

MECI, 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 external 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 of 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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# Organisation Chart

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01

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**

Electricity & Urbanisation  
 Gas & Water  
 Communication & Systems  
 Engineering and Construction

**Business Planning & Development Centre**

**Staff Bodies**

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

**Logistics Directorates**

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

**Agencies & Affiliates**

02

## Corporate Bodies

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## Board of the General Shareholders' Meeting

### CHAIR

José Fernando Assis  
do Nascimento

### VICE CHAIR

Vítor Manuel Pereira  
de Almeida

### SECRETARY

António José Lucas  
Sílvio Casal

## Board of Directors

### CHAIR

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

### PERMANENT

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

## Administrative Staff Bodies

### LEGAL DEPARTMENT

José Fernando Assis  
do Nascimento

### AUDITING AND 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

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## Technical and Commercial Directorates

### **ELECTRICITY & URBANISATION**

Vítor Manuel Pereira de Almeida

### **GAS & WATER**

Domingos Gonçalo Soares Sampaio

### **COMMUNICATIONS & SYSTEMS**

Arnaldo José Andrade Gaspar

## 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

# Directors' Report

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

THE ENVIRONMENT BELONGS TO ALL OF US.  
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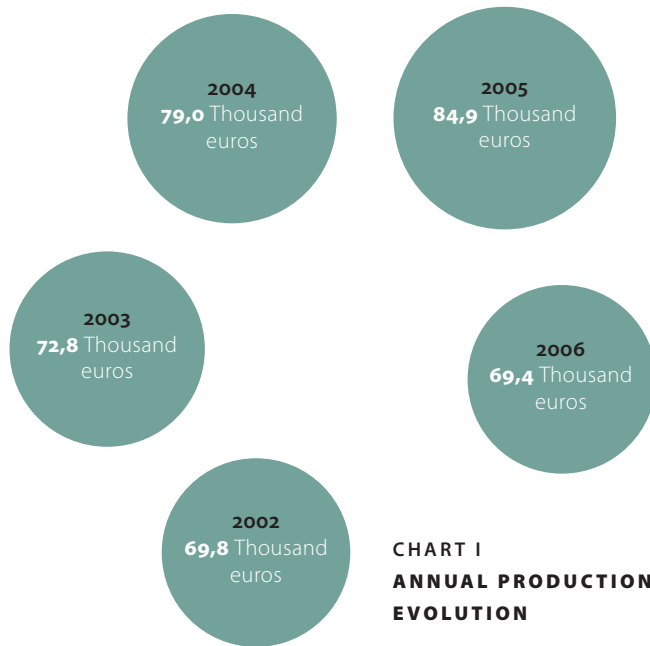
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In 2005, the ENSUL/MECI shareholder investment management company was transformed into ESPHERE CAPITAL, S.G.P.S., S.A. investment company, with the aim of broadening our business base, venturing into new activity sectors, establishing new partnerships 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, MECI, S.A. by way of an amendment to its Certificate of Incorporation began trading in 2006 under the name of MECI – 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

	2004	2005	2006
Production	79.023	84.925	69.407
Net Profit	648	694	521
EBITDA	4.734	4.889	4.564
EBIT	2.542	2.639	2.684
Assets	34.201	42.732	40.892
Liabilities	25.638	33.475	31.113
Own Equity	8.563	9.257	9.778

TABLE I — GENERAL INDICATORS, Unit: Thousands of Euros

## 4.2 Productive Activity

In 2006, MECI production registered a decline of 18.3% in relation to the previous year dropping from 84.9 million euros in 2005 to 69.4 million euros in 2006. (CHART I)

## 4.2.1 Activity in Portugal

### Water

2006 was characterised in the market by the verified widening of the level of large-scale construction projects in transport and distribution networks, whilst in the provision of services, namely residential technical assistance services, a significant increase was registered, a result of the increase in investments made by companies (municipalized services and concessionaires), with special relevance for the replacement of metering equipment.

Said fact enabled MECI to attract new customers which allied with the constant training of its technical staff and the introduction of new technology in this area, enables us to forecast an increase in our business volume for the coming year.

Construction, maintenance and management of supply infrastructures are areas in which MECI has come to provide a professional and comprehensive service.

#### **WATER DISTRIBUTION NETWORKS**

Wide experience in electricity, gas, telecommunications and water transport and distribution infrastructure has enabled MECI in this area to acquire a position as market leader.

Within the context of water network construction and remodelling, MECI has carried out a number of works of reference for both public and private sector entities thus equipping us with the technical competence to face any challenge which is placed before us.

In 2006, special merit goes to the conclusion of the Network Renovation Projects (PRR's), namely PPF 23 and PRR 32 for EPAL, a company of reference in the segment which allowed for hundreds of metres of PEAD and FFD piping to be renewed with a view to optimising the respective infrastructures.

We also single out the construction of the water main channel in FF DN 500 and DN 600 in the District of Moita.

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**RESIDENTIAL TECHNICAL ASSISTANCE**

The professionalism, technical competence and quality of service provided by MECI in the development of its activities in conjunction with the largest entities in the segment, has enabled the Company's position as a reference on a national level to be solidified, thus providing for an effective response to current demands and the generalised recognition of a capacity to face the challenges of the future with success.

Use of the management information systems of our customers (SCGA, ELAG, CITRIX/SIGC, AQUA MANAGER), based around a direct relationship of partnership and trust, has enable gains in efficiency and effectiveness to be achieved in terms of responding to end customers, namely at the level of compliance with time schedules, and as such a substantial reduction in scheduling for services to be concluded and the availability of information, which results in the consequent increase in satisfaction levels.

The activities carried out by MECI in this area cover specifically the installation and replacement of water metering equipment, the interruption and reconnection of water supplies, reading water metering equipment, the remodelling of residential branches and residential technical assistance patrol.

The level of satisfaction of our customers is very evident in the continuation of ongoing projects, specifically for EPAL, SMAS of Sintra, Almada and Loures, as well as for Grupo Águas de Portugal, through concessions for Águas de Cascais, Sado, Alenquer and Figueira da Foz. The work carried out for our customers SMAS of Porto and the EXPO Park are also worthy of mention.

## Communications

By way of the constant training of our technical staff and the updating of equipment and technology, MECI is today placed at the vanguard of communications' infrastructure construction, well placed as an integrator of "Turnkey" solutions and projects.

2006 was marked by a decline in investment on the part of Operators motivated above all else by lack of definition in the segment resulting from PT OPA. MECI, however, has managed to maintain a position of merit, setting up a number of partnerships with mention worthy of the conception/construction projects carried out within the sphere of the Digital Towns/Cities & Regions and LMDS projects, for the Vodafone transmission area with new PMP technology as a result of a partnership which began in 2001 with the American company Hughes, the leader in this type of technology.

In 2007, we shall continue to develop projects for our traditional customers, emphasising participation in the Digital Towns/Cities & Regions projects, affording Municipal Networks special attention which are to be classified for funds provided by QREN.



LOW ENVIRONMENTAL  
IMPACT STATION

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**THE MOST RELEVANT PROJECTS CARRIED OUT IN THE AREA OF COMMUNICATIONS IN 2006 WERE:**

- Transmission – after conclusion of tests carried out on a model facility and the validation of equipment of the “Hughes” brand, the construction project of a transmission network via cells for Vodafone got underway. This global project consisted of the implementation of sight lines to the base stations, radio planning, the construction of base and remote stations as well as the integration of the network, transporting the PT circuits to the constructed transmission network. With this turnkey process, new technological knowledge and the integration of equipment was acquired which may be a relevant factor for the future;
- Construction of new stations in buildings and in the field, construction of low environmental impact stations, the reengineering of existing sites and the provision of engineering services under an outsourcing regime to Vodafone;
- Construction of subsoil and fibre optic infrastructure to support the MAN's of ONI Telecom;
- Installation of customer terminal equipment for ONI Telecom;
- Construction of Broad Band town council network - Península Digital;
- Construction of Broad Band municipal network - Loures Digital; and
- Certification of Telecommunications' Infrastructure in buildings, support by MECI recognition by ANACOM as a certified entity.

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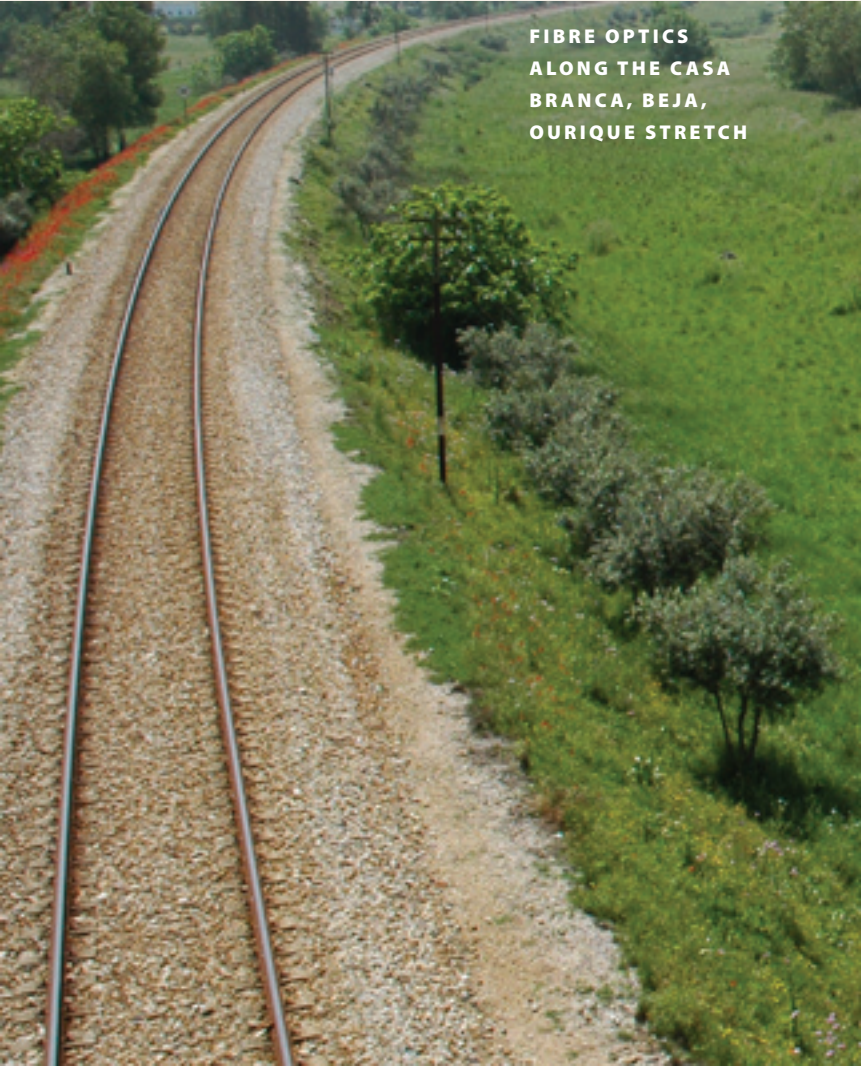
## Energy Efficiency

Energy and the Environment are themes which are the order of the day. Reducing costs and promoting energy efficiency, reducing dependence on petroleum and reducing CO<sub>2</sub> emissions, have led to the heralding of a variety of activities, solutions and specific programmes which seek to meet these challenges.

MECI strategy in investing in consultancy and maintenance services and in the application of innovative technology in order to increase energy efficiency has been constantly put into practice throughout 2006 with the following projects worthy of mention:

- Installation of MISER Energy Efficiency Equipment for the Port of Sines;
- Installation of MISER Energy Efficiency Equipment, thermography and maintenance of Electricity Switchboards for Renova;
- Study of architecture, electrical installations and Voice & Data Structured Grid of the Building of the Games Department of Santa Casa Misericórdia in Lisbon, and
- Thermography of Electricity Switchboards - Building of the Games Department of Santa Casa Misericórdia in Lisbon.

