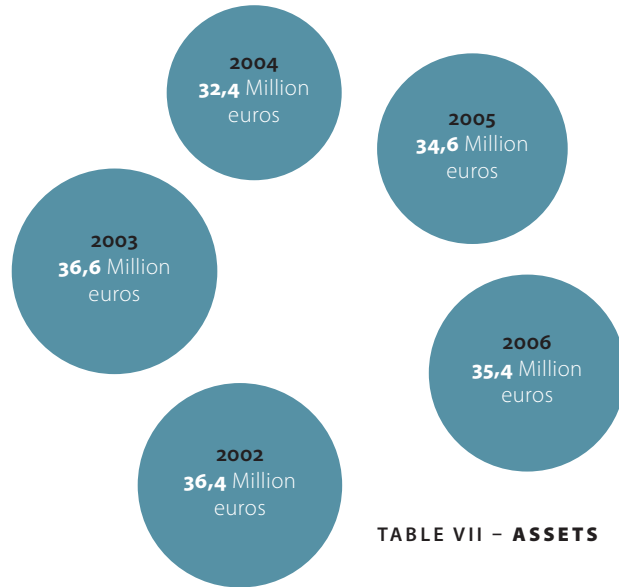


TABLE VII – ASSETS

**ASSETS**

There was a growth of 2% in liabilities, which went from 34.6 million euros to 35.4 million euros. (CHART VII)

From a more detailed analysis of the evolution of assets, the following aspects are worthy of mention:

- Current assets registered a positive variation in relation to 2005, totalling around 34 million euros;
- Non-current assets fell from 1.7 million euros to 1.2 million euros, a result of the transfer of assets to the company incorporated in Timor. All the same, gross investment in 2006 was 0.2 million euros.

|   | 2004       | 2005       | 2006       |
|---|------------|------------|------------|
| Tangible fixed assets                         | 2.027.496  | 1.728.132  | 1.141.624  |
| Intangible fixed assets                       | 179        | 121        | 1.420      |
| Financial Investments in Associated Companies | 1.001      | 1.001      | 98.659     |
| Non-current assets                            | 2.028.676  | 1.729.254  | 1.241.704  |
| Cash & Equivalent plus Short-Term Investment  | 842.217    | 1.125.960  | 308.039    |
| Accounts receivable                           | 21.929.421 | 22.516.541 | 23.966.040 |
| Closing Inventories                           | 6.750.369  | 8.208.344  | 8.994.056  |
| Tax to Recover                                | 125.857    | 175.589    | 698.696    |
| Deferred costs and other current assets       | 693.763    | 881.123    | 228.880    |
| Current assets                                | 30.341.626 | 32.907.557 | 34.195.711 |
| Total Assets                                  | 32.370.301 | 34.636.811 | 35.437.415 |

TABLE V – ASSETS, Unit: Euros

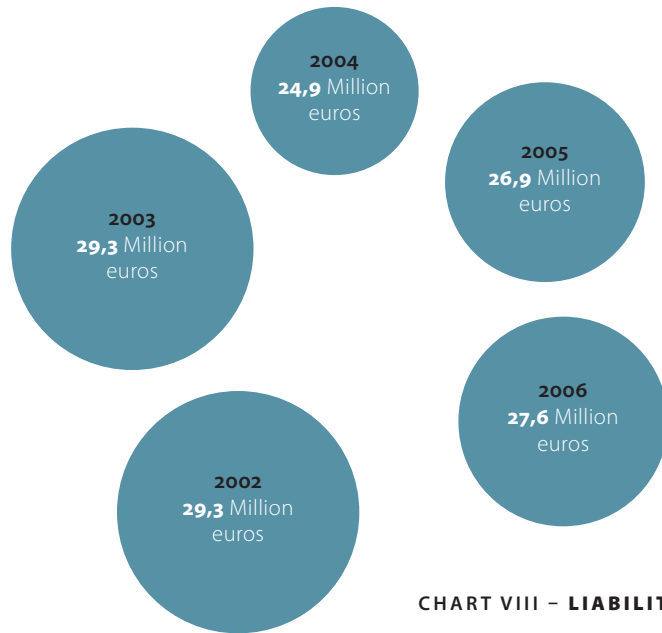


CHART VIII - LIABILITIES

**LIABILITIES**

There was a growth of 3% in liabilities, which went from 26.9 million euros to 27.6 million euros.. (CHART VIII)

With regard to the trend of liabilities, an increase is observed in the level of current liabilities, namely in short-term debt.

|  | 2004       | 2005       | 2006       |
|--|------------|------------|------------|
| Medium and Long-term debts                 | 5.000.000  | 5.000.000  | 5.000.000  |
| Accounts payable                           | 35.664     | 33.020     | 15.608     |
| Tax Payable                                | 0          | 0          | 0          |
| Provisions & Other Non-Current Liabilities | 0          | 0          | 0          |
| Accounts payable                           | 5.035.664  | 5.033.020  | 5.015.608  |
| Short term debts                           | 0          | 1.950.000  | 4.890.000  |
| Accounts payable                           | 15.443.254 | 15.549.869 | 14.474.345 |
| Tax payable                                | 851.436    | 475.963    | 895.902    |
| Deferred costs and other current assets    | 3.517.849  | 3.948.795  | 2.328.833  |
| Current liabilities                        | 19.812.539 | 21.924.627 | 22.589.080 |
| Total liabilities                          | 24.848.203 | 26.957.647 | 27.604.688 |

TABLE VI - LIABILITIES, Unit: Euros

**OWN EQUITY**

Company owned capital rose to 7.8 million euros having registered an increase of around 6% which converts into a net profit of 153 thousand euros generated in the Financial Year.

|            | <b>2004</b> | <b>2005</b> | <b>2006</b> |
|------------|-------------|-------------|-------------|
| Own Equity | 5.250.000   | 5.250.000   | 5.250.000   |
| Reserves   | 2.075.842   | 2.272.098   | 2.429.165   |
| Net Profit | 196.255     | 157.067     | 153.562     |
|            | 7.522.098   | 7.679.165   | 7.832.727   |

TABLE VII - **OWN EQUITY**, Unit: Euros**MAIN FINANCIAL INDICATORS**

With regard to financial structure, the 2006 Financial Year returned the following indicators which demonstrate once again a perfectly balanced and stable financial structure.

|                     | <b>2004</b> | <b>2005</b> | <b>2006</b> |
|---------------------|-------------|-------------|-------------|
| Overall Liquidity   | 1,53        | 1,50        | 1,51        |
| Financial Autonomy  | 23%         | 22%         | 22%         |
| Fixed Assets' Cover | 6,19        | 7,35        | 10,35       |

TABLE VIII - **FINANCIAL INDICATORS**

## 4. Monetary Outlook

### CASH FLOWS

During the 2006 Financial Year, ENSUL returned a negative cash flow of 818 thousand euros and the following trends in the diverse activity flows:

- negative operating activity flow of 2.4 million euros, with emphasis on the increase in third party debts to 1.9 million euros and a reduction in debts to third parties to 2.4 million euros;
- positive investment activity flow of 0.4 million euros;
- positive financial activity flow of 1.2 million euros.

