



# CONDURIL – ENGENHARIA, S.A.

Annual Report and Consolidated Accounts  
2010

*“There are no fair winds if you don’t know where you’re going”*

Séneca



Bridge over the River Kwanza at Cangandala  
Malanje - Angola

# Annual Report and Consolidated Accounts

2010

**CONDURIL – ENGENHARIA, S.A.**

Av. Eng.º Duarte Pacheco, 1835

4445-416 Ermesinde

PORTUGAL

Valongo Company Registry Office

Share Capital: 10 000 000 €

Legal Person no.: 500 070 210

Licence no. 568

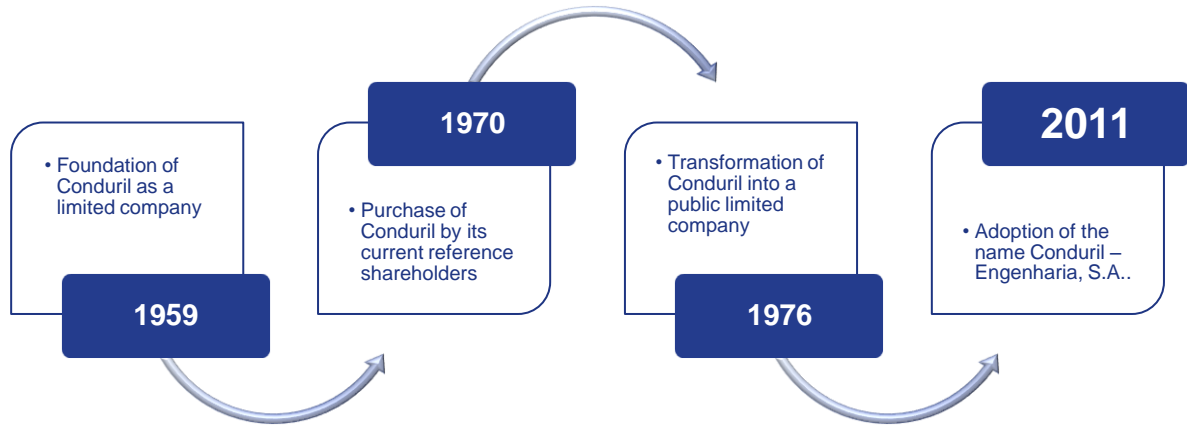




About Conduril	5
Company Bodies	6
Organisational Structure	7
Facts and Relevant Indicators	8
Consolidated Management Report	11
I.    Macroeconomic Environment	12
II.   Business Analysis	17
III.  Human Resources	20
IV.  Quality, Environment and Safety	21
V.   Risk Management	21
VI.  Outlook and Subsequent Events	22
VII. Proposed Application of Results	23
Financial Statements and Notes	24
Consolidated Balance Sheet at 31 December 2010	25
Consolidated Income Statement by Nature	26
Consolidated Cash Flow Statement	27
Consolidated Statement of Changes in Equity	28
Notes to the Consolidated Financial Statements at 31 December 2010	29
Report from the Supervisory Board	61
Statutory Audit Certificate of the Consolidated Accounts	63



RELEVANT DATES



OVERVIEW

Conduril carries out its activity in the area of Civil Engineering and its main aim, both in technical terms and in economic terms, is to be (and to be recognised in the market as such) one of the best Portuguese engineering companies while having the following characteristics:

- Being a large company on a national scale in technical and economic terms, capable of handling any civil engineering project of the national market or abroad.
- Being a medium-sized company as regards total staff, in a national context, that is flexible, capable of meeting market demands and with comprehensive technical capability, besides providing a solid support base for its overseas projects.

MISSION

Our mission is the creation of lasting wealth for our shareholders and the sustainability of the best working conditions for our employees as the primary aim of our social responsibility.

VALUES

We believe we can only create value and wealth, in other words, success, through correct behaviour: with sincerity, trust and responsibility founded on a culture of integrity, which means: Honesty, Transparency, Fairness and strict compliance with rules and regulations. These are our values.

**Board of the General Meeting**

Chairman

João Baqueiro Oliveira

Secretaries

Amadeu Augusto Vinhas

António Emanuel Lemos Catarino

**Board of Directors**

Chairman

António Luís Amorim Martins

Chairman of the Executive Committee

Maria Benedita Andrade de Amorim Martins

Vice-Chairman of the Executive Committee

Maria Luísa Andrade Amorim Martins Mendes

Executive Committee members:

Admar Américo Soares Paiva

Álvaro Duarte Neves Vaz

António Baraças Andrade Miragaia

Carlos António Soares de Noronha Dias

Ricardo Nuno Araújo Abreu Vaz Guimarães

**Supervisory Board**

Chairman

Crisóstomo Aquino de Barros

Members of the Board

Daniela Brás Vigário Silva

José Tiago Sapage Meireles de Amorim

Substitute

José Álvaro Fonseca Moura

**Statutory Auditor**

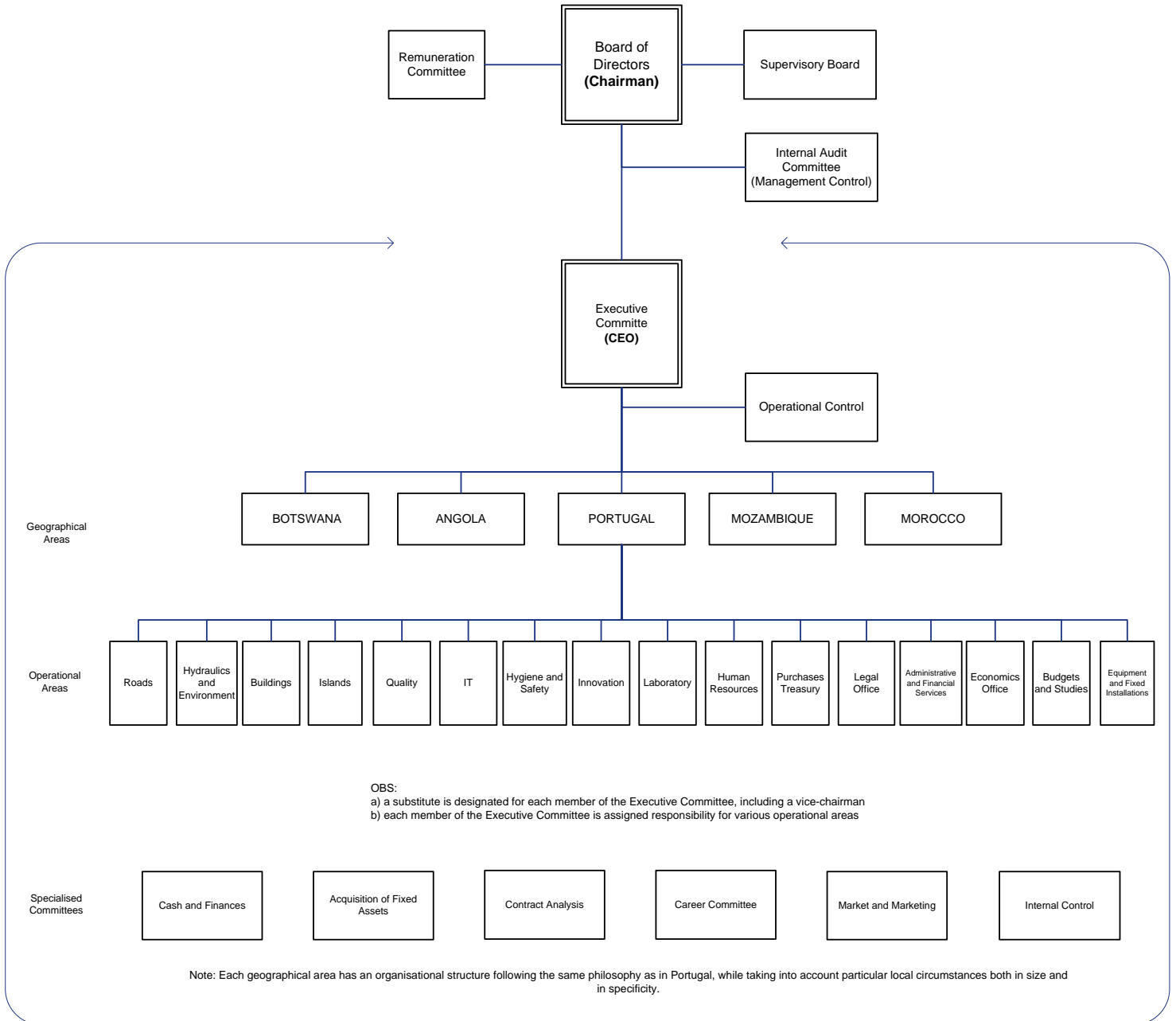
Horwath & Associados, SROC, Lda

Represented by:

Ana Raquel Borges Louro Esperança Sismeyro

Substitute

Sónia Bulhões Costa Matos Lourosa



Expansion into new markets, in particular Spain, Cape Verde and other countries in Africa. At the same time, we are reassessing our position in Morocco.

Projects of note:

- Extension of the East Quay at the Port of Sines, Portugal
- North Portugal Mother and Child Health Centre, Portugal (in consortium)
- Alto do Ceira Dam, Portugal (in consortium)
- TGV – Spain: Platform on the Alcántara-Garrovillas section, Spain (in consortium)
- TGV – Lisbon-Poceirão section: 1st position in the tendering procedure, later cancelled, Portugal (in consortium)
- 5 bridges on the Saurimo – Luau road link, Angola
- Bridge over the River Kwanza, Angola
- Malanje-Cangandala road, Angola
- Ganda-Catengue road, Angola
- Naval Shipyard, Porto Amboim, Angola
- Manica bridges, Mozambique (in consortium)
- River Zambézia bridges, Mozambique (in consortium)
- Macomia-Oasse road, Mozambique (in consortium)
- Gaborone/Tlokweng motorway, Botswana

The standardisation and integration of the various reporting platforms of our business unit as well as the system for digitalisation and electronic conferral of documents contributed greatly to the desired improvement in and consolidation of management processes in order to raise our standards of efficiency and effectiveness.