For 2007, we hope to reinforce our activity in this segment which it is predicted will be of increasing importance to our Country.



FIBRE OPTICS  
ALONG THE CASA  
BRANCA, BEJA,  
OURIQUE STRETCH

## Rail

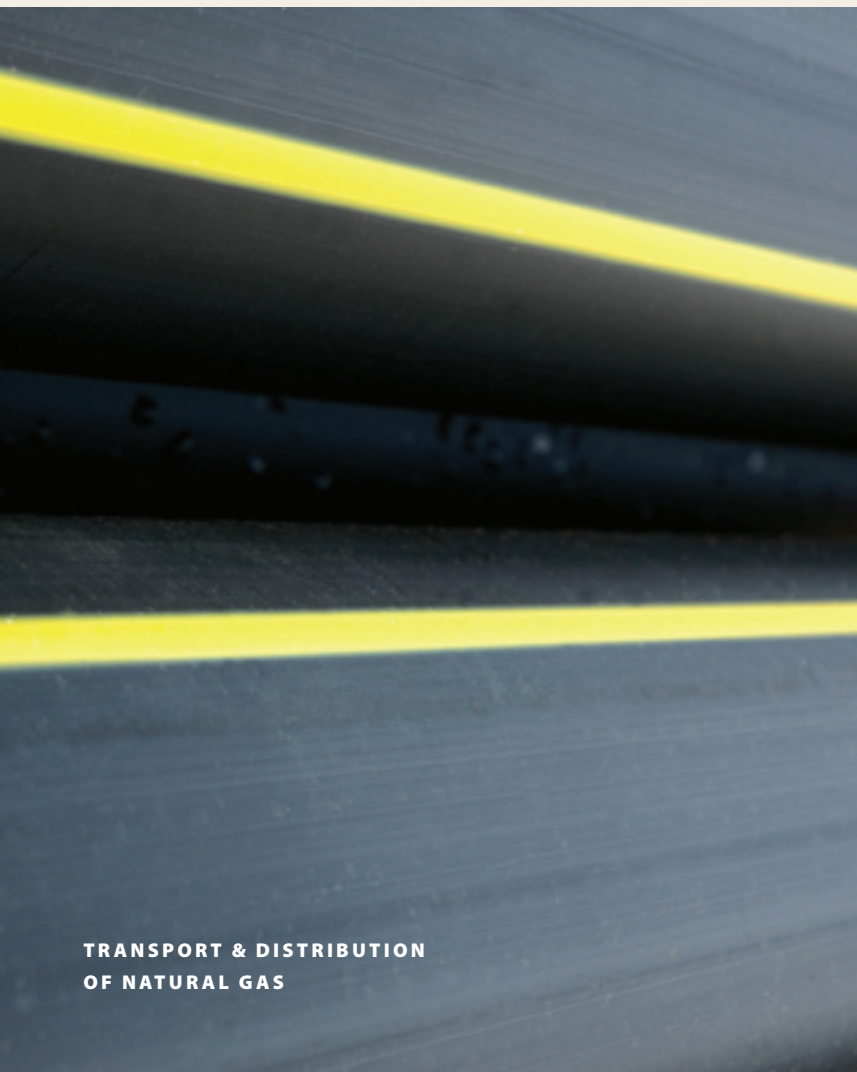
In 2006 this business segment was marked by a sizeable lack of definition on the part of REFER in relation to modernisation projects on existing lines, leading to a significant delay in the launching of new projects as well as in the start-up of projects already defined.

For 2007, the commencement of a number of projects is expected which for one reason or another are suspended, with the inherent reinforcement of MECI presence in Refer either in a direct manner or through partnerships with technology suppliers. With technology suppliers, energy efficiency, has been constantly. At Refer Telecom, we hope to actively participate in the number of projects they have scheduled, maintaining a position of merit.

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MECI was actively involved in a number of projects in 2006 of which the following are worth mentioning:

- Implementation of FO cable installation and cable-laying – 4km along the Campolide – Entrecampos stretch for the customer ReferTelecom;
- Implementation of FO cable supply and installation and cable-laying along the Casa Branca – Beja – Ourique stretch for a distance of 120km for the customer Refer Telecom. This project was peculiar in that it was the first under a project/conception/construction project and where for the first time own rail means were utilised.
- Implementation at Sabugo LC of a pilot project for the 1st installation and unique until now of a stationary Obstacle Detection System (SDO) at level crossing. This system functions via a set of microwave transmitter antennae and receptors which identify stationary obstacles within the PN zone, interacting with signalling in order to make rolling stock stop and avoid collisions. This work was carried out for Alcatel;
- Implementation of signalling and telecommunications' installations at Ramal de Tomar (still ongoing) for Alcatel Portugal, with REFER as the end customer;
- Derivation of fibre optic cables on the Nine – Valença stretch of the Minho Line, for REFER;
- Implementation of indoor telecommunications along sub-stretches 1.2 and 1.3 of Northern Line, for Alcatel Portugal, with REFER as the end customer;
- Installation of tele-indicators and alarms along the Beira Baixa Line for Alcatel Portugal, with REFER as the end customer.



## Gas

A fundamental investment in the energy segment, Natural Gas is one of the areas in which MECI occupies a privileged position. Technical competence and experience allied with the breadth of the work carried out by the Company are testimony to our profound knowledge of the business. The fact that MECI activity extends through all areas of this segment has enabled business volume throughout 2006 to maintain the levels of previous years despite the strong reduction in investment on the part of concessionaires, especially those associated with the construction of primary distribution networks (2nd level gas pipelines).

Confirming the trend towards an increase in investment forecast by public service gas distribution concessionaires, particularly in relation to secondary distribution network projects and their respective branches, we predict an increase in our business volume for 2007 when compared with the current year.

A fundamental investment in the energy segment, Natural Gas is one of the areas in which MECI occupies a privileged position. Technical competence and experience allied with the breadth of the work carried out by the Company are testimony to our profound knowledge of the business.

MECI activity extends to all areas in this segment – Construction, Maintenance and the Management of Natural Gas Distribution & Transportation Infrastructure.

The technical competence of the substantial technological requirement and the capacity to respond, constitute the mainstays of MECI's leadership position in this market.

Within the sphere of the construction and remodelling of Natural Gas distribution and transportation networks, in recent years, MECI has added a series of works of reference to its curriculum which attest to our technical competence and experience to face any challenge which is placed before us.

In 2006, MECI maintained the development of its network construction activities and their respective branches at a healthy pace.

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By way of reference we would single out:

- The expansion of the distribution network and branches of the district of Bragança, for Duriensegás;
- Expansion of the distribution network and branches of the districts of Gondomar, Valongo, Paredes, Penafiel, Paços de Ferreira and Lousada, for Portgás;
- Expansion of the distribution network and branches in the districts of Coimbra, Montemor-o-Novo, Figueira da Foz, Soure and Pombal, for Lusitaniagás;
- The expansion of the distribution network and branches of the district of Cascais for Lisboagás;
- The expansion of the distribution network and branches in the districts of Setúbal, Palmela, Sesimbra and Benavente for Setgás and
- The construction of the Re-Routing of the Industrial Branch of Lisbon-Rio (2nd level)

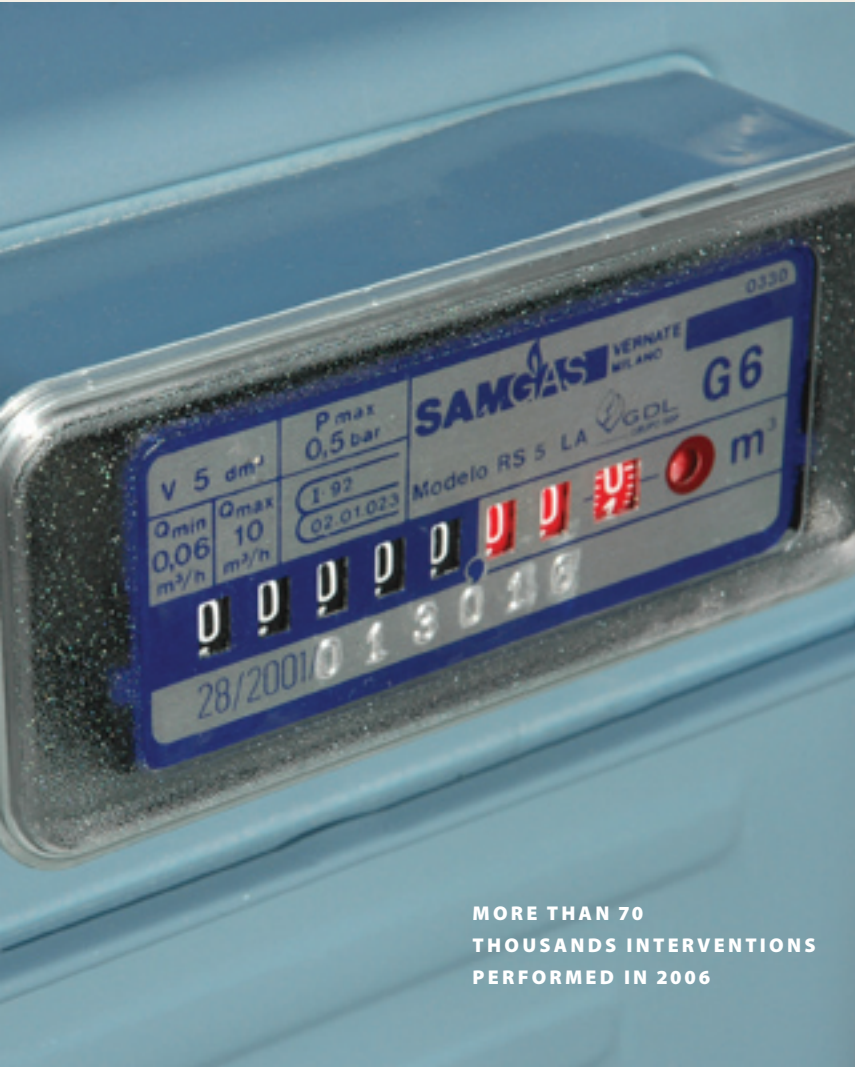
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**CONSTRUCTION, MAINTENANCE  
& TECHNICAL ASSISTENCE OF NATURAL GAS INSTALLATIONS**

The energy conversion of domestic, tertiary and industrial segments to natural gas represents without doubt one of the key factors in the success of the structural investment made in this energy source, in which MECI has performed an important role over the years in a substantial partnership with natural gas distributors.

In 2006, in an increasingly reduced market in terms of industrial infrastructure, the following are worth mentioning as our main projects:

- The shift from propane to natural gas in the districts of Porto, Gaia, Valongo, Gondomar, Paredes and Penafiel as well as the supply and assembly of natural gas utilization networks to around 25 establishments in the tertiary segment (restaurants, schools, etc.) in the districts of Porto, Gaia and Paredes, for Portgás;
- The shift from propane to natural gas in the districts of Setúbal and Sesimbra for Setgás, and
- The change in gas in the districts of Porto and Gaia for Portgás.



**MORE THAN 70  
THOUSANDS INTERVENTIONS  
PERFORMED IN 2006**

#### **GAS SERVICES, RESIDENTIAL ASSISTANCE**

MECI, because of its experience and due to the quality of the service provided, has solidified its position and partnership relations with its customers, affirming itself as a reference on a national level.