### CASH FLOWS

During the 2006 Financial Year, ENSUL returned gross Cash Flow of 1.2 million euros which reflects an increase in relation to 2005 of 27%. In relation to Net Cash Flow, the same registered a negative variation of 18% having dropped from 0.6 million euros to 0.5 million euros.

|                 | 2004    | 2005    | 2006      |
|-----------------|---------|---------|-----------|
| Net Cash-Flow   | 707.830 | 646.363 | 526.738   |
| Gross Cash-Flow | 964.682 | 962.770 | 1.219.363 |

TABLE IX - TOTAL FREE MEANS, Unit: Euros

## 4.7 Future Prospects

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In total harmony with the mission we have set forth and the values by which we are governed, we intend to continue making Company worth grow in a consistent, sustained manner, based on firm foundations.

For this reason we continue to invest in diversification whether through involvement in areas adjoining current activities in the engineering cluster or the amplification of our presence in foreign markets, subject to prior evaluation and careful selection.

We aim to increasingly deepen our knowledge of the Customer, their respective interests and specific needs, in order to idealize and propose innovative models, susceptible to providing global integrated solutions which better meet and correspond to their expectations, reinforcing the ties of mutual confidence.

We are permanently reinforcing our capacity and knowledge, specializing skills, developing new forms of approaching the market, resorting to more evolved and bold technological solutions, without neglecting competitive efficiency in order to become recognized as active agents and a reference in different knowledge domains, integrating strategic partnerships and being present in the major emblematic projects which are drawn up.

We look to the future with conscious optimism, aware that choices will be met along the way but also safe in the knowledge that we are duly qualified and equipped to correspond to the challenges and opportunities which we have to face, in a climate of constant evolution and accelerated change, thanks to the ever-renewed investment in the training, valorisation and motivation of our employees, who we hope fully identify themselves with the values of the organization and are willing to promote and defend the same with endeavour.

## 4.8 Proposal for the Application of Profits

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Accounts for the 2006 Financial Year returned a positive Net Profit of 153,562.04 euros (one hundred and fifty-three thousand, five hundred and sixty-two euros and four cent), for which the Board of Directors pursuant to the terms of Arts. 66 and 295 of the Companies Act and affords the continuity of the capitalization policy which the Company has always followed, proposes the following application:

|                 |                  |
|-----------------|------------------|
| Legal reserves: | 7.678,10 euros   |
| Free reserves:  | 145.883,94 euros |

*Monte de Caparica, 8th February 2007*

### **BOARD OF DIRECTORS**

*António Simões Marques Couto*

*Carlos Francisco Diniz da Costa*

*Alexandre António da Silva Costa Marques Couto*

*Paulo Alexandre Andrade da Silva*

*Antonio Jorge Aldinhas Ferreira*

05

# Notes to the Management Report

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CONFIRM IF IT'S TRULY NECESSARY.

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Pursuant to Art.448, Item 4, of the Companies Act, shareholders of share participation in excess of 10%, on the date the Financial Year ended, are as follows:

|                              |        |
|------------------------------|--------|
| Esphera Capital – SGPS, S.A. | 66,67% |
| Gestandré – SGPS, S.A.       | 21,90% |
| Laredo, S.A.                 | 10,95% |

# Legal Certification of Accounts

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06

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CONFIRM IF IT'S TRULY NECESSARY.

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## Introduction

**1.** I have examined the attached Accounting Records of ENSUL – GESTÃO DE PROJECTOS DE ENGENHARIA, S.A., which comprise the Balance Sheet on 31st December (which states a total balance of 35,437.415 €, including a positive Net Profit of 153,562 €), the Profit & Loss Statements per nature and function, as well as the Cash Flow Statement for the Financial Year ending on that date and corresponding Appendices.

## Responsibilities

**2.** The Board of Directors of ENSUL – GESTÃO DE PROJECTOS DE ENGENHARIA, S.A., is responsible for the preparation of Accounting Records which represent in a true and appropriate manner, the financial standing of the Company and the profit of its operations, as well as the adoption of adequate policies and criteria, plus the maintenance of an appropriate system of internal control.

**3.** My 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 as to obtain acceptable degree of assurance that the consolidated financial statements are free from any materially relevant financial distortion.

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To this end, the audit included:

- checking, on the basis of a sample, of the support for the sums and affirmations in the financial statements and the assessment of estimates, based on judgements and criteria defined by the Management of ENSUL – Gestão De Projectos de Engenharia, S.A. used in their preparation;
- appraisal of the adequacy of the accounting policies adopted and of their disclosure, taking the circumstances into consideration;
- verification of the applicability of the going-concern principle; and
- appraisal of the adequacy, in overall terms, of the presentation of financial statements.

**5.** I consider that the audit provides an acceptable basis for the expression of my opinion.

### Opinion

**6.** In my opinion, the above-mentioned financial statements are a true and fair expression, in all materially relevant aspects, of the company ENSUL – Gestão de Projectos De Engenharia, S.A., as at 31 December 2006, and the results of its operations and cash flows during the year then ended, in accordance with accounting principles generally accepted in Portugal.

Armando dos Santos Nogueira, ROC, Lisbon, 15 February 2007

# Report and Opinion of the Statutory Auditor

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07

THE ENVIRONMENT BELONGS TO ALL OF US.  
BEFORE PRINTING THIS DOCUMENT, PLEASE  
CONFIRM IF IT'S TRULY NECESSARY.

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Notice to Shareholders,

Pursuant to the law and company bylaws, I am charged with issuing and submitting for your appreciation as Statutory Auditor to the ENSUL – GESTÃO DE PROJECTOS DE ENGENHARIA, S.A., company, my report and findings with regard to the rendering of accounts drawn up by the Board of Directors for the Financial Year ending on 31st December 2006.

In carrying out my functions I have monitored the management and functioning of the Company to a degree considered as convenient, namely by inspecting the Minutes of the Board of Directors with whom I have sat on several occasions, as well as by way of regular contact maintained with the members of the same Board and those responsible for the respective Departments.

I hereby acknowledge my recognition of the availability and total openness which has already characterized the above-mentioned contacts.

With regard to my inspection of the Management Report drawn up by the Board of Directors, I am of the opinion that the same is compliant with all applicable legal procedures, and that which refers to the most relevant aspects which characterize Company activities.

From an analysis of the documents drawn up by the Board of Directors and which along with the Management Report comprise the Balance Sheet, Profit & Loss Statements per nature and function, Cash Flow Statements and respective appendices, I hereby conclude that the same is an exact reflection of the economic and financial situation of the Company on 31st December 2006, with the accounting principles and calculation criteria adopted also worthy of my agreement.

Pursuant to these terms, it is my opinion that there is no reason for not approving:

- a) the Management Report and Accounts presented by the Board and
- b) the Proposal of the Application of said Profits.

Armando dos Santos Nogueira, ROC, Lisbon, 15th February 2007

08

# Financial Statements

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THE ENVIRONMENT BELONGS TO ALL OF US.  
BEFORE PRINTING THIS DOCUMENT, PLEASE  
CONFIRM IF IT'S TRULY NECESSARY.