2010 was also marked by the implementation of the New Accounting Standardisation System, following publication of Decree-law no. 158/2009, of 13 July. As a result of the work on identification and quantification of the differences from the previous rules, the Financial Statements at 31 December 2009 were restated.

The challenge of continued improvement of our resources continues to receive special attention. To this end, the Conduril Academy was set up. Its headquarters was built in Benguela – Angola and the Career Management Model was implemented.

Of note is the expansion of our productive capacity with the construction of the Pólo 2 building, to house our metalwork and carpentry sections in Portugal. Also of note is the conclusion of the modernisation work on the head office building, the construction of fixed installations in the various provinces in Angola, as well as the modernisation of the Matola building yard in Mozambique.



We won for the third consecutive year, thereby reinforcing our commitment to excellence following other awards in the last 2 years, the award presented by the EXAME magazine for “Best Company in the Construction Sector”. No less important was once again winning the award presented by the EXAME magazine in partnership with Accenture for “Best Company to work for in the Construction Sector”.



Some of the main economic and financial indicators of the evolution of our activity are as follows:

<i>Economic and financial indicators</i>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Turnover (EUR million)	203,328	260,411	251,855
Net income for the financial year (EUR million)	26,367	37,286	34,194
EBITDA (EUR million)	52,255	64,682	74,745
Return on assets	12%	12%	11%
Return on Equity	43%	40%	37%
Return on sales	12%	14%	14%
Financial Autonomy (equity/assets ratio)	28%	31%	31%
General liquidity	184%	198%	217%

*NOTE: The information for 2009 and 2010 is expressed according to the accounting standard in force, the Accounting Standardisation System, and is not fully comparable with 2008. However, this does not distort the quality of the information reported.*

- Despite the particularly difficult macroeconomic and sector climate, our endeavour and commitment have allowed us to overcome these obstacles, as clearly indicated in the consistent economic and financial situation expressed above;
- The foreign market represents 80% of our turnover, with the domestic market contribution reaching 20%;
- As with the good performance recorded in previous years, the 2010 period ended with a sound result of 34.2 million euros. In turn, EBITDA recorded growth of 16% on the previous year;
- The liquidity difficulties felt by many of our customers did not jeopardise our robust financial position but they did call for monitoring and careful financial management;
- Our continued consolidation efforts have given us a positive performance overall.



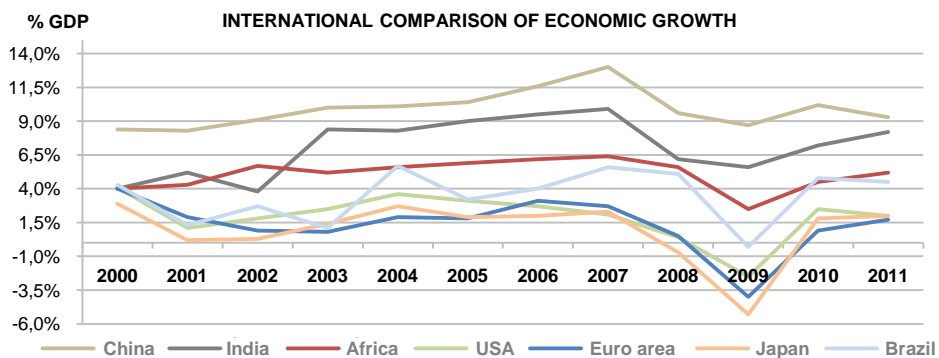
# Consolidated Management Report

The Board of Directors of CONDURIL, S.A., in compliance with its articles of association and with the applicable legal provisions, under the terms of articles 65 and 66 of the Portuguese Companies Act, hereby presents and submits to the General Meeting of Shareholders for their approval, the Management Report, the accounts for the period and other accounting documents relative to the year ending on 31 December 2010.

**I. MACROECONOMIC FRAMEWORK**

**a. World Economy Overview**

The OECD Advanced Compound Indicators, published in January 2011, indicate a consolidation of the expansion trajectories seen in recent months in the main world economies, with more moderated dynamics in the last quarter, especially in advanced economies, as can be seen from the graph below:



Source: IMF – World Economic Outlook (Oct 2010)

GDP grew 0.9% in the Euro area in 2010 while industrial production for the same period accelerated to 7.2% and exports increased 23.2%. 2010 was also marked by the increase in the average inflation rate to 1.6% (0.3% in 2009). The unemployment rate stabilised at 10.1%. Short-term interest rates grew slightly, standing at an average of 0.81%, a growth trend that is also expected for 2011, in all terms. In turn, the currency markets saw the devaluation of the euro against the US dollar.

However, the persistent over-indebtedness of some countries, in particular Greece, Ireland, Portugal, Spain, Italy and Belgium, forced the implementation of austerity packages to relieve the tensions concerning the sovereign debt default risk of these countries, raising the underlying interest rates. 2011 will see the reinforcement of these severe measures to combat the deficit and public debt in order to guarantee the stability of the euro and to minimise aid from the International Monetary Fund (IMF), which will continue to drastically affect the Portuguese market.

In the 4th quarter of 2010 in the USA, the confidence indicators of businesspeople and consumers increased and GDP will have grown 2.5% in 2010. Private consumption showed strong growth, 2.6% in real terms. However, both industrial production and exports slowed down but, even so, showed growth of 5.8% and 14.8%, respectively, for the same period.

In turn, China accelerated its GDP growth to 10.2%, in real comparable terms, mainly due to the continuation of the strong growth in internal demand. Exports increased 31% in nominal comparable terms (-16% in 2009). This acceleration led to the implementation of restrictive measures in the monetary area, particularly the increase in benchmark interest rates.

According to the IMF “World Economic Outlook” report, the growth in the world economy in 2011 will centre on 4.5%, a slowdown against the forecasted 4.8% for 2010. Emerging and developing countries will maintain strong growth over the next two-year period, with their GDP reaching 6.5%, while developed countries will stay at 2.5%. In turn, the World Bank (WB), in its “Global Economic Prospects 2010” report warns that although the worst of the financial crisis may have passed, world recovery is fragile and the effects will continue. These outlooks are underpinned by a high degree of uncertainty in terms of the levels of confidence of households and companies and the impact of the termination of budget stimulation measures. The financial markets will continue to show turmoil and private sector demand will remain low, in a severe situation of high unemployment.

In this context, the next 5 to 10 years with the increasing avoidance of risk, more prudent regulation and the need to prevent some more risky credit practices similar to those during the pre-crisis expansion period, should signify the reduction and the increasing cost of capital employed in developing countries.

## **b. Environment of the economies where Conduril operates**

### **▪ Portuguese Economy**

The preliminary report of the National Statistics Institute points to GDP growth of 1.4% in 2010, mainly driven by the very accelerated pace of exports, 15% up on 2009, and limited by poor internal demand, particularly investment performance. If the evolution of these macroeconomic aggregates continues, the external borrowing requirements of the Portuguese economy will decrease, despite still remaining at high levels.

The most recent projections from Banco de Portugal (Winter Economic Bulletin) predict a 1.3% shrinkage in Portuguese economic activity in 2011 and slight growth of 0.6% in 2012, with inflation increasing 2.7% and 1.4%, respectively. This evolution will be marked by the effort to adjust the macroeconomic imbalances accumulated over more than a decade. In the labour market, and following an unemployment rate of 10.8% in 2010 (an increase of 1.3% compared with 2009), a 1 p.p. fall in employment is predicted for 2011 and 0.2 p.p. in 2012, as a result of the out of step effect with the evolution of economic activity.

It is expected at the sector level that growth will be focused more on the tradable goods and services sectors – the manufacturing industry and service sector activities more steered towards exports, while sectors such as construction and non-tradable services will be more affected by the significant slowdown in demand.

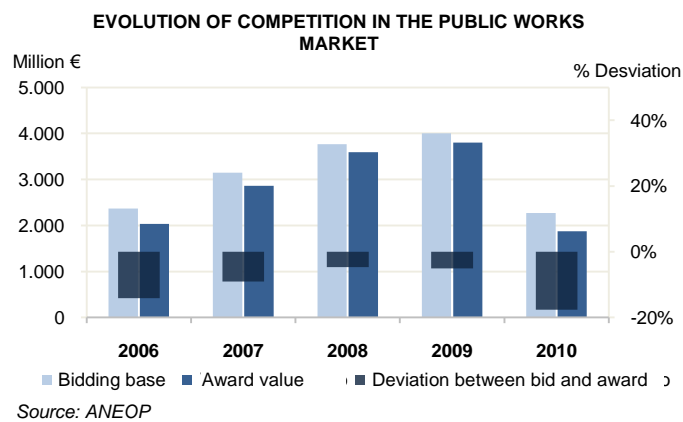
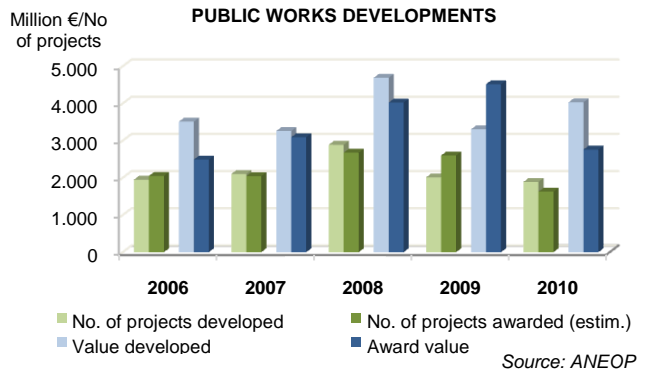
Thus, world economic development and, in particular, the sustained recovery of international trade flows will be fundamental to the recovery of economic activity in Portugal. These economic projections are also dependent on the budget consolidation measures in progress to guarantee compliance with the demanding budget objectives, mitigating doubts as to the sustainability of finances which have been penalising the risk premiums of Portuguese sovereign debt. The difficulties felt by Portuguese banks to access the wholesale financing markets will persist, with relevant repercussions on borrowing conditions for companies and households and recourse to Eurosystem funding will remain high.