The number of interventions made has more than tripled, rising from 20,000 in 2005 to more than 70,000 in 2006. These interventions have been performed pursuant to contracts entered into with a number of natural gas distribution concessionaries, namely Portgás (districts of Gondomar, Valongo, Paredes, Penafiel, Lousada and Paços de Ferreira) and Lisboagás (districts of Lisbon, Amadora, Oeiras, Cascais, Sintra and Mafra).

The services carried out consisted of the replacement of meters, the verification of meters, readings, disconnections, gas reconnections and testing of the mounting column as well as a series of interventions (in excess of 1500) within the context of emergency gas customers.

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**MULTIBUSINESS PROJECTS**

Crossing a number of business segments and as the emblematic project on the national panorama of Natural Gas, since 2001, MECI has developed Lot 8 of the Integrated Project, for the Gasification of the District of Cascais which was concluded in March 2006.

A result of policies and commercial strategies well drawn up and negotiated with the customer Lisboagás, MECI has progressed until now with the connection of more than 10,000 customers to Natural Gas.

In January 2006, a new project began for a 3 to 5 year timeline in the sense of the continuation of the gasification of the district of Cascais, with around 3000 customers connected to natural gas by MECI by 31st December.

In addition to its activities in commercial canvassing, amongst others, project activities have been developed (usage and distribution networks), residential and tertiary building infrastructure, the conversion and connection of domestic gas appliances and the construction of distribution networks and their respective supply branches



**SURVEY OF SMAS  
WATER & SANITATION  
NETWORKS FROM OEIRAS  
TO AMADORA**

## Geomatics

2006 was characterised in terms of the business inherent in Geomatics, by the beginning of the change to the paradigm as already identified above, in the aggregation of skills in Geographic Information Systems (SIG), Remote Management Systems and Support for Decision Systems in the new concept of Asset Management.

Particularly visible in utilities markets in which the physical asset or asset as well as all of its associated management is a fundamental element in a market of global liberalisation, the concept described above has capitalized over the last thirty years of innovation and development in decision-making systems whose most visible face has been designated as SIG, classified within the concept of Asset Management in the vector of Asset Repository. It is in this new business environment that the segments of MECI GIS Development business (applications and skills for the development of the project) and GIS Data Services are integrated.

In Portugal, the absorption of this new concept is at the initial stage in that in this phase of early adopters the operational development of businesses is still characterized by the opportunities of Infrastructure & Property Registration.

In 2006, the segment of Geomatics continued with the execution of the “Survey and Characterisation of EDP Distribuição Networks” a GeoEDP project. In this contract, the year was marked by the phasing out of Low Voltage tasks and the Completion of Medium Voltage within the Metropolitan Area of Lisbon. The assignment of SIT qualified operators to EDP in an outsourcing service was maintained and expanded, in which MECI employees integrate into the customer’s teams generating projects of renowned success for the maintenance and updating of registration data.

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The Water and Sanitation Network Survey projects for SMAS at Oeiras and Amadora were concluded and new projects were started to survey fire boundary marks for the same customer. In 2006, work also began in a consortium on the project for the Surveying and Characterisation of the Madeira Electricity Grid for the customer Empresa de Electricidade da Madeira, a complex and technically demanding ongoing project in the districts of Porto Moniz, Santana, Machico and Câmara de Lobos.

In the area of innovation, the CARFOR project was implemented in a partnership with the Portuguese Geographical Institute and the Association of Forestry Producers – CELPA. The aim of this project is the development of methodologies for characterising vegetation cover with the resource of very high resolution satellite images.

The outlook for 2007 centres around the project for the characterisation and inventory of the electricity grid for Electricidade dos Açores (EDA), convergent with the skills acquired beforehand and in the national registration project, SINERGIC.

As a project to run from 2007 to 2013, structured around territorial development, MECI positions its participation in SINERGIC as strategically nuclear and in line with its full capabilities.

## Special Installations

Special installations constitute MECI's most traditional activity with the execution of "turnkey" projects worthy of special mention, encompassing all electrical and mechanical activities employing the latest in intelligent and environmental management technology of buildings of all types.

2006 was characterised by the execution of a number of important projects with special mention of the commencement of a project of major importance within the universe of the Esphera Group, the Panoramic venture.

In 2006, the most notable projects were:

- Conclusion of electricity, telecommunications, security and CCTV installations at the Ocean View and Cascais Riviera projects for ENSUL;
- Conclusion of electricity, telecommunications, security, CCTV, water, sewage and AVAC installations at the Vista Marina project in Portimão, for Vista Marina;
- The compatibility of projects and the commencement of the execution of electricity, telecommunications, security, CCTV, AVAC, water and sewage network installations at lots 1.19.01, 1.19.02, 1.19.03 and 1.19.04 of the Panonamic project in Parque das Nações, for JLF and
- Execution of Electricity Installations for BT Telecomunicações, fire detection and AVAC switchboards at the Penela substation for REN.

The strategy for this business segment in 2007 includes MECI participation in two areas in which large investment is predicted, airports and healthcare.

In the airports segment by actively participating in the extension of Lisbon airport, setting up partnerships which will strengthen and guide participation in the project of the new airport of Ota.

Special attention will also be afforded to healthcare, with the desire to play a role not just in terms of special installations but also in maintenance.

## Transport Lines

Investments made by leading companies in the segment have enabled similar levels to previous years to be maintained.

In the National Electricity System, the quality of electrical energy transportation is essential to the development of the Country.

High Voltage (HV) and Very High Voltage (VHT) electricity transport lines are grids which carry electrical energy in Portugal and interconnect with the grids of other countries.

The correct conception and execution of the same enables energy to be received with quality.

MECI technical staff, design service provisions which encompass the study, development and construction of any type of installation served by these voltage systems.

Their technical competence is recognised by the market and is qualified both by EDP and REN.

Qualification by EDP Distribuição and REN (Rede Eléctrica Nacional) for the provision and assembly of High and Very High Voltage Electricity Power Lines as well as substation general electrical installations, has enabled MECI to compete for a number of Works, being adjudicated and having executed those published below.



AERIAL SUPPORT ON  
SINES LINE, PORTIMÃO

**REN - NATIONAL ELECTRICITY GRID;**

- Castelo Branco - Ferro 1/2 power line at 220 kV stretch SCC-P83
- Sines – Portimão 3 Power Line at 400 kV stretch SS-P78
- Batalha – Pego Power Line at 150 kV
- Deviation of 150 kV and 400 kV Power lines at Falagueira Substation
- Fernão Ferro – Trafaria 2 Power Line, at 150 kV
- Alto Lindoso – Riba D'ave 1 Power Line, at 400 kV

**EDP - DISTRIBUTION**

- Ongoing subcontract on the 60 kV Aerial Power Line
- Construction of the 60 kv Ermesinde – Palmilheira Mixed Power Line
- Construction subcontract of the 60 kV Batalha – Marinha Grande Aerial Power Line
- Casalinhos de Alfaiate – Bombardeira Power Line, at 60 kV

**EDA -ELECTRICIDADE DOS AÇORES, S.A.**

- “Construction of the AT 60 kV Belo Jardim Substation – Vinha Brava Substation, Concelhos de Praia da Vitória and Angra do Heroísmo, Ilha Terceira Power Line” subcontract;
- Remodelling of AT 60 KV Milhafres Substation – Ponta Delgada Substation Power Line, Ilha de S. Miguel.

It is predicted that for 2007 both EDP and REN will maintain their current investment plans. On the other hand, the increase in renewable energy sources in our Country and thermal production (combined cycle power plants) are certain to increase activity in this segment.



SYSTEMATIC SURVEY  
OF LEAKS

## Maintenance

The maintenance of infrastructure and equipment is essential to the provision of a quality service free of interruptions in the supply of gas, electricity, water and communications.

Benefiting from its experience in the development of projects in these activities, MECI provides preventative, corrective and emergency maintenance services.

### **GAS MAINTENANCE**


The gas maintenance business segment has taken on an increasingly more important role in the national natural gas market since legal imperatives as well as needs resulting from the conservation and guarantee of normal and integral gas user network and installation functionality, with the result that investments made in this segment have taken on an increasingly more important relative importance when compared with those made in the construction of distribution and/or transport networks.

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Thus in 2006 we would single out the execution of the following maintenance contracts:

- Provision of services in the districts of Gondomar, Valongo, Paredes, Penafiel, Lousada and Paços de Ferreira;
- Systematic survey of gas leaks in natural gas distribution networks in the districts of the concession area of Portgás and Duriensegás along an approximate extension of 600 Km of surveyed networks.
- Maintenance of 2nd & 3rd Class PRM's for Portgás;
- Emergency Maintenance of the High Pressure Transgás Gase Pipeline throughout all national territory for Transgás, and
- Provision of Intervention in cargo Services on 2nd level gas pipelines belonging to Portgás, Lusitaniagás, Beiragás, Tagusgás, Lisboagás and Setgás.

It is also worth noting that within the context of the provision of services contract for 2006 with Portgás and similar to that of recent years, maintenance of GPL posts was also included in addition to the maintenance of networks and branches.



**MAINTENANCE OF  
VODAFONE TOWERS**

**COMMUNICATIONS' MAINTENANCE**

Preventative, corrective and emergency maintenance of communications' infrastructure and equipment has come to represent an important role for MECI, with the professionalism, availability and know how of our technicians acknowledged by our customers.

The most important projects in 2006 were the following:

- Maintenance of the Vodafone towers – in the area of telecommunications' infrastructure maintenance, there was a continuation of the post repair and painting program which began in 2005 with 53 concrete posts evolving to metallic vertical structures and concluding with repairs to 73 towers. Investment in maintenance has already born fruit as new projects have already begun in other areas based on the know how acquired on this project;
- Maintenance of EDP repeaters;
- Corrective and preventative maintenance of the ONI communications' network;
- Corrective and preventative maintenance of the EDP communications' network;
- Corrective and preventative maintenance of the FCCN and MAN's communications' network from Aveiro and Coimbra;
- Corrective and preventative maintenance of the Almada Municipal Town Hall communications' network;
- Corrective and preventative maintenance of the REN Gas Pipeline/Transgás communications' network; and
- Corrective and preventative maintenance of the Lisboagás communications' network.

In 2007, we intend to maintain a leading position in this activity extending MECI participation to other customers.

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**ELECTRICITY MAINTENANCE**

This segment which is diversified in terms of existing customers on the market, presents itself as a promise for the future since it increases the number of customers who resort to Outsourcing.

Major customers include electricity distribution companies, the national electricity grid as well as industries and companies in the tertiary segment.