## 8.1 Balance Sheet

as of 31 December 2006 Unit: euros.

| NOTES  | FINANCIAL YEARS |                               |                     |                      |
|--|-----------------|-------------------------------|---------------------|----------------------|
|  | 2006            |                               | 2005                |                      |
|  | GROSS ASSETS    | DEPRECIATIONS AND ADJUSTMENTS | NET ASSETS          | NET ASSETS           |
| <b>ASSETS</b>  |                 |                               |                     |                      |
| <b>FIXED ASSETS:</b>   |                 |                               |                     |                      |
| <b>Intangible fixed assets</b>                               |                 |                               |                     |                      |
| Start-up costs   | 10 e 14         | 83.763,56                     | 83.763,56           | 0,00                 |
| Industrial property  | 10 e 14         | 16.898,69                     | 15.478,21           | 1.420,48             |
|  |                 | 100.662,25                    | 99.241,77           | 1.420,48             |
| <b>Tangible fixed assets</b>                                 |                 |                               |                     |                      |
| Land and natural resources                                   | 10 e 14         | 37.409,84                     | 0,00                | 37.409,84            |
| Buildings and Other Structures                               | 10 e 14         | 1.004.223,73                  | 367.090,49          | 637.133,24           |
| Basic equipment  | 10 e 14         | 3.071.158,90                  | 2.795.676,03        | 275.482,87           |
| Transport equipment  | 10 e 14         | 951.883,61                    | 929.117,94          | 22.765,67            |
| Tools and Utensils   | 10 e 14         | 810.785,10                    | 738.782,14          | 72.002,96            |
| Administrative equipment                                     | 10 e 14         | 2.327.374,67                  | 2.310.400,62        | 16.974,05            |
| Other tangible fixed assets                                  | 10 e 14         | 519.898,84                    | 440.043,17          | 79.855,67            |
|  |                 | 8.722.734,69                  | 7.581.110,39        | 1.141.624,30         |
| <b>Financial Investments</b>                                 |                 |                               |                     |                      |
| Securities and Other Financial Investment                    | 10, 14 e 16     | 98.658,95                     | 0,00                | 98.658,95            |
|  |                 | 98.658,95                     | 0,00                | 98.658,95            |
| <b>CURRENT ASSETS</b>  |                 |                               |                     |                      |
| <b>Stocks:</b>   |                 |                               |                     |                      |
| Goods  | 41              | 0,00                          | 0,00                | 248.664,40           |
| Raw materials, Sub. materials and consumables                | 41              | 400.043,06                    | 0,00                | 400.043,06           |
| Work in Progress for Production                              | 42              | 8.594.012,80                  | 0,00                | 8.594.012,80         |
|  |                 | 8.994.055,86                  | 0,00                | 8.994.055,86         |
| <b>Accounts Receivable – Short Term</b>                      |                 |                               |                     |                      |
| Customers, current accounts                                  |                 | 23.159.923,69                 | 0,00                | 23.159.923,69        |
| Customers- other receivables                                 |                 | 597.103,41                    | 0,00                | 597.103,41           |
| Advances to Suppliers  |                 | 58.325,70                     | 0,00                | 58.325,70            |
| State and Other Public Bodies                                | 48              | 698.696,11                    | 0,00                | 698.696,11           |
| Other Debtors  |                 | 209.013,02                    | 0,00                | 209.013,02           |
|  |                 | 24.723.061,93                 | 0,00                | 24.723.061,93        |
| <b>Negotiable Securities</b>                                 |                 |                               |                     |                      |
| Other Negotiable Securities                                  |                 | 0,00                          | 0,00                | 0,00                 |
| Other Treasury Investments                                   |                 | 0,00                          | 0,00                | 0,00                 |
|  |                 | 0,00                          | 0,00                | 0,00                 |
| <b>Bank deposits and Cash</b>                                |                 |                               |                     |                      |
| Bank Deposits  |                 | 304.892,12                    |                     | 304.892,12           |
| Cash in hand   |                 | 3.146,99                      |                     | 3.146,99             |
|  |                 | 308.039,11                    |                     | 308.039,11           |
| <b>Accruals and Deferrals</b>                                |                 |                               |                     |                      |
| Accrued Profits  | 48              | 0,00                          |                     | 0,00                 |
| Deferred Costs   | 48              | 170.553,99                    |                     | 170.553,99           |
|  |                 | 170.553,99                    |                     | 170.553,99           |
| <b>Total Amortisation and Depreciation Total Adjustments</b> |                 |                               | <b>7.680.352,16</b> | <b>0,00</b>          |
| <b>Total Assets</b>  |                 | <b>43.117.766,78</b>          | <b>7.680.352,16</b> | <b>35.437.414,62</b> |
|  |                 |                               |                     | <b>34.636.811,44</b> |

| NOTES                                    | FINANCIAL YEARS |                      |                      |
|--|-----------------|----------------------|----------------------|
|  | 2006            | 2005                 |                      |
|  |                 |                      |                      |
| <b>EQUITY AND LIABILITIES</b>            |                 |                      |                      |
| <b>OWN EQUITY::</b>                      |                 |                      |                      |
| Equity                                   | 36 e 40         | 5.250.000,00         | 5.250.000,00         |
| Revaluation Reserves                     | 40              | 0,00                 | 0,00                 |
| Legal Reserves                           | 40              | 126.139,86           | 118.286,50           |
| Free reserves                            | 40              | 2.303.025,04         | 2.153.811,26         |
| Net Profit for the Year                  | 40              | 153.562,04           | 157.067,14           |
| <b>Total Equity</b>                      |                 | <b>7.832.726,94</b>  | <b>7.679.164,90</b>  |
| <b>LIABILITIES:</b>                      |                 |                      |                      |
| Accounts Payable – Medium and Long Term: |                 |                      |                      |
| Debts to Credit Institutions             |                 | 5.000.000,00         | 5.000.000,00         |
| Fixed asset suppliers – current accounts |                 | 15.608,13            | 33.019,74            |
|  |                 | <b>5.015.608,13</b>  | <b>5.033.019,74</b>  |
| <b>Accounts Payable – Short Term</b>     |                 |                      |                      |
| Debts to Credit Institutions             |                 | 4.890.000,00         | 1.950.000,00         |
| Customers w/ Discounted bills            |                 | 597.103,41           | 844.861,55           |
| Advances on Sales                        |                 | 959.173,34           | 2.428.925,10         |
| Suppliers –current accounts              |                 | 14.356.822,03        | 15.479.880,36        |
| Fixed asset suppliers – current accounts |                 | 24.139,37            | 68.221,19            |
| State and Other Public Bodies            | 48              | 895.901,69           | 475.963,23           |
| Other creditors                          |                 | 93.383,12            | 1.767,50             |
|  |                 | 21.816.522,96        | 21.249.618,93        |
| <b>Accruals and Deferrals:</b>           |                 |                      |                      |
| <b>Cost Accruals</b>                     | <b>48</b>       | <b>765.056,59</b>    | <b>617.070,21</b>    |
| Deferred Income                          |                 | 7.500,00             | 57.937,66            |
|  |                 | 772.556,59           | 675.007,87           |
| <b>Total Liabilities</b>                 |                 | <b>27.604.687,68</b> | <b>26.957.646,54</b> |
| <b>Total Equity and Liabilities</b>      |                 | <b>35.437.414,62</b> | <b>34.636.811,44</b> |