**Construction in Portugal**

The macroeconomic conditions and restrictive budgets which were seen in 2010 did not recognise the construction sector as a privileged economic agent for fighting the crisis, spreading its investments, creating employment, mobilising the extensive workforce and launching positive leverage effects in the economy in general and the construction value chain in particular. In comparative terms, the construction and public works production index showed a fall of 11.1% in the last quarter of 2010.

The data available for the 4th quarter of 2010, shows a continued slowdown in investment, arising from the public expenditure contention measures implemented in 2010, with a special contribution from investment in construction (construction permits fell 9.8% in the last quarter), as can be seen in the graph:

Of all of the construction activities, civil engineering was hardest hit in the climate of austerity, seriously affected by invitations to tender not being carried through.



Also of note is the increase in competition, stimulated by the restrictive measures which have been felt in public administration services. This fact is portrayed in the evolution of the margin between the base bids and the values awarded, which showed a relevant reduction in 2010, as can be seen in the graph:

As a result, the construction sector had to adapt with the consequent increase in unemployment levels.

Given the current national economic context, a more positive scenario is not expected this year but rather a new fall in production of the construction sector, of 5% with 3% being in civil engineering, according to the forecast of AECOPS (the Construction Companies and Public Works Association). The underlying uncertainties depend on budget performance and the suspension, or not, of various projects which are being or are expected to be developed in the Public Private Partnerships (PPP) systems. Part of the solution to combat this market evolution includes the incentive to rehabilitation under the scope of the recent measures announced by the government to stimulate the rental market in order to encourage urban requalification and the continued implementation of the school rehabilitation programme, in the hands of the Parque Escolar company.

## ▪ African Economy

The African region stood out in 2010 for its positive performance, with an expected real GDP growth rate of 5% (5.5% for 2011), returning to the growth rates seen before the international crisis. The world economic recovery, in particular the strong Asian demand, will greatly benefit these economies due to the growing demand for the commodities which the African countries export. There was some resilience during the world recession and the economic recovery in progress as a result of the application of well-thought out economic policies on the eve of the world shocks in 2007-2009, although some risks remain.

As to the marks left by the crisis, these are expressed in the macroeconomic indicators, including a high unemployment rate, worse budget balances, in particular in the countries with intermediate income and in oil exporting countries, the fall in exports and the modest growth in credit.

The main risks for activity in the region, apart from the political upheaval, are related with the possibility of smaller capital flow from advanced economies as well as the full electoral calendar (around 17 elections in the region throughout the coming year), which could lead to a delay in structural reforms. The IMF suggests that the decision makers on the continent apply policies for supporting economic recovery, centralising budget policy on medium-term financial concerns and the viability of the debt, improving public services and infrastructures, reinforcing the financial systems and maintaining a climate encouraging private economic activity.

### Angola

Of the main economies of the region, and in particular among the oil producing countries, Angola was one of the countries most affected in 2009. Given its high dependence on oil, the acceleration of the economy in 2010 greatly reflects the recovery in world demand for this commodity and the increase in price on the international market. The IMF points to a GDP growth of 5.9% in 2010 and 7.1% in 2011, which will be supported by recovery of the non-oil sector. The non-oil sector decelerated from 2009, as a result of disinvestment under the fiscal contention policy and the impact of state debts to foreign-owned private companies, with a consequently lower tendency for investment by foreign investors.

The stabilisation of the economy over the last year also comes as a result of the measures adopted under the scope of the agreement signed with the IMF, marked by the recovery of the international reserves with the resulting stability of the USD/KWZ exchange rate, the recovery of the balance of trade and the equilibrium of public accounts. However, inflation ended 2010 at 15.31%, a higher than expected value. Finally, it is to be noted that in the last half of 2010 the process of settling the debts to foreign companies began and the outlook is that the situation will be fully resolved by the end of March 2011.

In 2011, it is estimated that there will be an improvement in Angola's budget position, accompanying the increase in fiscal revenue from oil, which currently accounts for around 70% of total revenue.

### Mozambique

The economic growth rate for 2010 should be around 8%, above the average for its peers – coastal countries little dependent on natural resources – which showed expansion of 3.5%. One of the sectors that significantly contributed to growth in 2010 was construction, this being a sector that should continue to grow as there are various construction projects

in progress. These so-called megaprojects are in the segments of aluminium, electricity and also natural gas, and they comprise investments that are expected to continue in the coming years.

The inflation rate stood at 12.7%, in 2010, above the 3.3% for 2009. This increase was mainly justified by the depreciation of the metical and the removal of subsidies on the prices of some essential goods and services. The last half of 2010 was marked by the appearance of tensions related with the cuts in those subsidies, some of which have been reintroduced.

No alterations are expected in the development pattern of the Mozambican economy in the coming years and the pace of expansion in economic activity is expected to continue to bring favourable surprises. The IMF forecasts an economic growth rate of 8%, between 2012 and 2015. The continuation of this trend will require the authorities to maintain the following prime objectives: improvements in infrastructures and public services, reinforcing the financial system and maintaining a business climate open to private initiative.

### **Botswana**

After the economic slowdown in 2009, the economy of the largest diamond producer in the world started to grow again in 2010, up 8.4%, with 4.8% expected in 2011 and 7.2% in 2012. The inflation rate in 2010 was around 6.7%. In terms of foreign exchange there was good price stability.

The forecasted improvement in the price of commodities, along with the improvement in international markets, will continue to drive the mining sector and, consequently, the economic growth of this country. In turn, more modest growth is expected in the non-mining sector as a result of the expected reduction in State expenditure, with the goal of balancing the budget by 2012/13 in order to foster sustainable growth. It is expected that various projects in development will be concluded and the existing infrastructures will be maintained.

### ▪ **Spanish Economy**

The economic slowdown continued in 2010, though to a much less degree than in 2009, and there was a slight trend towards recovery during the year, with GDP falling by around 0.1%. The labour market continued to show very high unemployment rates, rising to 20.3% in the 4th quarter.

The necessary budget consolidation measures introduced in 2010 as a result of the pressure on the sovereign debt, restricted the components of public demand, which is expected to continue in 2011 in a situation identical to that existing in Portugal. In this scenario, the slowdown in the construction segment intensified, with the obvious repercussions on private initiative.

2011 is expected to be a year of consolidation for public accounts and for the domestic financial sector and 0.7% growth is expected in GDP.

### c. Doing Business

In order to measure the progress of countries as to economic reforms and freedoms, including fiscal freedom, government expenditure/investment, monetary and investment freedom and safety, the World Bank draws up an annual report called Doing Business. The conclusions for the aforementioned countries are set out below:

	Portugal		Angola		Mozambique		Botswana		Spain	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
<b><i>General index - Doing Business [Position in ranking]</i></b>	<b>48<sup>o</sup></b>	<b>31<sup>o</sup></b>	<b>164<sup>o</sup></b>	<b>163<sup>o</sup></b>	<b>130<sup>o</sup></b>	<b>126<sup>o</sup></b>	<b>45<sup>o</sup></b>	<b>52<sup>o</sup></b>	<b>62<sup>o</sup></b>	<b>49<sup>o</sup></b>
Starting a business	60 <sup>o</sup>	59 <sup>o</sup>	164 <sup>o</sup>	164 <sup>o</sup>	96 <sup>o</sup>	65 <sup>o</sup>	83 <sup>o</sup>	90 <sup>o</sup>	146 <sup>o</sup>	147 <sup>o</sup>
Obtaining construction permits	111 <sup>o</sup>	111 <sup>o</sup>	119 <sup>o</sup>	128 <sup>o</sup>	159 <sup>o</sup>	155 <sup>o</sup>	122 <sup>o</sup>	127 <sup>o</sup>	53 <sup>o</sup>	49 <sup>o</sup>
Property registration	52 <sup>o</sup>	31 <sup>o</sup>	173 <sup>o</sup>	174 <sup>o</sup>	153 <sup>o</sup>	144 <sup>o</sup>	44 <sup>o</sup>	44 <sup>o</sup>	48 <sup>o</sup>	54 <sup>o</sup>
Obtaining credit	87 <sup>o</sup>	89 <sup>o</sup>	109 <sup>o</sup>	116 <sup>o</sup>	125 <sup>o</sup>	128 <sup>o</sup>	43 <sup>o</sup>	46 <sup>o</sup>	43 <sup>o</sup>	46 <sup>o</sup>
Investor protection	41 <sup>o</sup>	44 <sup>o</sup>	57 <sup>o</sup>	59 <sup>o</sup>	41 <sup>o</sup>	44 <sup>o</sup>	41 <sup>o</sup>	44 <sup>o</sup>	93 <sup>o</sup>	93 <sup>o</sup>
Paying taxes	80 <sup>o</sup>	73 <sup>o</sup>	135 <sup>o</sup>	142 <sup>o</sup>	98 <sup>o</sup>	101 <sup>o</sup>	18 <sup>o</sup>	21 <sup>o</sup>	78 <sup>o</sup>	71 <sup>o</sup>
Cross-border trade	19 <sup>o</sup>	27 <sup>o</sup>	167 <sup>o</sup>	166 <sup>o</sup>	136 <sup>o</sup>	133 <sup>o</sup>	150 <sup>o</sup>	151 <sup>o</sup>	59 <sup>o</sup>	54 <sup>o</sup>
Contract compliance	25 <sup>o</sup>	24 <sup>o</sup>	181 <sup>o</sup>	181 <sup>o</sup>	129 <sup>o</sup>	132 <sup>o</sup>	79 <sup>o</sup>	70 <sup>o</sup>	52 <sup>o</sup>	52 <sup>o</sup>
Closing a business	22 <sup>o</sup>	21 <sup>o</sup>	144 <sup>o</sup>	147 <sup>o</sup>	135 <sup>o</sup>	129 <sup>o</sup>	27 <sup>o</sup>	27 <sup>o</sup>	19 <sup>o</sup>	19 <sup>o</sup>

Source: <http://www.doingbusiness.org>

## II. BUSINESS ANALYSIS

One of the greatest difficulties facing us at the moment is the intense competition in our sector. In Portugal, in around 73% of the contracts awarded in 2010 the value was less than the base price, with deviations of over 10%, according to the data published by the Portuguese Construction and Real Estate Confederation. This is clear abroad from the growing competition, mainly Chinese and Brazilian, and our success is the result of the commitment, dedication and professionalism of all of those who are part of and who shape Conduril: on the basis of competence and dedication, we are looking optimistically to the future.