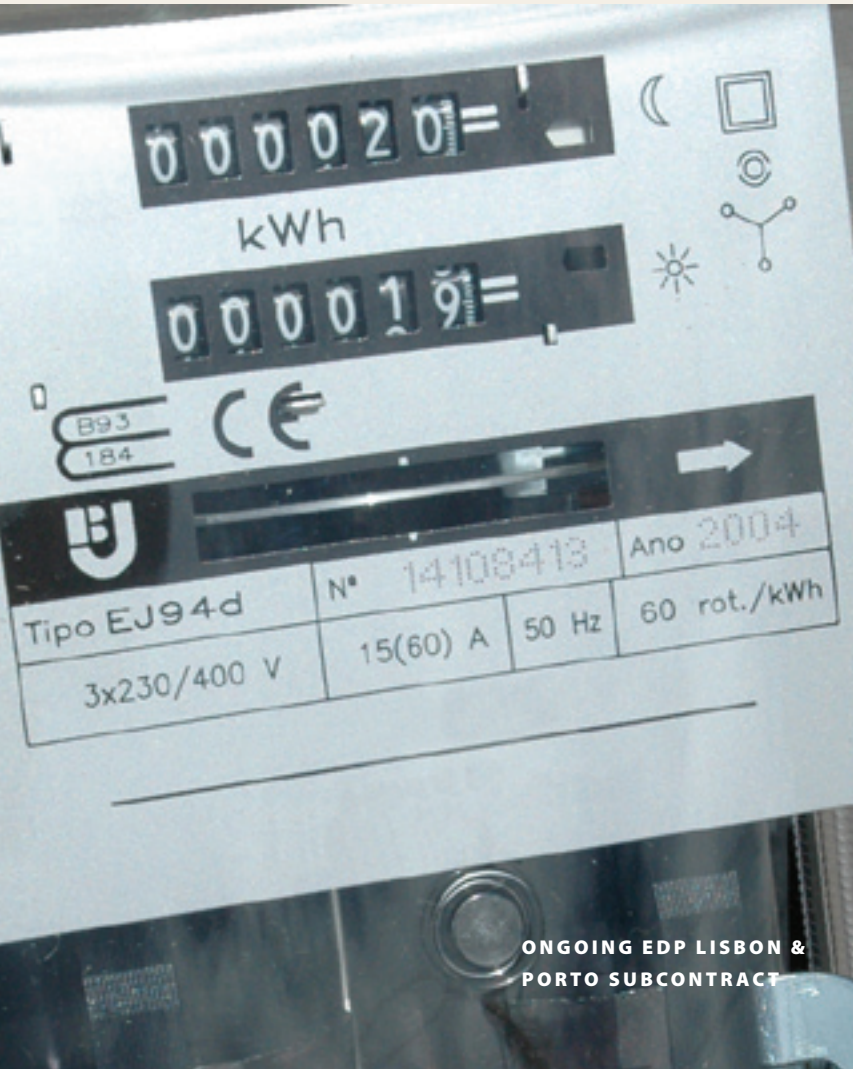
The maintenance of infrastructure and equipment is essential to the quality of the service provided by utilities companies and used by users.

MECI has always provided corrective, preventative and emergency maintenance services.

Principal Electricity Maintenance customers:

- EDP Distribuição
- REN – Rede Eléctrica Nacional
- EDP Corporate
- Vodafone
- Lusosider

These services are provided 24 hours a day, 365 days a year.



ONGOING EDP LISBON &  
PORTO SUBCONTRACT

## Electricity Grids

The level of investment similar to the previous year was maintained in 2006 with the leading company in the market, EDP, continuing with the extension of its multiyear continual subcontractor contracts and the launching of remodelling tenders for its LV and MV aerial and subterranean grids.

In this segment, MECI maintained its leadership position continuing with this objective for 2007.

Electricity distribution grids are fundamental to the economic development and well-being of populations.

MECI has the skills for the conception, construction and maintenance of subterranean and aerial electricity networks, thus contributing in a decisive manner to the improvement of the quality of service.

MECI is one of the leading national companies in the provision of this type of service. Over the years it has accumulated experience, accompanying and participating in technological development, contributing to the development of the activity and the Country.

Over the years, the market has come to recognise the important role that MECI plays.

EDP is one of the leading customers and for whom we are entering the fifth year of a multiyear contract, for the continual subcontract of LV and MV class projects, and MECI has been adjudicated the two primary areas of the Grid – Lisbon and Porto.

This contract of a vertical nature and geographical sphere, integrates the following class of Works:

- LV and MV aerial and subterranean grids;
- LV aerial and subterranean entries and arrivals;
- Public illumination networks;
- LV and MV metering equipment;
- Transformer and sectioning posts, and
- Assistance in the conservation of the distribution grid and customers (Patrols).

We also carry out a series of LV, MV, IP and PST grid projects for other public and private sector customers, of which we would single out:

- |                               |                                |
|-------------------------------|--------------------------------|
| — Câmara Municipal de Cascais | — Teixeira Duarte              |
| — Câmara Municipal de Lisboa  | — Urbiteras                    |
| — Câmara Municipal de Loures  | — Simtejo                      |
| — Cimpor                      | — Grupo Auchan                 |
| — Epul                        | — Brisa                        |
| — Imopolis                    | — Grupo Portugues Saúde        |
| — Metro Ligeiro               | — Faculdade de Ciencias da UNL |
| — Refrige                     | — Edifer                       |
| — Refer                       | — Ifadap/Inga                  |
| — Sgal                        | — Lidl Portugal & Cia          |
| — Soares da Costa             | — Vilastoril                   |
| — Somague                     | — Alfraparque                  |

The same level of investment is forecast for 2007.

EDA AIRPORT  
SUBSTATION

## Substations

The leading utilities companies (EDP, REN, EDA and EEM) maintained their investment policies in 2006 for the permanent improvement in service quality and in response to new energy production, namely eolic, in the case of EDP and REN.

Substations are an essential part of the infrastructure of an electrical energy transport and distribution grid.

MECI has monitored the technological evolution of the equipment which integrates substations and its team is recognised as one of the best on a national level.

MECI technicians have developed a provision of service which comprises the study, development and construction of this important and fundamental infrastructure in the national electricity system.

Our competence and technical capacity is demonstrated by market confidence as one of the leading companies providing this service to REN, EDP and EDA.

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Major projects executed or ongoing in 2006 were the following:

**REN - NATIONAL ELECTRICITY GRID;**

- Falagueira Substation
- Santarém Substation
- Alto Mira Substation
- Palmela Substation
- Custóias Substation

**EDP - DISTRIBUTION**

- Vale Escuro Substation
- Alcáçovas Substation
- Quimiparque Substation
- Valpaços Substation
- Sobreda Substation
- Piedade Substation

**EDA - ELECTRICIDADE DOS AÇORES (ELECTRICITY OF THE AZORES)**

- Caldeirão Substation
- Aeroporto Substation
- Vinha Brava Substation
- Pranchinha Sectioning Post

For 2007, the continuation of investments for utilities and an increase in investments for renewable energy and thermal generation (cogeneration and combined cycles) producers is forecast.



TET INTERVENTION  
REPLACEMENT OF  
HORIZONTAL SWITCH

## Voltage Works

Os tTET (Voltage Works) enable improvements to the quality of service since repairs to the electricity grid maintaining the same in service, avoids electrical energy cuts thus avoiding the disruption and losses this causes users. Operations with recourse to the technology of voltage works ensure a better and more efficient provision of service.

MECI masters the technology and is equipped to train its teams at its training centre located at Monte de Caparica in the district of Almada.

TET enable MECI to differentiate itself in relation to other companies in the segment and improve its electricity maintenance activities.

We maintain the continuity of TET activities for a number of customers, among which we would single out EDP – Distribuição. Major projects completed have been for LV grids and MV aerial grids as well as sectioning and transformer stations for EDP Distribuição, EDP Corporate and Vodafone.

### **MST Project (Tejo Southern Metro)**

The Special MECI-MST – Southern Tejo Bank Light Metro Project is part of the Concession Contract entered into with the State of Portugal and MTS – Metro Transportes do Sul, S.A.

In conjunction with Siemens, MECU is responsible for the project, supply and installation of electromagnetic equipment for the Long-Duration Infrastructure (ILD) in the following specialities:

- Medium Voltage, Low Voltage, Fibre Optic and Multi-tubular Interconnection Networks for the Traction Substations;
- Signalling and Public Illumination of Exterior Areas;
- Special installations at all stops, substations and PMO's (Materials & Workshop Base), and
- 60/15 kV energy substation and respective power branches to MST at Medium Voltage of 15 kV and High Voltage 60 kV.

Throughout the 1st quarter of 2006, the document processes and final filters relating to receipt of the infrastructure built on land plots made available for works to be carried out, were concluded.

From the 2nd semester, work began on the project for as yet unfinished stretches, especially in relation to the variant to Sameiro Antunes and Alvalade streets. The respective construction works began in the summer with the target of the start-up of the exploitation phase of the MTS in the Corroios - Cova da Piedade stretch by 30th April 2007.

## 4.2.2 Activity in France

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2006 marked the conclusion of the national project for the replacement of cast iron gas pipes in France, this project motivated our implementation there.

It should be mentioned that MECI has honoured all the schedule commitments at all its work centres located throughout the Country thus enabling our customers to achieve their goals.

Experience accumulated in renewal projects and the confidence cemented by quality service provision will propel MECI development in markets of the same type, with proof of this the contracts signed and to be developed in 2007 within the context of steel, copper and cast iron 2GS pipe replacement.

In 2006, new work zones were added to the already existing ones and the towns/cities of Vichy Millau, Rodez and Lyon became the basis for our new provision of services.

This year as in recent years and in order to cope with the level of development registered in its activity, MECI invested substantially in machinery, equipment and vehicles.

2006 was also the last in which MECI was represented on French soil as an Agency. At the close of the tax year, MECI began 100% share participation in a new company under French law.

### 4.3 Affiliates

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

MTS has been developing its activities subject to a concession regime for the projection, construction, supply of equipment and office materials, finance, exploration, maintenance and conservation of the entire light metropolitan network of the south bank of the Tejo (MST) pursuant to the Concession Contract signed with the Portuguese State on 30th July 2002.

MECI is the owner of share capital participation in the Company of 106,700 shares which corresponds to a percentage of 10.67%

A series of incidents beyond the control of the Concessionaire have impeded Company activity from developing normally and made it impossible to implement the start of MST exploitation within the contract schedule which was set for December 2005.

The absence of timely decisions with regard to several relevant aspects of the project which have yet to be defined and clarified and the persistence of the situation of the non-provision by the Concessionaire of land plots necessary for the continuation of the Works, a situation which was only totally resolved already at the end of December 2006, have forced the formal stoppage of Works in the beginning of the year and as a result these have not registered any relevant advances throughout the 1st quarter circumscribed over this period, the timely finishing and repairs as set forth within the context of pre-receipt.

This situation has registered positive evolution from the end of March with the commencement of the negotiation process with the Monitoring Committee created by the State for the study and preparation of amendments to the public-private sector partnership conditions with respect to the Light Surface Metro System of the Southern Tejo.

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Subject to Grantor instructions, the works were restarted towards the end of the 1st quarter after requesting that the Concessionaire provide for a guarantee of the start-up of commercial exploitation mitigated between Corroios and Cova da Piedade, which is to be followed by a second phase with the operation of the Corroios-Universidade stretch and subsequently operation of the entirety of the three lines set forth in Phase 1 of the Concession.

It will be within the context of negotiations with the Monitoring Committee that solutions will be found and the varied outstanding questions which have been obstructing regular progress of this MST project, resolved, such as for example the stipulation of a financial compensation sum by the Concessionaire from 12th December 2005, the application of a revision formula and the revision of contract prices, compensation for ILD's suppliers for the part not invoiced, payment of additional services, definitive approval of the execution project and all the projects of affected services, definition of a rigorous plan and a feasible calendar for the implementation and conclusion of the various phases of the implementation of the remainder of the Works.

Evolution which has been registered throughout this business process predict a positive outcome over the short term, with a platform of consensus reached which will enable the project to be definitively restarted and pursuant to its normal course as early as the beginning of 2007.

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### **Expo Arade Estrutura, SA**

On 29th March 2006, implementing a model of public-private sector partnership and following on from the selection procedure of the private partner to participate as the construction company in the development, implementation, construction and management the Multiuse Pavilion as well as the re-qualification of the zone comprising the Parque de Feiras e Exposições (Fair & Exposition Park) in the district of Portimão, the Sociedade Expo Arade Estrutura, S.A., was constructed, which has a public shareholder, a municipal public company Expo Arade-Animação e Gestão do Parque de Feiras e Exposições de Portimão E. M. as well as a number of private shareholders including MECI, the owner of share capital participation of 11000 Euros, corresponding to a 22% percentage.