## THE CERTIFIED ACCOUNTANT

Fernando Paulo Canaveira Baptista

## THE BOARD OF DIRECTORS

António Simões Marques Couto

Carlos Francisco Diniz da Costa

Alexandre António da Silva Costa Marques Couto

Paulo Alexandre Andrade da Silva

Antonio Jorge Aldinhas Ferreira

## 8.2 Net Profit and Loss Account by Nature

as of 31 December 2006. Unit: Euros.

|   | NOTES  | FINANCIAL YEARS      |                      |
|---|--------|----------------------|----------------------|
|   |        | 2006                 | 2005                 |
| <b>COSTS AND LOSSES</b>                             |        |                      |                      |
| Cost of Goods Sold and Materials Consumed:          |        |                      |                      |
| Goods   | 41     | 634.709,27           | 247.067,26           |
| Materials   | 41     | 5.874.588,33         | 7.200.594,68         |
| External Supplies and Services                      |        | 36.206.960,46        | 38.604.116,42        |
| <b>Personnel Costs:</b>                             |        |                      |                      |
| Salaries and wages                                  |        | 3.643.701,50         | 5.647.748,85         |
| Social charges:                                     |        |                      |                      |
| Pension fund  |        | 2.716,03             | 1.073,08             |
| Others  |        | 823.170,11           | 4.469.587,64         |
| Amort. of Tangible and Intangible Fixed Assets      | 10     | 373.175,96           | 489.295,57           |
| Adjustments   |        | 0,00                 | 0,00                 |
| Provisions  |        | 0,00                 | 373.175,96           |
| Taxation  |        | 229.174,23           | 263.538,06           |
| Other Operational Costs                             |        | 74.587,22            | 303.761,45           |
| (A)   |        | 47.862.783,11        | 83.292,19            |
| Losses in Group Companies and Subsidiaries          |        | 0,00                 | 0,00                 |
| Depreciations and adjustments Financial Investments |        | 0,00                 | 0,00                 |
| Interest and Similar Costs:                         |        |                      |                      |
| Others  | 45     | 1.763.191,98         | 1.763.191,98         |
| (C)   |        | 49.625.975,09        | 1.605.262,22         |
| Extraordinary Costs and Losses                      | 46     | 1.584.672,30         | 55.830.597,67        |
| (E)   |        | 51.210.647,39        | 1.119.739,94         |
| Taxation on Profits for the Year                    | 6 e 48 | 692.624,67           | 56.950.337,61        |
| (G)   |        | 51.903.272,06        | 316.407,66           |
| Net Profit for the Year                             |        | 153.562,04           | 57.266.745,27        |
|   |        | 52.056.834,10        | 157.067,14           |
|   |        |                      | 57.423.812,41        |
| <b>INCOME AND PROFITS</b>                           |        |                      |                      |
| Sales   | 44     | 894.259,29           | 609.388,17           |
| Service Provision                                   | 44     | 49.197.195,74        | 50.091.455,03        |
| Variation in Production                             | 42     | 1.111.349,79         | 50.984.027,88        |
| Supplementary Income                                |        | 80.971,13            | 51.593.416,05        |
| Revenue Grants                                      |        | 0,00                 | 1.541.606,65         |
| Own Work Capitalised                                |        | 0,00                 | 2.764.013,42         |
| Other Operating Income                              |        | 918,00               | 0,00                 |
| Reversals in Depreciations and Adjustments          |        | 0,00                 | 37.755,70            |
| (B)   |        | 81.889,13            | 814,00               |
| Other Interest and Similar Income:                  |        |                      |                      |
| Others  | 45     | 305.515,90           | 51.284.693,95        |
| (D)   |        | 305.515,90           | 55.937.605,82        |
| Extraordinary Income and Profits                    | 46     | 51.590.209,85        | 30.525,44            |
| (F)   |        | 466.624,25           | 30.525,44            |
|   |        | 52.056.834,10        | 55.968.131,26        |
|   |        |                      | 1.455.681,15         |
|   |        |                      | 57.423.812,41        |
| <b>SUMMARY:</b>                                     |        |                      |                      |
| <b>Operating Results: (B) - (A)</b>                 |        | <b>3.421.910,84</b>  | <b>1.712.270,37</b>  |
| <b>Financial Results: (D - B) - (C - A)</b>         |        | <b>-1.457.676,08</b> | <b>-1.574.736,78</b> |
| <b>Current profit: (D) - (C)</b>                    |        | <b>1.964.234,76</b>  | <b>137.533,59</b>    |
| <b>Profit Before Taxation: (F) - (E)</b>            |        | <b>846.186,71</b>    | <b>473.474,80</b>    |
| <b>Net Profit for the Year: (F) - (G)</b>           |        | <b>153.562,04</b>    | <b>157.067,14</b>    |

### THE CERTIFIED ACCOUNTANT

Fernando Paulo Canaveira Baptista

### THE BOARD OF DIRECTORS

António Simões Marques Couto

Carlos Francisco Diniz da Costa

Alexandre António da Silva Costa Marques Couto

Paulo Alexandre Andrade da Silva

Antonio Jorge Aldinhas Ferreira

## 8.3 Profit and Loss Account by Function

as of 31 December 2006. Unit: Euros.

|  | NOTES | FINANCIAL YEARS     |                |
|--|-------|---------------------|----------------|
|  |       | 2006                | 2005           |
| Sales and services rendered                              |       | 51.202.804,82       | 55.899.036,12  |
| Cost of sales and services rendered                      |       | -46.905.561,02      | -51.759.803,48 |
| <b>Gross Profit</b>                                      |       | <b>4.297.243,80</b> | 4.139.232,64   |
| Other operating turnover and profits                     |       | 81.889,13           | 38.569,70      |
| Distribution costs                                       |       | 0,00                | 0,00           |
| Administrative costs                                     |       | -653.460,64         | -2.118.701,72  |
| Other operating costs and losses                         |       | -303.761,45         | -346.830,25    |
| <b>Operating profit</b>                                  |       | <b>3.421.910,84</b> | 1.712.270,37   |
| Net financing cost                                       |       | -1.457.676,08       | -1.574.736,78  |
| Profits/ (losses) in subsidiary and associated companies |       | 0,00                | 0,00           |
| Profits (losses) on other investments                    |       | 0,00                | 0,00           |
| <b>Current profit</b>                                    |       | <b>1.964.234,76</b> | 137.533,59     |
| Taxation on current profits                              | 6     | -692.624,67         | -316.407,66    |
| <b>Current profit after tax</b>                          |       | <b>1.271.610,09</b> | -178.874,07    |
| Extraordinary profits                                    |       | -1.118.048,05       | 335.941,21     |
| Taxation on extraordinary profits                        |       | 0,00                | 0,00           |
| <b>Net Profits</b>                                       |       | <b>153.562,04</b>   | 157.067,14     |
| <b>Profit per share</b>                                  |       | <b>0,15</b>         | 0,15           |