In international terms, we expect our activity to extend to a few more countries. A new project has already been awarded in Cape Verde, pursuing our expansion strategy in order to continually improve the economic and financial well being of the Conduril group and all of its stakeholders.

### a. Domestic Market

The roads area has suffered most constraints with the budget consolidation measures, in particular with the cancellation of the Lisbon-Poçoirão TGV tender, which included the Third Tagus Crossing where we were part of the consortium that was in the best position, and the cancellation of projects that had already been awarded to us.





2010 was also marked by the awarding to Conduril of emblematic work in the hydraulics sector, of note being the extension to the East Quay at the Port of Sines and the awarding of the construction contract for the new Alto Ceira dam. Also of note is the conclusion of the contract for the interconnection of the Douro and the Paiva water sources – Ramalde/Galegos stretch and the Ramalde pumping station, one of the main contracts we had been carrying out since the previous year.

Majorly dependent on the national economic panorama, the year was marked by the completion of the Avelar Brotero school in Coimbra, by the continuation of construction of the Amarante hospital and by the successive postponements of the construction contract for the North Portugal Mother and Child Health Centre.



Although the islands market is small, production in 2010 showed reasonable results, of note being our participation in the largest contract currently being carried out in the Azores, the requalification and re-planning of the seafront in Horta City as well as the completion and inauguration of the Vila Franca do Campo Occupational Activities Centre.

### **b. Foreign Market**



#### **▪ Angola**

2010 was stigmatised as the year of the slowdown in the pace of reconstruction in the country, signifying a drastic reduction in the number of tenders and the virtual non-existence of new projects being awarded. Even so, in this context, the efforts made by our business units allowed us to obtain quite satisfactory results.

With the inauguration of projects on the five bridges on the Saurimo-Luau road axis and the bridge over the river Kwanza (see picture on page 1), as part of the official programme for the 35 years of independence of Angola, we continued to consolidate our activity with projects in all regional areas.

We expect more dynamism in the Angolan construction market in 2011, seeking to adapt our resources to the growing demands of the market in an attempt to widen our scope of activity to all of the provinces, and it is fundamental that we progressively make our geographic areas of influence more independent. We aim to set up a new company, called Urano, Lda, based in Malanje, with a special focus on mechanical engineering.

Our constant search for excellence and continued improvement leads us to set our sights on a prominent place in the local business panorama in the coming years.





▪ **Mozambique**

2010 was marked by consolidation of the activity carried out by our branches in Mozambique and the efforts made to improve debt collection rates. In operational terms, of note is the completion of the Manica bridges, the Zambézia bridge and the rehabilitation of the streets in Quelimane.



Lucite bridge

Despite all of our commitment in the tender phases, successive cancellations and delays meant that the volume of the projects awarded was slightly less than expected.

For 2011 we expect a positive evolution of our activity, driven by the start up of new projects and the expected increase in public investment, in particular on roads, support infrastructures for coal mining and in the concessions system.



▪ **Botswana**

The construction of the Gaborone-Tlokweng motorway is proceeding at a good pace, with a monthly average of 190 employees working on the project.

We are seeking to conquer new work fronts and we expect positive results in the tenders we bid on, aware of the fierce competition we are facing from the Chinese.



Gaborone/Tlokweng motorway



▪ **Morocco**

After carefully weighing up the actual conditions in the Moroccan market we were involved in, we decided to abandon this market.



▪ **Spain**

The aim of extending our activity to other countries in the European Union was achieved in 2010, with the awarding of the construction contract for the Alcántara-Garrovillas stretch of the TGV to the FCC-Conduril (UTE Alcántara-Garrovillas) consortium by the Spanish Rail Infrastructures Administration.

We have been trying to strengthen our presence in this market by presenting bids for tenders in the civil engineering area.

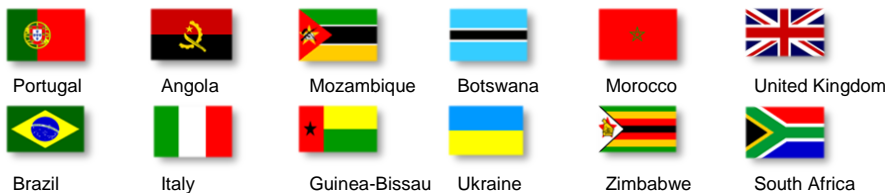


Viaduct over El Arroyo de Santa Ana  
Alcántara - Garrovillas section

### III. HUMAN RESOURCES

In a global market where physical borders have been erased by the ease in communication and travel, Conduril is proud to have employees of various nationalities.

#### Nationalities of Conduril employees



With our principles and guidelines consolidated with regard to the development of human resources in Conduril, along with the full entry into operation of the Career Management Model, we continue to strive to improve recruiting activities and welcoming new employees, with special emphasis on employee training. In fact, one of the main aims under the scope of our human resources policy is based on professional training. Projecting our human resources as one of the pillars of competitiveness and development of organisations, we are focusing on investing in the basic qualification of our employees.

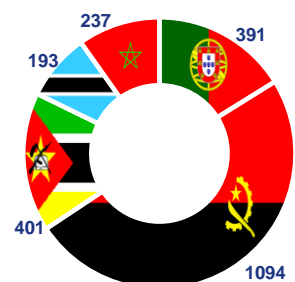
The Conduril Academy is already a reality in the professional training area in Angola and it is recognised by the INEFOP – Angolan National Institute for Employment and Professional Training. As it currently operates, Conduril is and will always be responsible for guaranteeing the professional training of its staff in Angola, at all levels, with accreditation and recognition of skills. 70 certificates were awarded through its activity in 2010. The settling of the experience acquired throughout the 2010-12 three-year period at Conduril in Angola and the definition of the actual location for the construction of the School Campus will allow for the launch of the next phase of the Conduril Academy project, aimed not only at Conduril staff but also outside the company, thus contributing to the setup of a technical and professional school of reference for the construction market.



In Portugal, there were 58 in-house and external training courses, involving 421 students, with a total volume of 6,163 hours.

The Conduril pension funds undoubtedly comes under the scope of our in-house social responsibility policy. Responsibilities for past services are totally covered by the value of the underlying fund, which had reached 6.820 million euros at the end of December 2010. Of the increase in these liabilities during the year, around 37% came from the reduction in the special and return rate. The contribution made in 2010 stood at 600 thousand euros.

In 2010, in the various business units of the Conduril group, the number of employees increased on average to 1,918. The attached graph shows their geographical distribution.



#### **IV. QUALITY, ENVIRONMENT AND SAFETY**

APCER – the Portuguese Certification Agency, performed a follow-up audit of the Integrated Quality, Safety and Occupational Health Management system during 2010. The results were satisfactory.

That audit was implemented according to the following reference standards: NP EN ISO 9001:2008 – Quality Management System - Requirements; NP 4397:2008 – Occupational Health and Safety Management Systems – Requirements; BS OHSAS 18001:2007 – Occupational Health and Safety Management Systems – Requirements.

The renewal audits of our Central Laboratory by IPAC - Portuguese Institute for Accreditation were likewise successful, according to the reference standard NP EN ISO/IEC 17025:2005 - General Requirements for the Competence of Testing and Calibration Laboratories This recognition is also shared by the external entities that frequently use the consultancy services provided by our laboratory.

In Angola, we have been consistently implementing the most modern and advanced policies of Quality, Laboratory Control and Occupational Health and Safety policies (NP EN ISO 9001, NP 4397:2001/OHSAS 18001:1999 and ISO 17025), with external certification and we believe that such will be achieved by the end of 2012.

The process of implementing the Environmental Management System, which began in 2009, underwent the first internal audit in 2010, performed by external auditors of IEP - Instituto Electrotécnico Português. The results obtained were very positive.

The importance of environmental certification arises from the development of the economy, which underlines the need for an ever increasing inclusion of environmental issues in management systems, in order to meet socioeconomic needs, optimising resource use, protecting the environment and preventing pollution. Increased public discussion on these matters as well as national and EC legislation applying to environmental management reinforces the need to implement environmental management systems. Moreover, sustainable strategies are highly regarded by the market and they reflect innovative and efficient management.

We have thus established this year's goal to be obtaining certification of the Environmental Management System at the first application audit requested of APCER, according to the NP EN ISO 14001:2004 standard.

#### **V. RISK MANAGEMENT**

Conduril, aware of the essential nature of appropriate risk management, incorporated in our policy of good corporate governance, has a sound internal policy that identifies, classifies and mitigates the risks that can have a negative impact on the achievement of objectives.

The Board of Directors and Executive Committee, guided by European risk management standards, have indicated their concerns at meetings held fortnightly.