The Object of the Company is the construction, management and conservation of sport and recreational equipment as well as the construction, management and administration of tourist, urban and cultural infrastructure together with other associated branches of activity.

Throughout 2006, the Company launched the conception/construction subcontract of the Multiuse Pavilion of the Portimão Parque de Feiras e Exposições, a project implemented, concluded and inaugurated pursuant to the imposed deadlines as stipulated, which made it possible on the designated date for a major international sporting event, in this case the European Rhythmic Gymnastics Championships to be held.

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### **ESTP – Energia Solar Térmica de Portugal, SGPS, SA**

On 1st August 2006, the Joint-Stock Business Corporation ESTP - Energia Solar Térmica de Portugal, SGPS, SA was incorporated with headquarters in Lisbon, with share capital of 50,000 euros, with the Company Object of the administration of the share participation of other companies in an indirect manner from the exercise of economic activities. MECI subscribed to a social participation of 135.00 euros (27%).

### **MECI – Gestion de Projets D'Ingenierie SASU**

On 14th September 2006, Société par Actions Simplifiée Unipersonnelle MECI – Gestion de Projets D'Ingenierie with headquarters in Cournon D'Auvergne in France was incorporated with Share Capital of 50,000 euros.

MECI subscribed to 100% of share capital.

### **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, 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 MECI subscribed to a share participation of 8,000 euros, representative of an equal number of shares (8%).

## 4.4 Economic and Financial Analysis

### Most Relevant Aspects

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

- A reduction in the level of gains, accompanied by the respective reduction in costs;
- Maintenance of profitability rates on levels identical to the previous tax year;
- Significant improvement in relation to EBITDA and EBIT and profits;
- Drop in assets in line with the decline in activity;
- Improvement of the financial structure with the natural positive reflection of financial indicators.

### Economic Perspective

#### INCOME

In 2006, total profits reached 72.0 million euros, representing a drop of 14.9 million euros in relation to the 2005 Tax Year. (CHART II)

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

- Production has risen to 69.4 million euros;
- Variation in production has risen to 7.1 million euros, a reflection of the difficulty felt in this tax year in converting production into profits;
- Slight drop in financial gains;
- Significant increase in extraordinary gains, the result of the asset transfer process to the new company incorporated in France, MECI – Gestion de Projets de Ingénierie, SASU (this operation also had an effect on extraordinary costs).

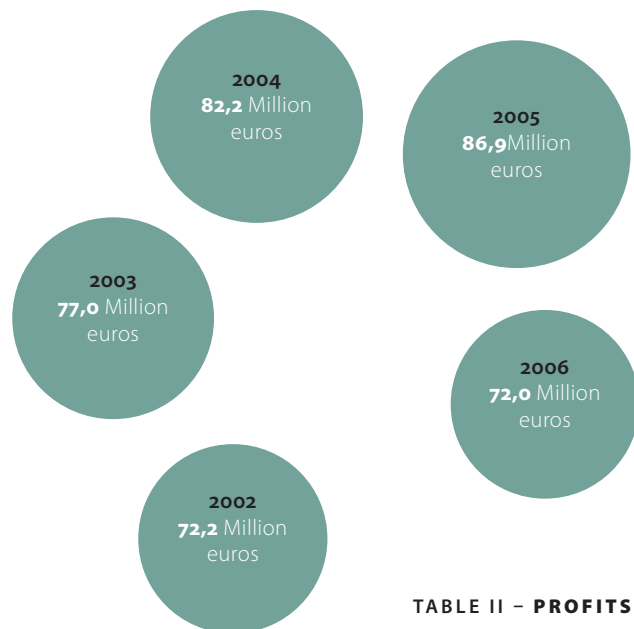


TABLE II – PROFITS

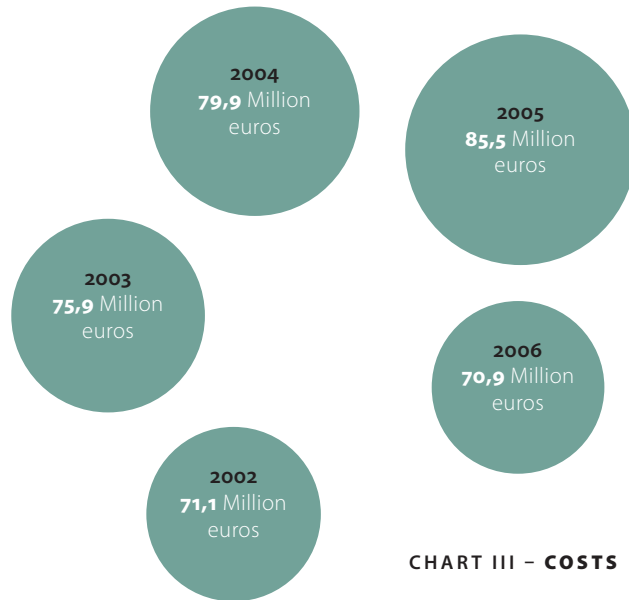


CHART III - COSTS

	2004	2005	2006
Operating Profit	2.460.229	3.065.714	2.409.936
Pre-Tax Profits	1.316.232	1.430.636	1.125.433
Net Profit	647.761	693.868	521.271

TABLE II — PROFITS Unit: Euros

### COSTS

Costs increased in this tax year to 70.9 million euros which represents a 14.6 million euro reduction in relation to the previous year. (chart III)

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

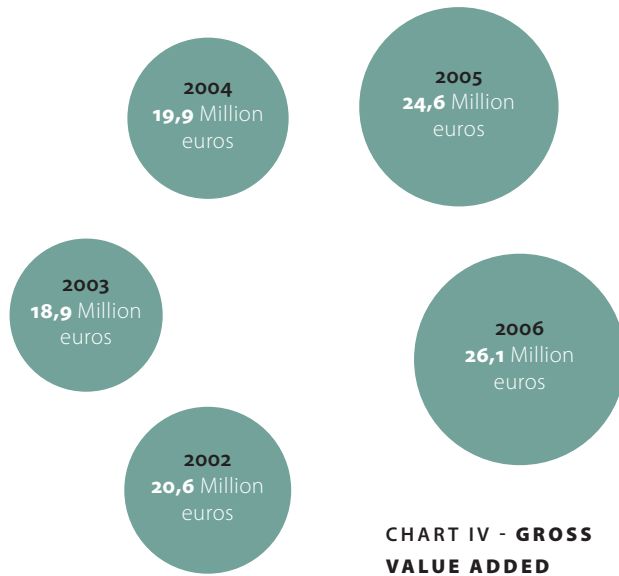
- Increased weight of the cost of goods sold and materials consumed, supplies and external services;
- Increased weight of personnel costs, which still reflect the conclusion of the internal re-organisation of the Group;
- The cost headings of goods sold and goods consumed, supplies and external services, as well as personnel costs represent 91% of total costs.
- High amount of extraordinary costs motivated by the reasons already referred to above;
- Slight increase in financial costs which on the one hand reflects the impossibility of converting production into invoicing which makes collection non-feasible and on the other hand, the rise in interest rates which has been felt to a particular degree throughout this year.

### PROFITS

In a tax year in which activity was reduced, it is only natural that profits also reflect this trend. Thus in comparison with 2005, profits demonstrated the following behaviour:

- Operating income of 2.4 million euros (-21%) and
- Pre-tax profits of 1.1 million euros (-21%).

With regard to net profits, the same increased to 521 thousand euros, once again affected by a tax burden of around 54%, which converts into tax of some 604 thousand euros (TABLE II)



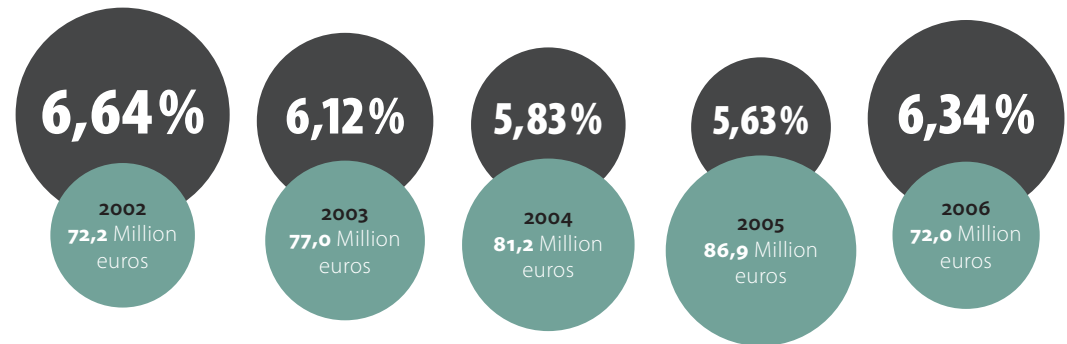
**CHART IV - GROSS VALUE ADDED**

**VALUE ADDED**

During 2006, MECI generated Gross Added Value of 26.1 million euros, which represents a positive variation compared to 2005 of 6%. (CHART IV)

**EBITDA E EBIT**

Weighing up however the drop in activity, it was possible to maintain normal levels of profitability and worth noting that the relationship EBITDA/Profits also registered a positive variation of 13%, rising from 5.63% in 2005 to 6.34% this year.



**CHART V - EBITDA VS INCOME** ● EBITDA vs Income ● Income

Also in relation to EBIT / Profits also registered a positive variation, in this case of 23%, increasing from 3.04% in 2005 to 3.73% this year. This substantially high variation reflects the fact that EBIT in absolute terms also registered growth of 2%.

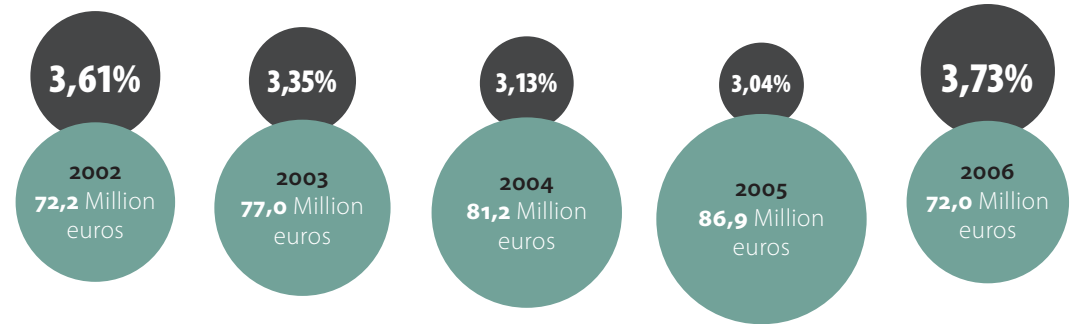


CHART VI – EBIT VS INCOME, ● EBIT vs Income ● Income

#### MAIN ECONOMIC INDICATORS

Economic indicators for 2006 were as follows:

	2004	2005	2006
Sales Profitability	3 %	4 %	3 %
Assets Profitability	7 %	6 %	7 %
Own Equity Profitability	8 %	7 %	5 %

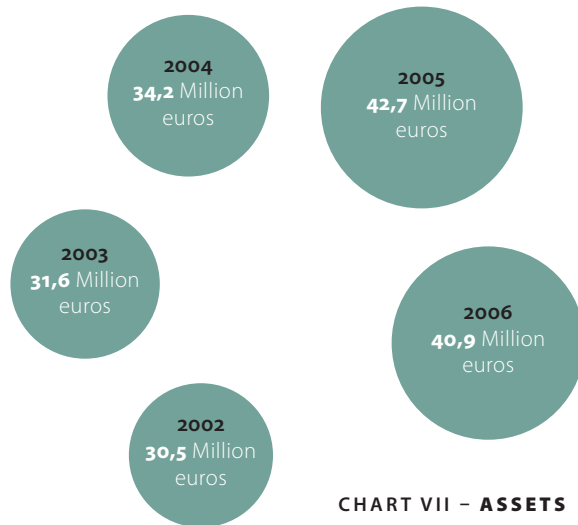
TABLE III — ECONOMIC INDICATORS Unit: Millions of Euros

## Financial Perspective

In terms of equity structure, MECI presented at the close of 2006, assets of 40.9 million euros, liabilities of 31.1 million euros and company equity of 9.8 million euros.