#### THE CERTIFIED ACCOUNTANT

Fernando Paulo Canaveira Baptista

#### THE BOARD OF DIRECTORS

António Simões Marques Couto

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Antonio Jorge Aldinhas Ferreira

## 8.4 Cash Flow Statement

as of 31 December 2006 Unit: Euros.

|   | NOTES    | FINANCIAL YEARS      |                     |
|---|----------|----------------------|---------------------|
|   |          | 2006                 | 2005                |
| <b>OPERATING ACTIVITIES:</b>  |          |                      |                     |
| <b>Net Profit</b>   |          | <b>153.562,04</b>    | <b>157.067,14</b>   |
| <b>Adjustments:</b>   |          |                      |                     |
| Depreciations   |          | 373.175,96           | 489.295,57          |
| Provisions  |          |                      |                     |
| Financial results   |          | 1.457.676,08         | 1.574.736,78        |
| Increases to accounts receivable                                      |          | -3.526.316,22        | -1.623.802,38       |
| Reductions to accounts receivables                                    |          | 1.676.948,53         | 805.385,56          |
| Increases in inventories  |          | -1.111.349,79        | -1.595.694,56       |
| Reductions in inventories   |          | 325.638,30           | 137.718,56          |
| Increases to accounts payable   |          | 511.554,08           | 1.547.945,87        |
| Reductions to accounts payable  |          | -2.902.061,66        | -1.050.633,60       |
| Increases to Deferred Income  |          |                      | 57.937,66           |
| Reductions to Deferred Income   |          | -50.437,66           |                     |
| Increases to Accrued Profits  |          |                      | -51.666,93          |
| Reductions to Accrued Profits   |          | 583.199,12           |                     |
| Increases to Deferred Costs   |          | -54.194,43           |                     |
| Reductions to Deferred Costs  |          |                      | 45.871,12           |
| Increases to accrued Costs  |          | 147.986,38           |                     |
| Reductions to accrued Costs   |          |                      | -395.806,42         |
| Profits in transfer of Fixed assets                                   |          |                      |                     |
| Losses in transfer of Fixed assets                                    |          |                      |                     |
|   |          | -2.568.181,31        | -58.712,77          |
| <b>Cashflow from operating activities [1]</b>                         |          | <b>-2.414.619,27</b> | <b>98.354,37</b>    |
| <b>INVESTMENT ACTIVITIES:</b>   |          |                      |                     |
| <b>Receipts from:</b>   |          |                      |                     |
| Financial Investments   |          | 1,00                 |                     |
| Tangible fixed assets   |          | 448.563,78           | 85.612,88           |
| Intangible fixed assets   |          |                      |                     |
| Investment grants   |          |                      |                     |
| Interest and similar income   |          | 305.515,90           | 30.525,44           |
| Dividends   |          |                      |                     |
|   |          | <b>754.080,68</b>    | <b>116.138,32</b>   |
| <b>Payments related to:</b>   |          |                      |                     |
| Financial Investments   |          | 97.658,95            |                     |
| Tangible fixed assets   |          | 234.576,39           | 275.487,01          |
| Intangible fixed assets   |          | 1.955,00             |                     |
|   |          | 334.190,34           | 275.487,01          |
| <b>Cashflow from investment activities [2]</b>                        |          | <b>419.890,34</b>    | <b>-159.348,69</b>  |
| <b>CASHFLOW FROM INVESTMENT ACTIVITIES RECEIPTS FROM:</b>             |          |                      |                     |
| <b>Loans received</b>   |          |                      |                     |
| Increases in capital, supplementary payments and share issue premiums |          | <b>2.940.000,00</b>  | <b>1.950.000,00</b> |
| Grants and donations  |          |                      |                     |
| Sale of own shares  |          |                      |                     |
| Coverage of damages   |          |                      |                     |
|   |          | 2.940.000,00         | 1.950.000,00        |
| <b>PAYMENTS RELATED TO:</b>   |          |                      |                     |
| <b>Loans received</b>   |          |                      |                     |
| Depreciation on financial leasing contracts                           |          |                      |                     |
| Interest and similar costs  |          | 1.763.191,98         | 1.605.262,22        |
| Dividends   |          |                      |                     |
| Capital reductions and supplementary payments                         |          |                      |                     |
| Purchase of own shares  |          |                      |                     |
|   |          | 1.763.191,98         | 1.605.262,22        |
| <b>Cashflow from investment activities [3]</b>                        |          | <b>1.176.808,02</b>  | <b>344.737,78</b>   |
| <b>Variation in cash and cash equivalents [4] = [1] + [2] + [3]</b>   |          | <b>-817.920,91</b>   | <b>283.743,46</b>   |
| <b>Effect of exchange rate differences</b>                            |          | <b>0,00</b>          | <b>0,00</b>         |
| <b>Cash and cash equivalents at the beginning of the year</b>         | <b>2</b> | <b>1.125.960,02</b>  | <b>842.216,56</b>   |
| <b>Cash and cash equivalents at the end of the year</b>               | <b>2</b> | <b>308.039,11</b>    | <b>1.125.960,02</b> |

#### THE CERTIFIED ACCOUNTANT

Fernando Paulo Canaveira Baptista

#### THE BOARD OF DIRECTORS

António Simões Marques Couto

Carlos Francisco Diniz da Costa

Alexandre António da Silva Costa Marques Couto

Paulo Alexandre Andrade da Silva

Antonio Jorge Aldinhas Ferreira

09

# Notes to the Financial Statements

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## 9.1 Notes to the Balance Sheet and Profit and Loss Account

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### **INTRODUCTORY NOTE**

The objective of this Appendix to the Balance Sheet and Profit & Loss Statement is to transmit information relevant to a reading of the same. The following notes respect the sequential numbering defined in the Official Accounting Plan. Notes for numbers not included in this annex are either not applicable to the Company or their presentation is not relevant.

### **1 – Guidelines of the Official Chart of Applied Accounts**

Financial Statements have been drawn up in accordance with the accounting principles as set forth in the Official Chart of Accounts, namely pursuant to the convention on historical costs and the basis of the continuity of operations, in compliance with the accounting principles of prudence, the specialisation of Financial Years, consistency and substance over form and materiality.