Our risk management system is based on three areas that we consider fundamental, and for which we have several monitoring mechanisms in place:

**a. Operational Risk:**

- The business of the Group is analysed and discussed on a weekly basis by all operating managers and directors, anticipating and outlining the trajectory of all ongoing activities;
- The Committees for Contracts Analysis, Fixed Assets and Markets and Marketing are fully operational, holding periodic evaluation meetings to steer the respective areas;
- Integrated Quality, Occupational Health and Safety Management System (NP EN ISO 9001:2008, NP 4397:2008 and BS OHSAS 18001:2007), with regular audits that evaluate and foresee possible risks;
- Insurance policies for all construction, environmental and civil liability risks covering some of our key operating risks;
- Careers Committee to promote the development of Human Capital.

**b. Financial Risks**

- Weekly monitoring by the Finance and Treasury Committee of macroeconomic and fiscal aggregates. Accordingly, systematic control and prospective analysis is conducted in order to anticipate the evolution of the indicators that can influence the group's financial situation, and thus propose the best and most effective forms of action;
- The Internal Control Committee, to monitor and carry out the economic and financial analysis of all business activity.

**c. Strategic Risks**

- Legal restrictions and regulations are promptly handled internally, and specialised external consultants may also be used;
- As for country risk (political, economic and social instability), we carry out a risk assessment before each investment, undertaking local and continuous monitoring of these different aspects in the countries where our assets are located.

## VI. OUTLOOK AND SUBSEQUENT EVENTS

The macroeconomic scenario, especially in Portugal, is not encouraging. The climate of uncertainty and instability, marked by fierce competition, forces us to exceed ourselves and to take advantage of our extensive experience to participate in the scarce public works contracts put out to tender and the economic growth prospects in the most dynamic economies.

The work contracts held in portfolio amount to around 800 million euros, leading us to be confident in the good results of our strategy, albeit we remain cautious. The strategy also included a change of the name of the company, decided on 31 January 2011, with the change made to CONDURIL – ENGENHARIA, S.A.. This change provides a simpler and more appealing name, corresponding to the reality of the company and moving us closer to the market.

Our aim is to promote sustainable growth, providing the creation of value for shareholders in harmony with the stability and satisfaction of our employees, which will always guide our performance. We place our focus on the effective and efficient development of our Business Units.

## **VII. PROPOSED APPLICATION OF RESULTS**

We propose, pursuing the policy of fair return on the capital invested, that the net profit for the period of 34,116,397 euros, be appropriated as follows:

- Dividends: 2,700,000 euros, equivalent to 1.5 euros per share
- Free reserves: 31,416,397 euros for free reserves

## **ACKNOWLEDGEMENTS**

The Board of Directors, aware of the cooperation demonstrated by all those who, directly or indirectly, worked with the company, could not complete this report without expressing its gratitude, in particular, to:

- the Company Bodies, for their support and the quality of their work;
- the Shareholders, for the unequivocal confidence they have shown;
- our customers, financial institutions and suppliers, for the collaboration they have always shown;
- all employees, for their commitment and continued dedication, which have proven to be decisive contributions to the success and strengthening of the Conduril Group.

Ermesinde, 21 February 2011

THE BOARD OF DIRECTORS

# Financial Statements and Notes

## CONSOLIDATED BALANCE SHEET ON 31 DECEMBER 2010

All amounts expressed in euros

ITEM	NOTES	31/12/2010	31/12/2009
<b>ASSETS</b>			
<b>Fixed assets:</b>			
Tangible Fixed Assets	3; 7	37,354,953	42,711,157
Intangible assets	3; 6	86,754	3,101
Equity holdings – other methods	3	732,890	591,490
Shareholders/partners		2,581	2,293
Deferred tax assets		143,985	117,598
		<b>38,321,163</b>	<b>43,425,639</b>
<b>Current Assets:</b>			
Inventories	3; 10	9,563,398	14,158,895
Customers	3; 18	240,373,554	185,747,053
Customers w/ hold back	3; 18	10,660,161	7,521,659
Advances to suppliers	3	1,850,913	684,127
State and other public bodies	20	12,655,184	6,768,292
Shareholders/partners		13,005	2,965,272
Other accounts receivable		27,409,903	17,175,382
Deferrals		2,635,588	2,083,605
Financial assets held for trading		3,350	3,306
Cash and bank deposits	3; 4	17,423,505	22,068,753
		<b>322,588,561</b>	<b>259,176,344</b>
<b>Total Assets</b>		<b>360,909,724</b>	<b>302,601,983</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity:</b>			
Paid-up capital		10,000,000	10,000,000
Own shares	3	(950,000)	(950,000)
Legal reserves		2,937,268	2,937,116
Other reserves		63,085,081	37,846,116
Profit/loss carried forward		13,337,719	6,223,043
Adjustments to financial assets			971,723
Other changes in equity		(168,705)	(971,723)
		<b>88,241,363</b>	<b>56,056,275</b>
Net income for the year		34,116,397	37,198,726
	3	122,357,760	93,255,001
Minority interests		518,660	390,049
<b>Total Equity</b>		<b>122,876,420</b>	<b>93,645,050</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities:</b>			
Provisions	3; 13	1,579,504	613,704
Financing obtained	3; 8	13,289,602	14,775,979
Deferred tax liabilities	3	1,902,012	1,881,977
Other accounts payable			973,833
		<b>16,771,118</b>	<b>18,245,493</b>
<b>Current liabilities</b>			
Suppliers	3	55,489,097	66,044,157
Advances from customers	3	12,800,959	10,536,058
State and other public bodies	20	25,906,100	17,317,928
Shareholders/partners		3,819,551	3,349,940
Financing obtained	3; 8	6,087,345	2,803,699
Other accounts payable		43,206,261	29,554,913
Deferrals	11	73,793,790	61,013,827
Other financial liabilities	3; 18	159,083	90,918
		<b>221,262,186</b>	<b>190,711,440</b>
<b>Total Liabilities</b>		<b>238,033,304</b>	<b>208,956,933</b>
<b>Total Equity and Liabilities</b>		<b>360,909,724</b>	<b>302,601,983</b>

**CONSOLIDATED INCOME STATEMENT BY NATURE**  
**YEAR ENDING ON 31 DECEMBER 2010**

<i>All amounts expressed in euros</i>			
ITEM	NOTES	2010	2009
<b>INCOME AND EXPENDITURE</b>			
Sales and provision of services	3;12;13;20	251,854,837	260,411,302
Gains/losses incurred by subsidiaries, associates and joint ventures			(289,048)
Change in production inventories		(3,325,574)	(1,022,830)
Capitalised production costs	3	3,059,319	565,136
Cost of goods sold and material consumed	10	(39,003,652)	(32,107,530)
External supplies and services		(112,724,043)	(128,270,297)
Staff costs	19	(37,138,037)	(36,345,335)
Inventory impairment (losses/reversals)	10	(1,344,486)	(482,834)
Impairment of receivables (losses/reversals)	20	(58,138)	13,514
Provisions (increases/reductions)	13	(398,760)	699,254
Increases/reductions in fair value	18	(68,165)	(90,918)
Other income and gains	14; 20	24,997,647	19,896,843
Other expenditure and losses	14; 20	(11,505,103)	(17,595,791)
<b>Earnings before depreciation, interest and taxes</b>		<b>74,345,845</b>	<b>65,381,466</b>
Expenditure/reversals on depreciation and amortisation	6; 7	(10,140,675)	(9,074,383)
Depreciable/amortisable investment impairment (losses/reversals)		120,686	
<b>Operating income (before interest and taxes)</b>		<b>64,325,856</b>	<b>56,307,083</b>
Interest and similar income	3; 12; 20	1,105,928	653,445
Interest and similar expenditure	20	(3,599,832)	(1,296,189)
<b>Income before tax</b>		<b>61,831,952</b>	<b>55,664,339</b>
Income tax for financial year	17	(27,637,923)	(18,378,797)
<b>Net income for the year</b>		<b>34,194,029</b>	<b>37,285,542</b>
Income from discontinued activities (net of taxes) included in net income for the year			
<b>Net income for the year attributable to:</b>			
Holders of equity capital in the parent company		34,116,397	37,198,726
Minority interests		77,632	86,816
		<b>34,194,029</b>	<b>37,285,542</b>
Earnings per share		17.10	18.64