	2004	2005	2006
Assets	34,2	42,7	40,9
Liabilities	25,6	33,5	31,1
Own Equity	8,6	9,2	9,8

TABLE IV – ASSETS STRUCTURE, Unit: Millions of Euros



## ASSETS

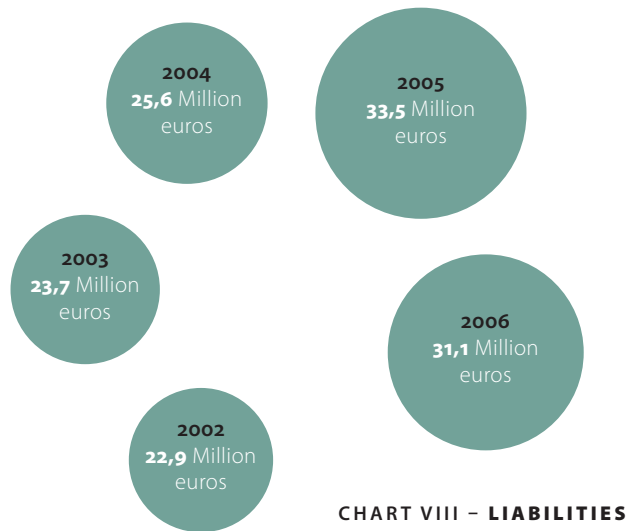
There was a reduction of 4% in assets, which fell from 42.7 million euros to 40.9 million euros. (CHART VII)

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

- Current assets remained at the 2005 level, namely at around 35 million euros;
- Non-current assets fell from 7.4 million euros to 5.7 million euros, a result of the transfer of assets to the company incorporated in France. Even so, gross investment made in 2006 was of 2.6 million euros, primarily in transport equipment;
- Modifications to assets' structure, namely with the high level of ongoing production and the drop in accounts receivable.

	2004	2005	2006
Tangible fixed assets	6.818.303	6.833.490	4.888.383
Intangible fixed assets	0	0	185.725
Financial Investments in Associated Companies	533.501	533.501	616.000
Non-current assets	7.351.804	7.366.991	5.690.108
Cash & Equivalent plus Short-Term Investments	456.921	1.095.303	173.357
Accounts receivable	15.673.600	23.015.585	16.956.262
Net Stocks	9.272.312	9.149.635	15.587.576
Tax to Recover	558.370	451.685	366.338
Deferred costs and Other current assets	887.889	1.653.138	2.118.218
Current assets	26.849.092	35.365.346	35.201.751
Total Assets	34.200.896	42.732.337	40.891.859

TABLE V - ASSETS, Unit: Euros

**LIABILITIES**

There was a growth of 7% in liabilities, which went from 33.5 million euros to 31.1 million euros. (CHART VIII)

With regard to the behaviour of liabilities, the increase in non-current liabilities is worth noting, in which the contract of a new commercial paper program with the Caixa Geral de Depósitos (General Savings Bank) stands out, which comes to confirm the prestige and confidence MECI has within the financial system.

	2004	2005	2006
Medium and Long Term Debt	3.435.250	4.000.000	7.000.000
Accounts receivable	353.250	1.619.903	1.074.710
Tax Payable	0	0	0
Provisions & Other Non-Current Liabilities	0	0	0
<b>Non-current Liabilities</b>	<b>3.788.500</b>	<b>5.619.903</b>	<b>8.074.710</b>
Short Term Debts	0	1.000.000	7.775.000
Accounts payable	16.417.653	20.262.254	9.674.108
Tax Payable	2.889.657	3.942.198	2.607.383
Provisions & Other Current Liabilities	2.541.769	2.650.796	2.982.201
<b>Current liabilities</b>	<b>21.849.078</b>	<b>27.855.248</b>	<b>23.038.691</b>
<b>Total liabilities</b>	<b>25.637.578</b>	<b>33.475.151</b>	<b>31.113.401</b>

TABLE VI - LIABILITIES, Unit: Euros

**OWN EQUITY**

Company owned capital rose to 9.8 million euros having registered an increase of around 6% which converts into a net profit of 521 thousand euros generated in the tax year.

	2004	2005	2006
Equity	5.250.000	5.250.000	5.250.000
Reserves	2.665.556	3.313.318	4.007.186
Net Profit	647.762	693.868	521.271
	8.563.318	9.257.186	9.778.457

TABLE VII - OWN EQUITY, Unit: Euros

**MAIN FINANCIAL INDICATORS**

In terms of financial structure, the 2006 tax year presents the following indicators which demonstrate the generalised improvement of its financial structure, reinforcing the same as perfectly balanced.

	2004	2005	2006
Overall Liquidity	1,24	1,27	1,53
Financial Autonomy	25%	22%	24%
Fixed Assets' Cover	1,71	2,02	3,14

TABLE VIII - FINANCIAL INDICATORS

## Monetary Perspective

### CASH FLOWS

MECI's monetary balance for the 2006 tax year was negative 921 thousand euros.

The following flows contributed to this balance:

- Negative operating activity flow of 9.4 million euros with particular emphasis for the reduction of third party debts to 11.9 million euros, an increase in stocks of 6.4 million euros and a reduction in third party debts of 5.7 million euros.
- Positive investment activity flow of 0.2 million euros;
- Positive financial activity flow of 8.2 million euros;

### FREE MEANS

Throughout the 2006 tax year, MECI returned gross cash flow of 3.0 million euros, an 18% downturn in relation to 2005. With regard to net cash flow, the same registered a negative variation of 18% rising from 2.9 million euros to 2.4 million euros.

	2004	2005	2006
Net Cash-Flow	2.839.402	2.944.025	2.400.328
Gross Cash-Flow	3.507.873	3.680.793	3.004.490

TABLE IX - TOTAL FREE MEANS, Unit: Euros

## 4.5 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 investing 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 news forms of approaching the market, resorting to more evolved and bold technological solutions, without neglecting competitive efficiency in order that we may become recognized as active agents and a reference in different knowledge domains, integrating strategic partnerships and 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.

## 4.6 Proposal for the Application of Profits

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Accounts for the 2006 Tax Year returned a positive Net Profit of 521,271.12 euros (five hundred and twenty-one thousand, two hundred and seventy-one euros and twelve cents), 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:	26.063,56 Euros
Free reserves:	495.207,56 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*

# Notes to the Directors' Report

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05

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

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Pursuant to Art.448, Item 4 of the Companies' Act, on the closing date of the tax year, shareholders who are the owners of participation in excess of 10% of share capital are the following:

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

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

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## Introduction

**1.** I have examined the attached Accounting Records of MECI – GESTÃO DE PROJECTOS DE ENGENHARIA, S.A., which comprise the Balance Sheet on 31st December (which states a total balance of 40.891.859 €, including a positive Net Profit of 521,271 €), the Profit & Loss Statements per nature and function, as well as the Cash Flow Statement for the Tax Year ending on that date and corresponding Appendices.

## Responsibility

**2.** The Board of Directors of MECI – 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 in-house control.

**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.

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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;
- Appraisal of the adequacy, in overall terms, of the presentation of the Financial Statements.

**5.** We consider that the audit provides an acceptable basis for the expression of our 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 MECI – GESTÃO DE PROJECTOS DE ENGENHARIA, S.A., as at 31st 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, 15th 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 MECI – 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 tax 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 Directors' 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 Directors' 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 Directors' Report and Accounts presented by the Board and
- b) The Proposal for the Application of Profits