### **2 – Comparability between Balance Sheet Accounting Financial Years and Profit & Loss Statements**

All Balance Sheet accounts and Profit & Loss Statements are perfectly comparable with those of the previous Financial Year, maintaining the same accounting criteria

### 3 – Presentation principles and principal valuation criteria

The principal valuation criteria adopted in the preparation of the financial statements were as follows:

- Assets – all accounts are expressed in Euros in accordance with the existing balance on the date of 31st December 2006;
- Debts from and with third parties – all accounts are expressed in Euros in accordance with the existing balance on the date of 31st December 2006;
- Inventories:
  - Raw materials, subsidiaries and consumption goods are valued at their acquisition price plus the cost of storage, employing the average cost as a costing method;
- Fixed Assets:
  - Intangible – Acquisition cost;
  - Tangible – Acquisition cost;
  - Financial investments – Acquisition cost. No addition or reduction of participation of the difference between the acquisition price and proportional amount of participation in capital owned by the respective affiliate companies has been calculated;
  - Depreciation – is calculated on historical or re-evaluated cost, from the month of entry into operation or the beginning of the use of said assets, in accordance with the method of constant quotas. Depreciation rates correspond to that set forth in the regulative decree 2/90;

— Financial leasing – The financial leasing contracts are reported using the financial method. Thus, the asset is registered as a fixed asset by its acquisition price, responsibility for the same is registered as a liability and interest and depreciation is entered into accounts as a Financial Year cost;

— Specialisation of Financial Years – in accordance with the principle of specialisation, costs and income are acknowledged in the Financial Year they refer to, independent of when the same are paid or received. Differences between these periods are reflected in the respective accruals and deferrals' account;

#### **4 – Exchange rates in foreign currency**

On 31st December 2006, the following exchange rates were employed for the conversion of assets and liabilities expressed in foreign currency:

— American Dollar (USD) 1.3170

#### **6 – Taxation**

The Company is subject to the general regime of Company Income Tax, charged at a rate of 25% plus a local tax of 10%. The calculation of income tax for the Financial Year was prepared in accordance with current tax rules, and for this reason no situation is foreseen which may significantly affect future taxes.

#### **7 – Average number of employees**

During the 2006 financial year, the average number of employees of the Company was 122.

## 10 – Movements in fixed assets

Throughout the 2006 Financial Year, the following transactions occurred in intangible, tangible fixed assets and financial investments:

**GROSS ASSETS**, Unit: Euros

| ITEMS                                     | BALANCE<br>INITIAL  | REVALUATION | ACCRUALS          | DISPOSALS            | TRANSF.<br>DISPOSALS | BALANCE<br>FINAL    |
|---|---------------------|-------------|-------------------|----------------------|----------------------|---------------------|
| <b>INTANGIBLE FIXED ASSETS</b>            |                     |             |                   |                      |                      |                     |
| Disposals                                 | 83.763,56           | 0,00        | 0,00              | 0,00                 | 0,00                 | 83.763,56           |
| Industrial property and other rights      | 65.937,77           | 0,00        | 1.955,00          | -50.994,08           | 0,00                 | 16.898,69           |
|   | <b>149.701,33</b>   | <b>0,00</b> | <b>1.955,00</b>   | <b>-50.994,08</b>    | <b>0,00</b>          | <b>100.662,25</b>   |
| <b>TANGIBLE FIXED ASSETS</b>              |                     |             |                   |                      |                      |                     |
| Land and Natural Resources                | 37.409,84           | 0,00        | 0,00              | 0,00                 | 0,00                 | 37.409,84           |
| Buildings and Other Structures            | 1.331.864,37        | 0,00        | 149.064,27        | -476.704,91          | 0,00                 | 1.004.223,73        |
| Basic Equipment                           | 3.458.853,19        | 0,00        | 30.234,61         | -417.928,90          | 0,00                 | 3.071.158,90        |
| Transport Equipment                       | 1.380.668,20        | 0,00        | 24.214,70         | -452.999,29          | 0,00                 | 951.883,61          |
| Tools and utensils                        | 860.666,29          | 0,00        | 26.634,90         | -75.526,66           | -989,43              | 810.785,10          |
| Administrative equipment                  | 2.334.960,42        | 0,00        | 3.401,98          | -10.987,73           | 0,00                 | 2.327.374,67        |
| Other tangible fixed assets               | 527.455,94          | 0,00        | 1.025,93          | -8.583,03            | 0,00                 | 519.898,84          |
|   | <b>9.931.878,25</b> | <b>0,00</b> | <b>234.576,39</b> | <b>-1.442.730,52</b> | <b>-989,43</b>       | <b>8.722.734,69</b> |
| <b>FINANCIAL INVESTMENTS</b>              |                     |             |                   |                      |                      |                     |
| Securities and Other Financial Investment | 1.001,00            | 0,00        | 97.658,95         | -1,00                | 0,00                 | 98.658,95           |
|   | <b>1.001,00</b>     | <b>0,00</b> | <b>97.658,95</b>  | <b>-1,00</b>         | <b>0,00</b>          | <b>98.658,95</b>    |

In addition, throughout the 2006 Financial Year, the following depreciation transactions were registered:

**DEPRECIATIONS AND ADJUSTMENTS**, Unit: Euros

| ITEMS                                     | INITIAL BALANCE     | REINFORCEMENT     | REGULARISATIONS    | CLOSING BALANCE     |
|---|---------------------|-------------------|--------------------|---------------------|
| <b>INTANGIBLE FIXED ASSETS</b>            |                     |                   |                    |                     |
| Start-up costs                            | 83.763,56           | 0,00              | 0,00               | 83.763,56           |
| Industrial property and other rights      | 65.816,94           | 655,35            | -50.994,08         | 15.478,21           |
|   | <b>149.580,50</b>   | <b>655,35</b>     | <b>-50.994,08</b>  | <b>99.241,77</b>    |
| <b>TANGIBLE FIXED ASSETS</b>              |                     |                   |                    |                     |
| Land and Natural Resources                | 0,00                | 0,00              | 0,00               | 0,00                |
| Buildings and Other Structures            | 426.093,72          | 102.465,81        | -161.469,04        | 367.090,49          |
| Basic Equipment                           | 2.991.307,72        | 121.198,20        | -316.829,89        | 2.795.676,03        |
| Transport Equipment                       | 1.318.909,63        | 45.564,49         | -435.356,18        | 929.117,94          |
| Tools and utensils                        | 758.815,94          | 41.043,38         | -61.077,18         | 738.782,14          |
| Administrative equipment                  | 2.301.527,11        | 10.212,37         | -12.975,54         | 2.298.763,94        |
| Other tangible fixed assets               | 407.091,83          | 40.399,68         | -7.448,34          | 440.043,17          |
|   | <b>8.203.745,95</b> | <b>360.883,93</b> | <b>-995.156,17</b> | <b>7.569.473,71</b> |
| <b>FINANCIAL INVESTMENTS</b>              |                     |                   |                    |                     |
| Securities and Other Financial Investment | 0,00                | 0,00              | 0,00               | 0,00                |
|   | <b>0,00</b>         | <b>0,00</b>       | <b>0,00</b>        | <b>0,00</b>         |

## 12 – Basic Legislation for the Re-evaluation of Fixed Assets

The laws pursuant to which the re-evaluation of fixed assets was carried out were the following:

Decree-Law 118-B/86 of 27th May

Decree-Law 111/88 of 2nd April

Decree-Law 49/91 of 25th January

Decree-Law 264/92 of 24th November

## 14 – Fixed Assets

Company fixed assets are distributed in the following manner:

**FIXED ASSETS**, Unit: Euros

| ITEMS  | VALUE               |
|--|---------------------|
| Fixed assets owned by third parties            | 0,00                |
| IFixed assets assigned to company activity     | 8.823.396,94        |
| Fixed assets implanted in third party property | 0,00                |
| Fixed assets located abroad                    | 0,00                |
| Reversible fixed assets                        | 0,00                |
|  | <b>8.823.396,94</b> |

## 15 – Assets under leasing contracts

The following assets under leasing contracts as at 31 December 2006:

### ASSETS UNDER LEASING CONTRACTS, Unit: Euros

| ITEMS                          | VALUE<br>CONTRACT | VALUE FROM<br>ACCOUNT 42 | VALUE FROM<br>ACCOUNT 48 | NET VALUE<br>ACCOUNTING | RENTS<br>DUE     |
|--------------------------------|-------------------|--------------------------|--------------------------|-------------------------|------------------|
| Land and Natural Resources     | 0,00              | 0,00                     | 0,00                     | 0,00                    | 0,00             |
| Buildings and Other Structures | 0,00              | 0,00                     | 0,00                     | 0,00                    | 0,00             |
| Basic Equipment                | 147.740,00        | 147.740,00               | 71.380,59                | 76.359,41               | 33.082,66        |
| Transport Equipment            | 78.373,06         | 78.373,06                | 56.353,48                | 22.019,58               | 0,00             |
| Tools and utensils             | 0,00              | 0,00                     | 0,00                     | 0,00                    | 0,00             |
| Administrative equipment       | 0,00              | 0,00                     | 0,00                     | 0,00                    | 0,00             |
| Other tangible fixed assets    | 0,00              | 0,00                     | 0,00                     | 0,00                    | 0,00             |
|                                | <b>226.113,06</b> | <b>226.113,06</b>        | <b>127.734,07</b>        | <b>98.378,99</b>        | <b>33.082,66</b> |

## 16 – Group Companies, Associated Companies and Subsidiaries

On 31st December 2006, financial investments in group companies and associated companies as well as the primary financial information of the same are the following:

**FINANCIAL PARTICIPATIONS**, Unit: Euros

| <b>NAME</b>                     | <b>COMPANY HEADQUARTERS</b> | <b>SHARE PARTICIPATION PERCENTAGE</b> | <b>OWN EQUITY (2005)</b> | <b>PROFIT NET (2005)</b> |
|---------------------------------|-----------------------------|---------------------------------------|--------------------------|--------------------------|
| Caminhos do Campo, S.A.         | Cartaxo                     | 8,83                                  | 0,00                     | 0,00                     |
| Ensul – Engenharia, S.A.        | Timor                       | 100,00                                | 0,00                     | 0,00                     |
| Vista Marina, Lda               | Lisbon                      | 10,00                                 | -362.522,04              | -313.774,25              |
| Imobiliária Monte Aventino, Lda | Lisbon                      | 10,00                                 | 2.144.878,59             | 429.237,85               |
| Metro do Lumiar, Ace            | Caparica                    | 50,00                                 | -0,05                    | 0,00                     |

### 32 – Bank Guarantees provided to third parties

Total bank guarantees which the Company had provided on 31st December 2006 rose to 35,125,588.14 euros and were pertinent to guarantees of sound execution and financial guarantees (advances).

### 36 – Composition of Share Capital

On 31st December 2006, company share capital is wholly subscribed and paid up and represented by 1,050,000 bearer shares with a nominal value of 5 €.

#### COMPOSIÇÃO DO CAPITAL SOCIAL

| ITEM   | NUMBER OF SHARES | %              |
|--|------------------|----------------|
| Esphera Capital, SGPS, S.A.                                  | 700.000          | 66,67%         |
| Gestandré – Sociedade Gestora de Participações Sociais, S.A. | 230.000          | 21,90%         |
| Laredo, SA   | 115.000          | 10,95%         |
| Maria Simões Marques Couto André                             | 5.000            | 0,48%          |
|  | <b>1.050.000</b> | <b>100,00%</b> |

### 37 – More than 20% Participation in Company Share Capital

On 31st December 2006, the following constituted Company participation in the share capital of other companies in excess of 20%:

|                              |        |
|------------------------------|--------|
| Esphera Capital – SGPS, S.A. | 66,67% |
| Gestandré – SGPS, S.A.       | 21,90% |

### 40 – Variation in own equity accounts

Transactions under the Company owned equity heading during the 2006 Financial Year were as follows:

**OWN EQUITY**, Unit: Euros

| ITEMS                   | INITIAL BALANCE     | ACCRUALS          | DISPOSALS         | CLOSING BALANCE     |
|-------------------------|---------------------|-------------------|-------------------|---------------------|
| Capital                 | 5.250.000,00        | 0,00              | 0,00              | 5.250.000,00        |
| Revaluation Reserves    | 0,00                | 0,00              | 0,00              | 0,00                |
| Legal reserves          | 118.286,50          | 7.853,36          | 0,00              | 126.139,86          |
| Free reserves           | 2.153.811,26        | 149.213,78        | 0,00              | 2.303.025,04        |
| Net Profit for the Year | 157.067,14          | 153.562,04        | 157.067,14        | 153.562,04          |
|                         | <b>7.679.164,90</b> | <b>310.629,18</b> | <b>157.067,14</b> | <b>7.832.726,94</b> |

## 41 – Cost of materials consumed

The cost of materials consumed during the 2006 Financial Year was the following:

### COST OF MATERIALS CONSUMED, Unit: Euros

| MOVEMENTS                   | GOODS             | RAW MATERIALS,<br>SUBSIDIARY MATERIALS<br>AND CONSUMABLES |
|-----------------------------|-------------------|---|
| Opening inventories         | 248.664,60        | 477.016,96  |
| Purchases                   | 386.044,67        | 5.797.614,43  |
| Regularisation of inventory | 0,00              | 0,00  |
| Closing Inventories         | 0,00              | 400.043,06  |
|                             | <b>634.709,27</b> | <b>5.874.588,33</b>                                       |

## 42 – Variation in production

Variation in production throughout the 2006 Financial Year was as follows :

### VARIATION IN PRODUCTION, Unit: Euros

| TRANSACTIONS                 | PRODUCTS<br>FINISHED AND<br>INTERMEDIARIES | SUBPRODUCTS,<br>WASTE,<br>RESIDUALS & REFUSE | PRODUCTS<br>AND WORKS<br>UNDERWAY |
|------------------------------|--|--|-----------------------------------|
| Opening inventories          | 0,00                                       | 0,00   | 7.482.663,01                      |
| Regularisation of inventory  | 0,00                                       | 0,00   | 0,00                              |
| Closing Inventories          | 0,00                                       | 0,00   | 8.594.012,80                      |
| <b>Financial Year Income</b> | <b>0,00</b>                                | <b>0,00</b>                                  | <b>1.111.349,79</b>               |

### 43 – Remuneration of the Members of the Corporate Bodies

Remuneration allocated to the members of corporate bodies throughout the Financial Year which ended on 31st December 2006 was as follows:

**CORPORATE BODY REMUNERATION**, Unit: Euros

| <b>CORPORATE BODIES</b> | <b>REMUNERATION</b> |
|-------------------------|---------------------|
| Board of Directors      | 0,00                |
| Statutory Auditor       | 12.000,00           |
|                         | <b>12.000,00</b>    |

No responsibilities were undertaken with regard to retirement pensions for the members of corporate bodies.