**CONSOLIDATED CASH FLOW STATEMENT**  
**YEAR ENDING ON 31 DECEMBER 2010**

		<i>All amounts expressed in euros</i>	
ITEM	NOTES	YEAR	
		2010	2009
<b><u>Cash flows from operating activities – direct method</u></b>			
Accounts receivable		183,769,572	154,191,269
Payments to Suppliers		(131,629,545)	(129,389,421)
Payments to Employees		(35,457,883)	(34,338,246)
<b>Cash generated by operations</b>		<b>16,682,145</b>	<b>(9,536,397)</b>
Income tax paid/recovered		(19,297,113)	(10,855,002)
Other income/payments		3,708,127	2,395,496
<b>Cash flows from Operating Activities (1)</b>		<b>1,093,160</b>	<b>(17,995,903)</b>
<b><u>Cash flows from investment activities</u></b>			
<b>Expenditure due to:</b>			
<i>Tangible Fixed Assets</i>		(2,526,093)	(18,518,640)
<i>Intangible assets</i>		0	(1,772)
<i>Financial Investments</i>		0	(1,522,557)
<i>Other assets</i>		0	0
<b>Income from:</b>			
<i>Tangible Fixed Assets</i>		8,798	105,818
<i>Other assets</i>		0	0
<i>Interest and similar income</i>		443,059	1,325,000
<i>Dividends</i>		377,432	0
<b>Cash flows from investment activities (2)</b>		<b>(1,696,804)</b>	<b>(18,612,151)</b>
<b><u>Cash flows from financing activities</u></b>			
<b>Income from:</b>			
<i>Financing obtained</i>		39,392,308	11,750,000
<i>Other financing operations</i>		0	0
<b>Expenditure due to:</b>			
<i>Financing obtained</i>		(38,077,664)	(17,254,988)
<i>Interest and similar expenditure</i>		(1,244,971)	(7,609,784)
<i>Dividends</i>		(3,600,000)	(3,600,000)
<i>Other financing operations</i>		(511,276)	(1,471,364)
<b>Cash flows from Financing Activities (3)</b>		<b>(4,041,604)</b>	<b>(18,186,136)</b>
<b>Change in cash and cash equivalents (1+2+3)</b>		<b>(4,645,248)</b>	<b>(54,794,190)</b>
<b>Foreign exchange rate effect</b>			
<b>Cash and cash equivalents at start of year</b>		<b>22,068,753</b>	<b>76,862,943</b>
<b>Cash and cash equivalents at end of year</b>		<b>17,423,505</b>	<b>22,068,753</b>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DESCRIPTION	NOTES	Share capital attributed to holders of capital in the parent company										All amounts expressed in euros			
		Paid-up capital	Own shares	Other equity instruments	Issue premiums	Legal reserves	Other reserves	Profit/loss carried forward	Adjustments to financial assets	Revaluation surplus	Other changes in equity	Net income for the year	Total	M minority interests	Total equity
<b>POSITION ON 1 JANUARY 2009</b>	1	10,000,000	-950	0	0	1,534,011	12,068,469	6,217,942	0	5,986,371	0	28,334,429	60,370,222	34,176	60,711,982
Appropriation of income for the year						1,316,000	24,997,429	-422,648		(5,866,371)	(26,313,429)	-422,648	0		-422,648
First adoption of new accounting standards	2						5,986,371	-422,648							
<b>POSITION ON 1 JANUARY 2009 restated</b>		10,000,000	-950	0	0	2,850,011	42,252,269	5,795,294	0	0	0	59,947,574	34,176	60,289,334	
<b>CHANGES DURING THE YEAR</b>	2								97,1723		3,344,188	3,344,188	0	3,344,188	
First adoption of new accounting standards						87,105	-50,697								
Changes in accounting policies															
Financial statement conversion differences															
Realisation of revaluation surplus of tangible and intangible fixed assets															
Revaluation surpluses of tangible and intangible fixed assets and respective changes															
Adjustments for deferred taxes							-755,456	47,1797				-44,048		-44,048	
Change to the consolidation perimeter															
Other changes recognised in equity							-806,153	427,749	97,1723	0	-97,1723	-283,659	(88,527)	-322,960	
<b>NET INCOME FOR THE YEAR</b>	2	0	0	0	0	87,105	-806,153	427,749	97,1723	0	3,344,188	3,052,840	(38,527)	3,014,312	
<b>TOTAL INCOME</b>	3	10,000,000	-950	0	0	2,937,116	37,846,116	6,223,043	97,1723	0	33,854,588	33,941,904	86,616	33,941,904	
<b>OPERATIONS WITH CAPITAL HOLDERS IN THE YEAR</b>	4 = 2 + 3						(3,600,000)								
Capital realisation															
Realisation of issue premium															
Distributions															
Entries for hedging losses															
Other transactions															
<b>POSITION AT END OF YEAR N-1</b>	5	10,000,000	-950	0	0	2,937,116	37,846,116	6,223,043	97,1723	0	37,987,726	93,255,022	390,049	93,645,050	
<b>6 = 1 + 2 + 3 + 5</b>															

DESCRIPTION	NOTES	Share capital attributed to holders of capital in the parent company										All amounts expressed in euros		
		Paid-up capital	Own shares	Other equity instruments	Issue premiums	Legal reserves	Other reserves	Profit/loss carried forward	Adjustments to financial assets	Revaluation surplus	Other changes in equity	Net income for the year	Total	M minority interests
<b>POSITION ON 1 JANUARY 2009</b>	6	10,000,000	-950	0	0	2,937,116	37,846,116	6,223,043	97,1723	0	37,987,726	93,255,022	390,049	93,645,050
Appropriation of income for the year							37,987,726	(37,987,726)						
<b>POSITION ON 1 JANUARY 2010 following appropriation of income</b>		10,000,000	-950	0	0	2,937,116	75,044,842	6,223,043	97,1723	0	(37,987,726)	93,255,022	390,049	93,645,050
<b>CHANGES DURING THE YEAR</b>														
First adoption of new accounting standards														
Changes in accounting policies														
Financial statement conversion differences						152	(3,344,139)					(1893,530)		(1,893,530)
Realisation of revaluation surplus of tangible and intangible fixed assets														
Revaluation surpluses of tangible and intangible fixed assets and respective changes														
Adjustments for deferred taxes							(5,016,623)	479,891						
Change to the consolidation perimeter														
Other changes recognised in equity							(8,359,761)	7,114,676	-97,1723	0	803,018	479,891	50,979	479,891
<b>NET INCOME FOR THE YEAR</b>	7	0	0	0	0	52	(8,359,761)	7,114,676	-97,1723	0	803,018	(14,136,338)	50,979	(13,62,659)
<b>TOTAL INCOME</b>	8	10,000,000	-950	0	0	2,937,116	66,685,081	13,337,719	0	0	34,116,397	32,702,756	77,632	34,116,397
<b>OPERATIONS WITH CAPITAL HOLDERS IN THE YEAR</b>	9 = 7 + 8													
Capital realisation														
Realisation of issue premium														
Distributions														
Entries for hedging losses														
Other transactions														
<b>POSITION AT END OF YEAR N</b>	10	10,000,000	-950	0	0	2,937,268	63,085,061	13,337,719	0	0	34,116,397	92,357,760	518,666	92,876,420
<b>6 + 7 + 8 + 10</b>														

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

(All amounts expressed in euros)

### 1. Identification of Company

The main activity of CONDURIL ENGENHARIA, S.A., previously called Conduril – Construtora Duriense, S.A. (“CONDURIL” or “Company”), which is a public limited company established on 14 February 1959, with registered office at Av. Eng.º Duarte Pacheco, 1835 – 4445-416 Ermesinde – Valongo, and the affiliates (“Group”) is public and private works and all types of work related to the performance of that business activity.

### 2. Accounting standards for preparation of the financial statements

**2.1 These financial statements were prepared under the going concern assumption from the Company’s accounting records and in accordance with the Accounting Standardisation System, governed by the following legislation:**

- Decree Law no. 158/2009, of 13 July (Accounting Standardisation System);
- Ordinance no. 986/2009 of 7 September (Financial Statements Templates);
- Notice no. 15652/2009 of 7 September (Framework);
- Notice no. 15655/2009 of 7 September (NCRF – Accounting and Financial Reporting Standards);
- Ordinance no. 1011/2009 of 9 September (Accounting Code);

**2.2 Indication and comment on balance sheet and income statement accounts whose content are not comparable with previous years:**

The amounts relative to the year ending on 31 December 2009, included in these financial statements for the purposes of comparison, are presented according to the alterations arising from the changes introduced by the following legislation:

- Decree Law no. 158/2009, of 13 July (Accounting Standardisation System);
- Ordinance no. 986/2009 of 7 September (Financial Statements Templates);
- Notice no. 15652/2009 of 7 September (Framework);
- Notice no. 15655/2009 of 7 September (NCRF – Accounting and Financial Reporting Standards);
- Ordinance no. 1011/2009 of 9 September (Accounting Code);

**2.3 Adoption of the NCRF (Accounting and Financial Reporting Standards) for the first time – transitional disclosure:**

- a) How the transition from the previous GAAP to the NCRF affected the financial position, financial performance and cash flows reported:

To 31 December 2009 the Company prepared, approved and published financial statements for the purpose of compliance with the company law in force, according to generally accepted accounting principles in Portugal. The balance sheet on 31 December 2009 and the income statement presented for the purposes of comparison were adjusted in order to comply with the NCRF. The adjustments made with effect on 1 January 2009, the date of transition, were carried out in accordance with the dispositions of NCRF 3 – First-Time Adoption of the Accounting and Financial Reporting Standards.

The effects of the adjustment related with the adoption of the NCRF, reporting to 1 January 2009, were recorded in retained earnings as established by NCRF 3. The main effects of the adoption of the NCRF for the first time are as follows:

- Recognition of revenue associated with building contracts in the companies in Mozambique;
  - Goodwill – according to NCRF 12 – Asset Impairment, goodwill is not amortised but undergoes instead annual impairment tests. The Company applied NCRF 12 prospectively from the date of transition. The amortisation of €57,810 was cancelled from 1 January 2009; in addition the amount of goodwill arising from the acquisition of Edirio - Construções, S.A. in the year ending in 2009, at €289,048 was subject to full impairment recognition and the respective loss was recorded as expenditure for 2009, for the purposes of comparison;
  - Financial instruments – according to NCRF 27 – Financial instruments, the Company must recognise a financial asset or liability when it becomes part of the contractual dispositions of the instrument; The Company applied NCRF 27 prospectively from the date of transition and recognised the fair value of interest rate swaps contracted during the year ending in 2009, totalling €90,918 (financial liabilities);
  - Extraordinary income – the NCRF does not allow for the existence of extraordinary costs and income. Consequently, the values presented in the extraordinary items in the income statements for the year ending on 31 December 2009 were reclassified according to their respective nature;
  - Presentation of Minority Interests in Equity; and
  - Correction to book value of tangible assets.
- b) Reconciliation of equity reported according to previous GAAP with the equity according to the NCRF, between the date of transition to the NCRF and the end of the most recent period presented in the most recent annual financial statements, prepared according to the previous GAAP:

	<u>31/12/2009</u>
Equity – POC (National Plan of Accounts)	90,333,511
Transition adjustments	2,921,490
Presentation of minority interests	390,049
	<u>93,645,050</u>
<b>Adjustments for the year in income:</b>	
Revenue from building contracts	3,741,436
Provision for guarantees to customers	(106,106)
Goodwill impairment	(231,238)
Financial instruments – Interest rate swaps	(90,918)
Deferred taxes	28,118
Tangible assets	2,846
	<u>3,344,138</u>
<b>Adjustments for the year in equity:</b>	
Presentation of minority interests	390,049
Revenue from building contracts	(164,874)
Provision for guarantees to customers	(248,180)
Correction of depreciation of tangible assets	(9,593)
	<u>(32,598)</u>
<b>EQUITY – SNC (SYSTEM OF ACCOUNTING STANDARDS)</b>	<b><u>93,645,050</u></b>

- c) Reconciliation of income reported according to previous GAAP, relative to the last period of the most recent annual financial statements, with the income according to the NCRF for the same year:

	<u>31.12.2009</u>
Consolidated net income for the year – POC (National Plan of Accounts)	33.854.588
Revenue from building contracts	3.741.436
Provision for guarantees to customers	(106.106)
Goodwill: impairment	(231.238)
Financial instruments – Interest rate swaps	(90.918)
Deferred taxes	28.118
Tangible assets	2.846
<b>CONSOLIDATED NET INCOME FOR THE YEAR – SNC (SYSTEM OF ACCOUNTING STANDARDS)</b>	<b><u>37.198.726</u></b>

- d) Distinguish, in the reconciliations of paragraphs b) and c), between the correction of errors committed according to the previous GAAP (if applicable) and changes to accounting policies.

The amount in the reconciliation between the previous GAAP and the NCRF is the result of a change in accounting policy between the two mentioned standards.

- e) The first financial statements according to the NCRF are the financial statements presented herein.

### 3. Main accounting policies

#### 3.1 Bases for measurement used in the preparation of the financial statements

The attached financial statements have been prepared based on the going concern assumption, from the books and accounting records of the Company, reported according to generally accepted accounting principles in Portugal (NCRF).

##### a) Consolidation principles

The consolidation principles adopted by the Group in the preparation of its consolidated financial statements are the following:

###### i. Investments in subsidiaries

Shareholdings in companies in which the Group directly or indirectly holds over 50% of the voting rights in the Shareholders' General Meeting or has control of its financial and operational policies (definition of control used by the Group), are included in the consolidated financial statements through the full consolidation method. The equity and net income of these companies corresponding to third-party shareholdings in them are presented separately in the consolidated balance sheet and the consolidated income statement under "Minority Interests". When losses attributable to the minority shareholders exceed the minority interest in the equity of the affiliate, the Group absorbs this excess and any additional losses, except when the minority shareholders are obliged to and able to cover those losses. If the affiliate later reports profits, the Group appropriates all of the profits until the minority part of the losses absorbed by the Group have been recovered.

The income from affiliates acquired or disposed of during the year are included in the income statements from the date of acquisition or until the date of sale, respectively.

Whenever necessary, adjustments are made to the financial statements of affiliates to harmonise their accounting policies with those used by the Group. Transactions, balances and dividends distributed between Group companies are eliminated in the consolidation process.

In situations where the Group has control in substance over other entities created for a specific purpose ("Special Purpose Entities"), and even if it does not have direct or indirect capital holdings in those entities, those entities are consolidated under the full consolidation method.

###### ii. Investment in associate companies

Financial investments in associate companies (which the Group deems to be companies where it exercises significant influence but does not have control or joint control through participation in company financial and operational decisions – generally investments representing between 20% and 50% of the company capital) are reported using the equity method.

According to the equity method, financial investments in associate companies are initially accounted at acquisition cost plus or minus the value corresponding to the proportion of equity in those companies, at the date of acquisition or the first application of the equity method. The shareholdings are subsequently annually adjusted by the value corresponding to the share in the profits of the associates and offset against the gains or

losses for the year. Moreover, dividends from these companies are recorded as a reduction in the value of the investment and the proportional part of changes in equity is recorded as a change in Group equity.

The differences between acquisition cost and the fair value of identifiable assets and liabilities of the associate on the date of acquisition, if positive, are recognised as Goodwill. If these differences are negative, following reconfirmation of the fair value attributed, they are recorded as a gain for the year under "Other income and gains".

Investments in associates are valued when there are indications that the asset may be impaired. Impairment losses shown to exist are recorded as costs. When impairment losses recognised in previous years no longer exist, they are reversed.

When the Group's proportion in the accumulated losses of the associate exceeds the value for which the investment is recorded, the investment is recorded as nil, except when the Group has undertaken commitments to the associate, in which case a provision is recorded to deal with these commitments.

Unrealised gains in transactions with associate companies are eliminated in proportion to the Group's shareholding in the associate and offset against the investment in the same associate. Unrealised losses are also eliminated but only up to the point where the loss does not show impairment of the transferred asset.

### iii. Jointly controlled entities

Financial interests in jointly controlled companies/entities were consolidated in the attached financial statements using the proportional consolidation method from the date when control was shared. According to this method, assets, liabilities, losses and gains of these companies were integrated into the consolidated financial statements, item by item, in proportion to the control attributable to the Group.

The classification of the financial interests held in jointly controlled companies/entities is determined on the basis of:

- shareholder agreements that govern the joint control;
- the effective percentage of the holding;
- the voting rights held.

Any consolidation difference generated by the acquisition of a jointly controlled company/entity is recorded according to the accounting policies defined for subsidiaries. The transactions, balances and dividends distributed among jointly controlled companies are eliminated in proportion to the control attributable to the Group.

### iv. Goodwill

On the date of the balance sheet, an assessment is evaluated as to the recoverability of the net value of goodwill and is recognised as an impairment loss whenever the accounting value of the goodwill exceeds its recoverable value. The value of goodwill is not amortised. The gain or loss on the disposal of an entity includes

the book value of goodwill relative to this entity, except when the business to which this goodwill is associated continues to generate benefits for the Company. Impairment losses relative to goodwill are not reversible and are recorded in the income statement for the year under "Non-depreciable/amortisable investment impairment (losses/reversals)". Impairment losses relative to goodwill are not reversible.

The differences between the acquisition cost of investments in subsidiaries and associates and the fair value of identifiable assets and liabilities (including contingent liabilities), if negative, are recognised as income on the date of acquisition, following reconfirmation of the fair value of identifiable assets and liabilities.

On the date of the balance sheet, an assessment is evaluated as to the recoverability of the net value of goodwill and is recognised as an impairment loss whenever the accounting value of the goodwill exceeds its recoverable value. The gain or loss on the disposal of an entity includes the book value of goodwill relative to this entity, except when the business to which this goodwill is associated continues to generate benefits for the Company. Impairment losses relative to goodwill are not reversible.

v. Conversion of the financial statements of affiliates expressed in foreign currency

The assets and liabilities of the financial statements of foreign entities included in the consolidation are converted to euros using the exchange rates on the balance sheet date and gains and losses are converted using average exchange rates. The resulting exchange rate difference is recorded under the equity item "Other changes in equity".

The value of goodwill and fair value adjustments arising from the acquisition of foreign entities are handled as assets and liabilities of that entity and converted to euros according to the exchange rate in force at the end of the year. Whenever a foreign entity is disposed of, the accumulated exchange rate difference is recognised in the income statement as a gain or loss on the sale.

**b) Intangible assets**

Intangible assets, which essentially include computer programs, are recorded at acquisition cost minus any impairment losses and accumulated amortisation. These assets are amortised from the moment the underlying assets are concluded or in use, by the straight line method over a period of 3 years.

Intangible assets are only recognised when they are likely to bring future economic benefits to the Group, they can be controlled by the Company and they can be reliably measured.

Development expenditure for which the Group shows capacity to complete its development and begin its marketing and/or use, and relative to which it is likely that the asset created will generate future economic benefits, are capitalised. Development expenditure not complying with these criteria is recorded as expenditure for the year in which it is incurred.

Profits or losses arising from the sale or write-off of these assets are determined as the difference between the sale price and the net book value on the date of disposal/write-off and are recorded under the net value in the income statement as "Other income and gains" or "Other costs and losses".

### c) Tangible Fixed Assets

The tangible fixed assets acquired to 1 January 2009 are recorded at deemed cost, which corresponds to the acquisition cost or acquisition cost revalued according to the generally accepted principles in Portugal up to that date, minus accumulated depreciation and impairment losses.

Tangible fixed assets acquired after that date are recorded at acquisition cost minus the corresponding depreciation and accumulated impairment losses.

Depreciation is calculated after the beginning of utilisation of the goods, by the straight line method on an annual basis, according to the following estimated useful life:

	<u>Years</u>
Buildings and other constructions	20 – 25
Basic equipment	3 – 10
Transport equipment	4 – 6
Office equipment	3 – 10
Other tangible fixed assets	3 – 10

Costs with maintenance and repair which do not increase the useful life of these fixed assets are recorded as expenditure for the year in which they occur. Expenditure on major repairs and remodelling are included at the book value of the asset whenever this is expected to originate additional future economic benefits.

Tangible fixed assets in progress represent assets still under construction and are recorded at acquisition cost minus any impairment losses. These assets are depreciated from the moment they come into use.

Profits or losses arising from the sale or write-off of these assets are determined as the difference between the sale price and the net book value on the date of disposal/write-off and are recorded under the net value in the income statement as “Other income and gains” or “Other costs and losses”.

### d) Leasing

The classification of leases as financial or operational is carried out according to the substance and not the form of the contract. Leasing contracts where the Group is the lessee are classified as financial leases if through these all of the risks and advantages inherent to possession are substantially transferred, and as operational leases when all of the risks and advantages inherent to possession are not substantially transferred.

According to the financial method, the cost of the asset is recorded as an asset, the corresponding liability is recorded in liabilities under “Financing obtained” and the interest included in the rent values and the asset reintegration are recorded as expenditure in the income statement for the year to which they refer.