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

# Financial Statements

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08

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				NOTES	FINANCIAL YEARS	
		2006		2005			2006	2005
		GROSS ASSETS	DEPRECIATIONS & ADJUSTMENTS	NET ASSETS	NET ASSETS			
<b>ASSETS</b>								
<b>FIXED ASSETS</b>								
<b>Intangible fixed assets</b>								
Start-up costs	10 e 14	69.746,06	69.746,06	0,00		0,00		
Industrial property	10 e 14	262.730,45	77.005,89	185.724,56		0,00		
		332.476,51	146.751,95	185.724,56		0,00		
<b>Tangible fixed assets:</b>								
Buildings and Other Structures	10 e 14	1.621.368,40	398.865,48	1.222.502,92		637.019,95		
Basic Equipment	10 e 14	3.608.517,69	2.754.690,94	853.826,75		905.898,11		
Transport Equipment	10 e 14	4.081.580,50	3.031.171,10	1.050.409,40		302.075,82		
Tools and Utensils	10 e 14	3.734.710,70	2.771.504,73	963.205,97		699.754,25		
Administrative Equipment	10 e 14	4.451.446,18	3.727.339,97	724.106,21		510.178,20		
Tares and containers	10 e 14	31.636,18	31.636,18	0,00		0,00		
Other Tangible Fixed Assets	10 e 14	948.085,47	873.753,65	74.331,82		1.732.302,79		
Fixed assets in Course of Construction		0,00	0,00	0,00		8.197,53		
Advanc. por conta Tangible Fixed Assets	10 e 14	0,00	0,00	0,00		2.038.063,79		
		18.477.345,12	13.588.962,05	4.888.383,07		6.833.490,44		
<b>Financial Investments:</b>								
Shareholdings	10, 14 e 16	616.000,00	0,00	616.000,00		533.501,00		
		616.000,00	0,00	616.000,00		533.501,00		
<b>CURRENT ASSETS</b>								
<b>Inventories:</b>								
Raw materials, Sub. materials & consumables	41	1.381.713,69	0,00	1.381.713,69		2.001.296,50		
Work in Progress for Production	42	14.205.861,95	0,00	14.205.861,95		7.148.338,11		
		15.587.575,64	0,00	15.587.575,64		9.149.634,61		
<b>Accounts Receivable – Short Term:</b>								
Customers, current accounts		16.607.100,27	0,00	16.607.100,27		22.661.434,89		
Bills receivable		120.801,21	0,00	120.801,21		0,00		
Clients - bad debts		491.879,84	491.879,84	0,00		0,00		
Advances to Suppliers		280.787,57	0,00	280.787,57		1.185,44		
State and Other Public Bodies	48	366.337,80	0,00	366.337,80		451.685,48		
Loans to semi-public undertakings		869.637,50	0,00	869.637,50		752.235,00		
Other Debtors		228.360,88	0,00	228.360,88		354.150,33		
		18.964.905,07	491.879,84	18.473.025,23		24.220.691,14		
<b>Bank deposits and Cash:</b>								
Bank Deposits		106.065,07		106.065,07		711.361,41		
Cash in hand		67.291,86		67.291,86		383.941,40		
		173.356,93		173.356,93		1.095.302,81		
<b>Accruals and Deferrals:</b>								
Accrued Profits	48	21,72		21,72		0,00		
Deferred Costs	48	967.771,36		967.771,36		899.717,12		
		967.793,08		967.793,08		899.717,12		
<b>Total Amortisation and Depreciation</b>			<b>13.735.714,00</b>					
<b>Total Adjustments</b>			<b>491.879,84</b>					
<b>Total Assets</b>		<b>55.119.452,35</b>	<b>14.227.593,84</b>	<b>40.891.858,51</b>		<b>42.732.337,12</b>		
<b>EQUITY AND LIABILITIES</b>								
<b>OWN EQUITY:</b>								
Equity	36 e 40	5.250.000,00		5.250.000,00		5.250.000,00		
Revaluation Reserves	40	0,00		0,00		0,00		
Legal Reserves	40	200.990,41		166.297,02		166.297,02		
Free reserves	40	3.806.195,56		3.147.021,08		3.147.021,08		
Net Profit for the Year	40	521.271,12		693.867,87		693.867,87		
<b>Total Equity</b>		<b>9.778.457,09</b>		<b>9.257.185,97</b>				
<b>LIABILITIES:</b>								
<b>Accounts Payable – Medium and Long Term:</b>								
Debts to Credit Institutions		7.000.000,00		4.000.000,00		4.000.000,00		
Fixed asset suppliers – current accounts		1.074.710,18		1.619.902,93		1.619.902,93		
		8.074.710,18		5.619.902,93				
<b>Accounts Payable – Short Term:</b>								
Debts to Credit Institutions		7.775.000,00		1.000.000,00		1.000.000,00		
Customers with discounted bills		120.801,21		0,00		0,00		
Advances on Sales		728.561,33		245.619,60		245.619,60		
Suppliers – current accounts		8.820.904,71		19.380.092,28		19.380.092,28		
Fixed asset suppliers – current accounts		745.799,37		800.475,71		800.475,71		
State and Other Public Bodies	48	2.607.382,77		3.942.198,13		3.942.198,13		
Other Creditors		107.403,68		81.685,92		81.685,92		
		20.905.853,07		25.450.071,64				
<b>Accruals and Deferrals:</b>								
Cost Accruals	48	2.132.838,17		2.405.176,58		2.405.176,58		
		2.132.838,17		2.405.176,58				
<b>Total Liabilities</b>		<b>31.113.401,42</b>		<b>33.475.151,15</b>				
<b>Total Equity and Liabilities</b>		<b>40.891.858,51</b>		<b>42.732.337,12</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>					
<b>Cost of Goods Sold and Materials Consumed:</b>					
Materials	41	13.143.968,67	13.143.968,67	20.324.471,71	20.324.471,71
<b>External Supplies and Services</b>					
Personnel Costs:		30.054.523,63		40.789.416,22	
Salaries and wages		16.816.919,09		15.662.038,31	
Social charges:					
Pensions		18.174,69		14.222,68	
Others		4.957.052,98	21.792.146,76	3.631.850,52	19.308.111,51
Amort. of Tangible and Intangible Fixed Assets	10	1.742.103,79		1.905.305,10	
Adjustments		136.953,06		213.148,89	
Provisions		0,00	1.879.056,85	131.702,80	2.250.156,79
Taxation		277.538,11		255.918,85	
Other Operational Costs (A)		48.774,59	326.312,70	66.208,02	322.126,87
		67.196.008,61		82.994.283,10	
Losses in Group Companies and Subsidiaries		0,00		0,00	
Depreciations and adjustments for financial investments		0,00		0,00	
Interest and Similar Costs:					
Others	45	1.559.041,60	1.559.041,60	1.208.231,76	1.208.231,76
(C)		68.755.050,21		84.202.514,86	
Extraordinary Costs and Losses	46	2.154.925,46		1.277.966,51	
(E)		70.909.975,67		85.480.481,37	
Taxation on Profits for the Year	6 e 48	604.161,64		736.768,59	
(G)		71.514.137,31		86.217.249,96	
Net Profit for the Year		521.271,12		693.867,87	
		72.035.408,43		86.911.117,83	
<b>INCOME AND PROFITS</b>					
Sales	44	359.389,37		607.801,22	
Service Provision	44	61.946.091,87	62.305.481,24	83.736.189,08	84.343.990,30
Variation in Production	42	7.057.523,84		576.094,60	
Supplementary Income		68.544,81		1.005.630,47	
Subsidies to Exploitation		44.044,57		8.197,53	
Own Work Capitalised		75.204,26		5.115,98	
Other Operating Income		0,00		0,65	
Reversals in Depreciations and Adjustments		55.145,53	242.939,17	120.967,09	1.139.911,72
(B)		69.605.944,25		86.059.996,62	
Other Interest and Similar Income:					
Others	45	288.710,60	288.710,60	368.026,90	368.026,90
(D)		69.894.654,85		86.428.023,52	
Extraordinary Income and Profits	46	2.140.753,58		483.094,31	
(F)		72.035.408,43		86.911.117,83	
<b>SUMMARY:</b>					
<b>Operating Results: (B) – (A)</b>		<b>2.409.935,64</b>		<b>3.065.713,52</b>	
<b>Financial Results: (D – B) – (C – A)</b>		<b>–1.270.331,00</b>		<b>–840.204,86</b>	
<b>Current profit: (D) – (C)</b>		<b>1.139.604,64</b>		<b>2.225.508,66</b>	
<b>Profit Before Taxation: (F) – (E)</b>		<b>1.125.432,76</b>		<b>1.430.636,46</b>	
<b>Net Profit for the Year: (F) – (G)</b>		<b>521.271,12</b>		<b>693.867,87</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	44	69.363.005,08	84.920.084,90
Cost of sales and services rendered		-63.281.499,10	-79.101.836,13
<b>Gross Profit</b>		<b>6.081.505,98</b>	<b>5.818.248,77</b>
Other operating income and profits		242.939,17	1.139.911,72
Distribution costs		0,00	0,00
Administrative costs		-3.588.196,81	-3.570.320,10
Other operating costs and losses		-326.312,70	-322.126,87
<b>Operating profit</b>		<b>2.409.935,64</b>	<b>3.065.713,52</b>
Net financing cost		-1.270.331,00	-840.204,86
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>1.139.604,64</b>	<b>2.225.508,66</b>
Taxation on current profits	6	-604.161,64	-736.768,59
<b>Current profit after tax</b>		<b>535.443,00</b>	<b>1.488.740,07</b>
Extraordinary profits		-14.171,88	-794.872,20
Taxation on extraordinary profits		0,00	0,00
<b>Net Profits</b>		<b>521.271,12</b>	<b>693.867,87</b>
<b>Profit per share</b>		<b>0,50</b>	<b>0,66</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*

## 8.4 Cash Flow Statement

as of 31 December 2006 Unit: Euros.

<b>OPERATING ACTIVITIES:</b>		
<b>Net Profit</b>	<b>521.271,12</b>	<b>693.867,87</b>
<b>Adjustments:</b>		
Depreciations	1.742.103,79	1.905.305,10
Provisions		
Financial results	1.270.331,00	840.204,86
Increases to accounts receivable	-517.805,84	-8.326.848,28
Reductions to accounts receivable	6.265.471,75	387.508,91
Increases in inventories	-7.057.523,84	-576.094,60
Reductions in inventories	619.582,81	698.771,49
Increases to accounts payable	629.460,70	6.163.795,39
Reductions to accounts payable	-12.493.872,02	-414.847,91
Increases to Deferred Income		
Reductions to Deferred Income		
Increases to Accrued Profits	-21,72	
Reductions to Accrued Profits		55.970,75
Increases to Deferred Costs	-68.054,24	-117.179,63
Reductions to Deferred Costs		
Increases to accrued Costs		523.875,58
Reductions to accrued Costs	-272.338,41	
Profits in transfer of Fixed assets		
Losses in transfer of Fixed assets		
	-9.882.666,02	1.140.461,66
<b>Cashflow from operating activities [1]</b>	<b>-9.361.394,90</b>	<b>1.834.329,53</b>
<b>INVESTMENT ACTIVITIES:</b>		
<b>Receipts from:</b>		
Financial Investments	1,00	
Tangible fixed assets	2.670.507,03	25.839,46
Intangible fixed assets		
Investment grants		
Interest and similar income	288.710,60	368.026,90
Dividends		
	<b>2.959.218,63</b>	<b>393.866,36</b>
<b>Payments related to:</b>		
Financial Investments	82.500,00	
Tangible fixed assets	2.447.846,47	1.946.331,85
Intangible fixed assets	205.381,54	
	2.735.728,01	1.946.331,85
<b>Cashflow from investment activities [2]</b>	<b>223.490,62</b>	<b>-1.552.465,49</b>
<b>FINANCING ACTIVITIES:</b>		
<b>Receipts from:</b>		
Loans received	9.775.000,00	1.564.750,00
Increases in capital, supplementary payments and share issue premiums		
Grants and donations		
Sale of own shares		
Coverage of damages		
	9.775.000,00	1.564.750,00
<b>Payments related to:</b>		
Loans received		
Depreciation on financial leasing contracts		
Interest and similar costs	1.559.041,60	1.208.231,76
Dividends		
Capital reductions and supplementary payments		
Purchase of own shares		
	1.559.041,60	1.208.231,76
<b>Cashflow from investment activities [3]</b>	<b>8.215.958,40</b>	<b>356.518,24</b>
<b>Variation in cash and cash equivalents [4] = [1] + [2] + [3]</b>	<b>-921.945,88</b>	<b>638.382,28</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 2</b>	<b>1.095.302,81</b>	<b>456.920,53</b>
<b>Cash and cash equivalents at the end of the year 2</b>	<b>173.356,93</b>	<b>1.095.302,81</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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CONFIRM IF IT'S TRULY NECESSARY

## 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 tax years, consistency and substance over format and materiality.

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

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

### 3 –Presentation principles and principal valuation criteria

The principal valuation criteria employed in the preparation of the financial statements were the following:

- 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 purchase 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 Dec. Reg. 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 tax year cost;

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

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

All assets and liabilities expressed in foreign currencies have been converted into euros using the exchange rate in force on the date of the Balance Sheet.

Differences between exchange rates in force on the transaction date and those in force on the Balance Sheet date were registered in the respective cost or profit accounts.

#### **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 tax 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 733.

## 10 – Movements in fixed assets

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

**GROSS ASSETS**, Unit: Euros

ITEMS	INITIAL BALANCE	REVALUATION	ACCRUALS	DISPOSALS	TRANSF. DISPOSALS	FINAL BALANCE
<b>INTANGIBLE FIXED ASSETS</b>						
Start-up costs	71.138,84	0,00	0,00	-1.392,78	0,00	69.746,06
Industrial property and other rights	64.085,93	0,00	205.381,54	-6.737,02	0,00	262.730,45
	<b>135.224,77</b>	<b>0,00</b>	<b>205.381,54</b>	<b>-8.129,80</b>	<b>0,00</b>	<b>332.476,51</b>
<b>TANGIBLE FIXED ASSETS</b>						
Buildings and Other Structures	890.286,79	0,00	0,00	0,00	731.081,61	1.621.368,40
Basic Equipment	3.788.911,72	0,00	204.484,50	-384.878,53	0,00	3.608.517,69
Transport Equipment	4.227.566,73	0,00	1.058.525,76	-1.188.626,04	-15.885,95	4.081.580,50
Tools and utensils	3.152.399,61	0,00	602.309,88	-16.151,11	-3.847,68	3.734.710,70
Administrative equipment	3.926.954,66	0,00	526.539,99	-429,00	-1.619,47	4.451.446,18
Tares & containers	31.636,18	0,00	0,00	0,00	0,00	31.636,18
Other tangible fixed assets	3.019.833,05	0,00	55.986,34	-2.110.276,00	-17.457,92	948.085,47
Ongoing fixed assets	8.197,53	0,00	0,00	0,00	-8.197,53	0,00
Adva. on account of tangible fixed assets	2.038.063,79	0,00	0,00	0,00	-2.038.063,79	0,00
	21.083.850,06	0,00	2.447.846,47	-3.700.360,68	-1.353.990,73	18.477.345,12
<b>FINANCIAL INVESTMENTS</b>						
<b>Share Capital Parties</b>	<b>533.501,00</b>	<b>0,00</b>	<b>82.500,00</b>	<b>-1,00</b>	<b>0,00</b>	<b>616.000,00</b>
	<b>533.501,00</b>	<b>0,00</b>	<b>82.500,00</b>	<b>-1,00</b>	<b>0,00</b>	<b>616.000,00</b>