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## 44 – Sales and services rendered by activity and geographical market

Sales and provisions of services on 31st December 2006 were distributed as follows:

**SALES AND SERVICES RENDERED**, Unit: Euros

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| ITEM     | VALUE                |
|----------|----------------------|
| Portugal | 47.422.696,34        |
| Timor    | 2.668.758,69         |
|          | <b>50.091.455,03</b> |

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## 45 – Financial Profit and Loss Account

Financial statements for the Financial Years ending on 31st December 2006 and 2005 can be broken down in the following manner:

### STATEMENT OF FINANCIAL INCOME, Unit: Euros

| COSTS AND LOSSES                            | FINANCIAL YEARS   |                  |
|---|-------------------|------------------|
|   | 2006              | 2005             |
| Interest paid                               | 1.306.122,94      | 1.164.915,25     |
| Unfavourable exchange rate differences      | 10.985,97         | 0,00             |
| Losses in the sale of treasury applications | 6.428,47          | 0,00             |
| Other financial costs                       | 439.654,60        | 440.346,97       |
| Financial Profit and Loss Account           | -1.457.676,08     | -1.574.736,78    |
|   | <b>305.515,90</b> | <b>30.525,44</b> |
| <b>INCOME AND PROFITS</b>                   |                   |                  |
| Interest paid                               | 2.050,52          | 2.624,27         |
| Income from capital shares                  | 5.548,05          | 0,00             |
| Share dividends                             | 0,00              | 6.077,74         |
| Discounts for prompt payment granted        | 31.286,51         | 15.267,92        |
| Gains from sale of treasury applications    | 87.865,67         | 0,00             |
| Other financial profits                     | 178.765,15        | 6.555,51         |
|   | <b>305.515,90</b> | <b>30.525,44</b> |

## 46 – Extraordinary Profit and Loss Account

Extraordinary Profit & Loss statements for the Financial Years ending on 31st December 2006 and 2005 can be broken down in the following manner:

### EXTRAORDINARY PROFIT & LOSS STATEMENT, Unit: Euros

| COSTS AND LOSSES                                | FINANCIAL YEARS   |                     |
|---|-------------------|---------------------|
|   | 2006              | 2005                |
| Donations                                       | 5.897,84          | 1.097,36            |
| Bad debts written off                           | 0,00              | 5.484,15            |
| Inventory losses                                | 251,73            | 99.807,70           |
| Losses in fixed assets                          | 26.841,40         | 0,00                |
| Fines and penalties                             | 18.246,95         | 14.593,25           |
| Corrections related to previous Financial Years | 310.005,51        | 324.850,96          |
| Other extraordinary costs and losses            | 1.223.428,87      | 673.906,52          |
| Extraordinary Income                            | -1.118.048,05     | 335.941,21          |
|   | <b>466.624,25</b> | <b>1.455.681,15</b> |
| INCOME AND PROFITS                              | 2006              | 2005                |
| Gains in fixed assets                           | 109.735,66        | 26.117,47           |
| Benefits from contractual penalties             | 0,00              | 25.551,15           |
| Corrections related to previous Financial Years | 46.275,13         | 43.819,16           |
| Other extraordinary income and profit           | 310.613,46        | 1.360.193,37        |
|   | <b>466.624,25</b> | <b>1.455.681,15</b> |

## 48 – Other Information

On 31st December 2006, the balance of accruals and deferrals were composed as follows:

### ACCRUALS AND DEFERRALS, Unit: Euros

| ITEMS                            | FINANCIAL YEARS   |                   |
|----------------------------------|-------------------|-------------------|
|                                  | 2006              | 2005              |
| <b>ACCRUED PROFITS</b>           |                   |                   |
| Accruals from Timor agency gains | 0,00              | 583.199,12        |
|                                  | 0,00              | 583.199,12        |
| <b>DEFERRED COSTS</b>            |                   |                   |
| Insurance                        | 37.889,86         | 4.534,63          |
| Financial costs                  | 120.465,04        | 93.603,02         |
| Maintenance and repair           | 0,00              | 270,97            |
| Other supplies and Services      | 1.927,64          | 7.223,08          |
| Taxation                         | 1.253,02          | 2.413,27          |
| Others                           | 9.018,43          | 8.314,59          |
|                                  | <b>170.553,99</b> | <b>116.359,56</b> |
| <b>COST ACCRUALS</b>             |                   |                   |
| Insurances payable               | 33.653,82         | 50.670,19         |
| Remunerations payable            | 461.200,90        | 378.702,54        |
| Supplies and services            | 83.891,25         | 42.879,48         |
| Personnel costs                  | 20,00             | 40.100,00         |
| Financial costs                  | 174.849,38        | 99.828,71         |
| Others                           | 11.441,24         | 4.889,29          |
|                                  | <b>765.056,59</b> | <b>566.400,02</b> |
| <b>DEFERRED INCOME</b>           |                   |                   |
| Gains deferred from Timor agency | 0,00              | 57.937,66         |
| Other deferred profits           | 7.500,00          | 0,00              |
|                                  | <b>7.500,00</b>   | <b>57.937,66</b>  |

On 31st December 2006, the balance from state public sector institutions, all subject to the respective legal periods, were as follows:

**STATE & OTHER PUBLIC BODIES**, Unit: Euros

| ITEMS   | FINANCIAL YEARS |            |
|---|-----------------|------------|
|   | 2006            | 2005       |
| Income tax                                      | 413.810,55      | 129.697,56 |
| Income tax withholding                          | 42.058,31       | 41.202,52  |
| VAT   | -328.184,86     | 55.468,51  |
| Stamp Duty                                      | 45,00           | 4.207,98   |
| Contributions to the Social Security Department | 68.948,25       | 71.045,79  |
| State and other public bodies others            | 528,33          | 0,00       |
| State and other public bodies - Timor           | 0,00            | -1.248,40  |

## 9.2 Notes to the Cash Flow Statement

### 2 – Cash flow components and equivalents

Cash flow components and equivalents on 31st December 2006 and 2005 are as follows:

**CASH FLOW COMPONENTS AND EQUIVALENTS**, Unit: Euros

| <b>COMPONENTS</b>                                | <b>2006</b>       | <b>2005</b>         |
|--|-------------------|---------------------|
| Cash   | 3.146,99          | 116.965,09          |
| Demand bank deposits                             | 304.892,12        | 815.449,30          |
| Cash equivalent items                            | 0,00              | 0,00                |
| <b>Cash and equivalents</b>                      | <b>308.039,11</b> | <b>932.414,39</b>   |
| Other bank and cash                              | 0,00              | 193.545,63          |
| <b>Banks and cash according to Balance Sheet</b> | <b>308.039,11</b> | <b>1.125.960,02</b> |

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