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

**DEPRECIATIONS AND ADJUSTMENTS**, Unit: Euros

ITEMS	INITIAL BALANCE	REINFORCEMEN	REGULARISATIONS	FINAL BALANCE
<b>INTANGIBLE FIXED ASSETS</b>				
Start-up costs	71.138,84	0,00	-1.392,78	69.746,06
Industrial property and other rights	64.085,93	19.014,52	-6.094,56	77.005,89
	<b>135.224,77</b>	<b>19.014,52</b>	<b>-7.487,34</b>	<b>146.751,95</b>
<b>TANGIBLE FIXED ASSETS</b>				
Buildings and Other Structures	253.266,84	145.598,64	0,00	398.865,48
Basic Equipment	2.883.013,61	224.089,46	-352.412,13	2.754.690,94
Transport Equipment	3.925.490,91	310.192,18	-1.204.511,99	3.031.171,10
Tools and utensils	2.452.645,36	336.833,03	-17.973,66	2.771.504,73
Administrative equipment	3.416.776,46	312.611,98	-2.048,47	3.727.339,97
Tares & containers	31.636,18	0,00	0,00	31.636,18
Other Tangible Fixed Assets	1.287.530,26	393.763,98	-807.540,59	873.753,65
	<b>14.250.359,62</b>	<b>1.723.089,27</b>	<b>-2.384.486,84</b>	<b>13.588.962,05</b>
<b>FINANCIAL INVESTMENTS</b>				
Securities and Other Financial Investments	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

ITEM	VALUE
Fixed assets owned by third parties	0,00
Fixed assets assigned to company activity	18.809.821,63
Fixed assets implanted in third party property	0,00
Fixed assets located abroad	0,00
Reversible fixed assets	0,00
	<b>18.809.821,63</b>

## 15 – Assets under leasing contracts

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

### ASSETS UNDER LEASING CONTRACTS, Unit: Euros

ITEMS	VALUE CONTRACT	VALUE FROM ACCOUNT 42	VALUE FROM ACCOUNT 48	NET VALUE ACCOUNTING	RENTS DUE
Industrial property and other rights	201.127,54	201.127,54	16.760,63	184.366,91	167.606,40
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	280.017,20	280.017,20	47.284,41	232.732,79	208.349,41
Transport Equipment	1.443.525,76	1.443.525,76	393.116,36	1.050.409,40	1.071.661,47
Tools and utensils	165.322,12	165.322,12	78.318,86	87.003,26	82.348,45
Administrative equipment	160.124,26	160.124,26	13.343,70	146.780,56	124.541,20
Other tangible fixed assets	0,00	0,00	0,00	0,00	0,00
	<b>2.250.116,88</b>	<b>2.250.116,88</b>	<b>548.823,96</b>	<b>1.701.292,92</b>	<b>1.654.506,93</b>

## 16 – Group Companies, Associates & Affiliates

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

NAME	COMPANY HEAD QUARTERS	PERCENTAGE SHARE PARTICIPATION	OWN CAPITAL (2005)	NET PROFIT (2005)
Caminhos do Campo, S.A.	Cartaxo	8,00	0,00	0,00
Meci – Gestion de Projects D’Ingenierie	France	100,00	0,00	0,00
MTS – Metro Transportes do Sul, S.A.	Lisbon	10,67	5.000.000,00	0,00
ESTP, S.A.	Lisbon	27,00	0,00	0,00
Expo Arade, S.A.	Portimão	22,00	0,00	0,00
Metro do Lumiar, Ace	Monte de Caparica	50,00	-0,05	0,00

## 21 – ADJUSTMENTS

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

**ADJUSTMENTS**, Unit: Euros

ITEMS	INITIAL BALANCE	REINFORCEMENT	REVERSAL	FINAL BALANCE
Inventories:				
Raw-materials, Subsidiaries & Consumption Products & Ongoing Works	0,00	0,00	0,00	0,00
Accounts receivable				
Customers, CC				
Doubtful Collection Customers	380.154,23	136.953,06	-25.227,45	491.879,84
Advances to Suppliers				
State and other public bodies				
Shareholders				
Other debtors				
	<b>380.154,23</b>	<b>136.953,06</b>	<b>-25.227,45</b>	<b>491.879,84</b>

The adjustments occurred refer to the following reinforcements:

- 100% of capital owed by the customer PANUL, LDA.
- 100% of capital owed by the customer A. J. Oliveira & Filhos, LDA.

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### **23 – Debts from Doubtful Collection**

The balance of provision for doubtful collection credits reflects the evaluation of existing collection risk in balances to receive from customers presented in the Balance Sheet (see Note 21).

### **32 – Bank Guarantees provided to third parties**

Total bank guarantees which the Company had provided on 31st December 2006 rose to 26,347,318.17 euros and were pertinent to guarantees of sound execution and financial guarantees (advances).

### **34 – Breakdown of the Provisions Heading**

There were no transactions under the provisions heading throughout the 2006 tax year.

### 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 €.

#### COMPOSITION OF SHARE CAPITAL, Unit: Euros

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	19,95%
Maria Simões Marques Couto André	5.000	0,48%
	1.050.000	100,00%

### 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 – S.G.P.S., S.A	27,14%

## 40 – Variation in own equity accounts

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

**OWN EQUITY**, Unit: Euros

ITEMS	INITIAL BALANCE	ACCRUALS	DISPOSALS	FINAL BALANCE
Equity	5.250.000,00	0,00	0,00	5.250.000,00
Revaluation Reserves	0,00	0,00	0,00	0,00
Legal reserves	166.297,02	34.693,39	0,00	200.990,41
Free reserves	3.147.021,08	659.174,48	0,00	3 806.195,56
Net Profit for the Year	693.867,87	521.271,12	693.867,87	521.271,12
	<b>9.257.185,97</b>	<b>1.215.138,99</b>	<b>693.867,87</b>	<b>9.778.457,09</b>

## 41 – Cost of materials consumed

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

**COST OF MATERIALS CONSUMED**, Unit: Euros

MOVEMENTS	GOODS	RAW MATERIALS, MOVEMENTS SUBSIDIARIES AND FOR CONSUMPTIONS
Initial stocks	0,00	2.001.296,50
Acquisitions	0,00	12.524.385,86
Regularisation of stocks	0,00	0,00
Final stocks	0,00	1.381.713,69
	0,00	13.143.968,67

## 42 – Production Variation

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

**PRODUCTION VARIATION**, Unit: Euros

<b>TRANSACTIONS</b>	<b>PRODUCTS FINISHED &amp; INTERMEDIARY</b>	<b>BY-PRODUCTS, WASTAGE RESIDUALS &amp; WASTE</b>	<b>&amp; PROJECTS UNDERWAY</b>
Initial stocks	0,00	0,00	7.148.338,11
Regularisation of stocks	0,00	0,00	0,00
Final stocks	0,00	0,00	14.205.861,95
Tax Year Income	0,00	0,00	7.057.523,84

### 43 – Remuneration of Members of Corporate Bodies

Remuneration allocated to the members of corporate bodies throughout the Tax 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	592.077,31
Statutory Auditor	12.000,00
	604.077,31

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

## 44 – Sales & Provision of Services per Activity & Geographical Market

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

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

ITEM	VALUE
Portugal	53.912.266,12
France	8.220.835,83
Spain	7.900,00
Timor	160.756,91
United States of America	3.722,38
	62.305.481,24

## 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

	FINANCIAL YEARS	
	2006	2005
<b>COSTS AND LOSSES</b>		
Interest paid	1.171.476,17	812.491,66
Unfavourable exchange rate differences	9,02	3,83
Other financial costs	387.556,41	395.736,27
Financial Profit and Loss Account	-1.270.331,00	-840.204,86
	<b>288.710,60</b>	<b>368.026,90</b>
<b>INCOME AND PROFITS</b>		
Interest received	2.454,84	2.195,78
Income from property holdings	737,60	0,00
Favourable exchange rate differences	33,72	0,00
Discounts for prompt payment granted	185.849,83	378.483,71
Other financial profits	99.634,61	-12.652,59
	<b>288.710,60</b>	<b>368.026,90</b>

## 46 – Extraordinary Profit and Loss Account

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

### EXTRAORDINARY PROFIT AND LOSS ACCOUNT, Unit: Euros

COSTS & LOSSES	TAX PERIODS	
	2006	2005
Donations	11.855,00	8.160,00
Non-chargeable debts	0,00	485.647,24
Stock losses	1.447,93	116.113,73
Losses in fixed assets	1.418.263,36	7.149,74
Fines & sanctions	27.934,41	15.365,83
Increases in depreciations	195.932,56	13.834,54
Corrections relating to previous tax years	382.634,88	539.530,14
Other extraordinary costs & losses	116.857,32	92.165,29
Extraordinary profits	-14.171,88	-794.872,20
	<b>2.140.753,58</b>	<b>483.094,31</b>
<b>PROFITS &amp; GAINS</b>		
Debt recovery	58.378,70	0,00
Gains in stocks	0,00	1.527,44
Gains in fixed assets	1.520.911,47	145.255,52
Benefits of contractual sanctions	135.922,43	0,00
Reductions of provisions	0,00	131.702,80
Corrections relating to previous tax years	17.940,66	80.956,73
Other profits & extraordinary gains	407.600,32	123.651,82
	<b>2.140.753,58</b>	<b>483.094,31</b>

## 48 – Other information

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

### ACCRUALS AND DEFERRALS, Unit: Euros

ITEMS	TAX PERIODS	
	2006	2005
<b>ACCRUED PROFITS</b>		
Charges in gains interest to receive	21,72	0,00
	<b>21,72</b>	<b>0,00</b>
<b>DEFERRED COSTS</b>		
Insurance	48.863,48	12.652,16
SIME Project	348.473,82	555.453,66
Financial Expenses	160.944,44	65.727,62
Conservation & repairs	36.347,94	8.243,77
France Agency Costs	37.075,53	1.497,60
Other supplies & services	286.537,63	176.348,64
Fees	1.783,00	1.930,34
Other	47.745,52	77.863,33
	<b>967.771,36</b>	<b>899.717,12</b>
<b>COST ACCRUALS</b>		
Insurance to liquidate	74.959,93	255.735,97
Remunerations to liquidate	1.804.723,76	1 934.179,42
Supplies & services	127.149,66	123.640,73
Personnel costs	5.375,00	41.600,00
Financial costs	74.528,13	39.796,39
Other	46.101,69	10.224,07
	<b>2.132.838,17</b>	<b>2.405.176,58</b>

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

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

ITEMS	TAX PERIODS	
	2006	2005
Income tax	237.823,84	289.245,71
Income tax withholding	169.900,13	147.508,52
VAT	1.191.290,88	2.364.271,39
Stamp tax	45,00	160,00
Social security contributions	289.185,98	275.349,33
State and other public bodies	1.184,41	0,00
State and other public bodies - France	351.614,73	413.977,70

## 9.2 Notes to the Cash Flow Statement

### 2 – Cash components and equivalents

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

**CASH COMPONENTS & EQUIVALENTS**, Unit: Euros

COMPONENTS	2006	2005
Cash	67.291,86	383.941,40
Immediately available bank deposits	106.065,07	711.361,41
Equivalents to cash	0,00	0,00
Cash & equivalents	173.356,93	1.095.302,81

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