For leases considered to be operational, the rents owed are recognised as expenditure in the income statement, on a linear basis, during the lifetime of the leasing contract.

**e) Impairment of non-current assets (except goodwill)**

Whenever an event or change in circumstances is identified indicating that the amount for which an asset is recorded cannot be recovered, an impairment evaluation is undertaken with reference to the end of each year.

Whenever the amount for which the asset is recorded is higher than the sum recoverable, it is recognised as an impairment loss and recorded as expenditure under "Impairment of depreciable assets". The sum recoverable is the net sale price or the value, whichever is higher. The net sale price is the amount that would be obtained from disposal of the asset in a transaction between independent and knowledgeable entities, minus the costs directly attributable to the sale. The value is the current value of estimated future cash flows expected to arise from the continued use of the asset and its disposal at the end of its useful life. The sum recoverable is estimated for each asset individually, or if such is not possible, then for the cash flow generating unit to which the asset belongs.

After recognition of an impairment loss, the costs with amortisation/depreciation of the asset are adjusted in future years to calculate the revised book value of the asset, less its residual value (if any) on a systematic basis during its remaining useful life.

Reversal of impairment losses recognised in previous years is recorded when it is concluded that the impairment losses recognised no longer exist or have been reduced. This analysis is carried out whenever there are indications that the previously recognised impairment loss has been reversed. Reversal of impairment losses is recognised as income on the income statement. However, the reversal of impairment loss is carried out up to the limit of the sum that would be recognised (net of amortisation or depreciation) if the impairment loss had not been reported in previous years.

**f) Costs of loans obtained**

Financial charges with loans are recognised as expenditure on an accruals basis, even in the cases where these charges are directly attributable to the acquisition, construction or production of an asset whose time period to be ready for the intended use is substantial, in which case they can be capitalised until all of the activities necessary to prepare the asset for use or sale have been completed.

**g) Inventories**

Goods and consumable materials are valued at acquisition cost or at market price if that is lower (using average cost as the costing method). The market price is taken to be the net realisable value or the replacement cost.

Finished and semi-finished products, by-products and ongoing products and work are valued at production cost (which includes the raw materials used, labour and general manufacturing expenditure) or at market price if that is lower. The market price is taken to be the net realisable value.

In the cases where the market price is lower than the acquisition price, impairment losses are recognised.

## h) Financial instruments

### i. Investments

Investments in other companies are recorded at acquisition cost or, in the case of loans granted, at face value. Investments are valued when there are indications that the asset may be impaired. Impairment losses shown to exist are recorded as costs. Income from financial investments (dividends or profit sharing) are recorded in the income statement for the year when such payouts are decided and announced.

### ii. Debtors

Third-party debts are recorded at face value and presented in the balance sheet less any impairment losses, recognised under "Impairment of receivables (losses/reversals)" in order to show the net realisable value.

Impairment losses are recorded following the occurrence of events indicating, objectively and quantifiably, that all or part of the balance of the debt will not be received. As such, the Group considers market information which shows that the customer is in default of its liabilities as well as historical information on balances due and not received.

The impairment losses recognised correspond to the difference between the book value of the balance receivable and the respective current value of estimated future cash flows, minus the real initial interest rate which is considered to be zero in cases where receipt in less than one year is expected.

### iii. Loans

Loans are recorded in liabilities at face value, minus the transaction cost that are directly attributable to the issue of those liabilities. Financial charges are calculated according to the effective interest rate and accounted in the income statement for the year on an accruals basis.

### iv. Suppliers and debts to third parties

Debts to suppliers or other third parties that do not pay interest are recorded at face value.

### v. Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the contractual substance of the transaction, irrespective of the legal form they take.

A financial instrument is classified as a financial liability when there is a contractual obligation for its immediate settlement through payment in cash or using another financial instrument, irrespective of its legal form. Financial liabilities are initially recorded at fair value minus transaction costs incurred and, subsequently, at amortised cost, based on the effective interest rate method.

A financial instrument is classified as an equity instrument when there is no contractual obligation for its settlement to be made through payment in cash or through another financial asset, irrespective of its legal form, showing a residual holding in the assets of an entity following the deduction of all of its liabilities.

The cost directly attributable to the issue of equity instruments are recorded against equity as a deduction from the issue value. The amounts paid and received on purchases and sales of equity instruments are recorded in equity, net of transaction costs.

Payouts made by equity instruments are deducted from equity as dividends when declared.

**vi. Own Shares**

Own shares are accounted at acquisition value as a deduction from equity. Gains and losses inherent to the disposal of own shares are recorded in "Other reserves", not affecting the income for the year.

**vii. Discounted bills and accounts receivable under factoring**

The Group derecognises financial assets in its financial statements only when the contractual entitlement to the cash flows inherent to such assets has already expired or when the Company substantially transfers all of the risks and benefits inherent to the possession of such assets to a third party. If the Company substantially retains the risks and benefits inherent to the possession of such assets, it shall continue to recognise these in its financial statements, recording the value paid for the transferred assets in liabilities under "Financing obtained".

Consequently, the customer balances held as discounted bills and not matured and the accounts receivable through factoring on the date of each balance sheet, with the exception of "Factoring without right of regress" operations, are recognised in liabilities of the Company's financial statements until they have been fully paid.

**viii. Cash and cash equivalents**

The amounts included under "Cash and cash equivalents" correspond to cash, bank deposits, term deposits and other treasury investments, maturing in less than three months and which may be immediately used without significant risk of alteration in value.

**i) Provisions, contingent liabilities and contingent assets**

Provisions are recognised only when there is a present obligation (legal or implicit) arising from a past event and it is probable that for the resolution of this obligation there will be an outflow of resources and the amount of the obligation can be reasonably estimated. The provisions are reviewed on each balance sheet date and they are adjusted to reflect the best estimate at that date. Provisions for restructuring costs are recognised whenever there is a formal and detailed restructuring plan and when the parties involved have been informed of this.

Group contingent liabilities are defined as: (i) possible obligations arising from past events and whose existence shall only be confirmed by the occurrence, or not, of one or more future events which are uncertain and not

completely under the control of the company; or (ii) present obligations arising from past events but which are not recognised because it is unlikely that an outflow of resources incorporating economic benefits will be necessary to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets normally arise from unplanned or other unexpected events which give rise to the possibility of an inflow of economic benefits. The Group does not recognise contingent assets in its financial statements but only proceeds with their disclosure if it is believed that the economic benefits that may arise from these for the Company are likely. When the realisation of income is virtually certain the asset is not contingent and its recognition is appropriated.

#### **j) Accounting periods**

Income and expenditure are recorded in the year to which they refer irrespective of payment or receipt, on an accruals basis. The differences between the sums received and paid and the corresponding income and expenditure are registered under "Other accounts receivable or payable" or "Deferrals".

#### **k) Income tax for the year**

The income tax recorded in income includes the effect of current taxes and deferred taxes. Current income tax is calculated on the basis of the taxable income of the Companies included in the consolidation, according to the tax laws in force.

Deferred taxes refer to the timing differences between the amounts of assets and of liabilities for the purposes of accounting entries and the respective amounts for taxation purposes, as well as the results of fiscal benefits obtained and timing differences between the tax income and the accounting income. Tax is recognised in the income statement except when it is related to items that are entered under equity, this fact implies their recognition under equity.

Deferred taxes assets and liabilities are periodically assessed and calculated using the taxation rates expected to be in force on the date of reversal of timing differences.

Deferred taxes are calculated using the liabilities method based on the balance sheet, for timing differences between the accounting values of assets and liabilities and their taxable base, using the tax rates approved or substantially approved on the balance sheet date in each jurisdiction and which are expected will be applied when the timing differences are reversed.

Deferred tax liabilities are recognised for all taxable timing differences (except for goodwill which is not tax deductible), as the differences arising from the initial recognition of assets and liabilities which do not affect either the accounting or tax profit and the differences related to investments in subsidiaries, to the extent where such are not likely to be reversed in the future. Deferred tax assets are recognised when it is likely that there will be future taxable profits which will absorb the time differences deductible for tax purposes.

Deferred tax assets are only recorded when there is a reasonable expectation of sufficient future tax profits for their use. The timing differences underlying deferred tax assets are reviewed annually, for recognition or adjustment based on the current expectations of future recovery.

**l) Non-current assets held for sale**

Non-current assets are classified as held for sale if the respective balance sheet value is realisable through a sales transaction rather than through continued use. This situation is deemed to be the case when: (i) the sale is likely and the asset is available for immediate sale in its present condition; (ii) management is committed to a sales plan; and (iii) the sale is expected to be made within twelve months.

Non-current assets classified as held for sale are measured at the lesser value of the book value and the respective fair value minus expected costs with their sale.

**m) Government or other public entity grants**

Grants received under the scope of training programmes or operating subsidies are recorded under "Other operating income" on the income statement for the year when these programmes are implemented, irrespective of the date of receipt, unless they are receivable at a later period in which case they will be reported as income for the year when they become receivable.

Non-refundable grants related with assets are recorded in the balance sheet under "Other changes in equity" and recognised in the income statement in proportion to the reintegration of the subsidised assets, for each year.

**n) Retirement supplements**

The Company has undertaken to provide monetary instalments for its employees in the form of supplements to retirement pensions for old age or disability. To cover these liabilities, the Company joined a defined benefit pension fund whose annual charges, determined according to actuarial calculations, are recorded according to NCRF 28 - "Employee benefits".

The actuarial liabilities are calculated according to the Projected Unit Credit Method, using the financial and actuarial assumptions deemed suitable.

**o) Revenue**

The Group recognises the result of projects, contract by contract, according to the percentage of completion method, which is taken as being the ratio between the costs incurred in each project to a certain date and the sum of these costs and the costs estimated for completion of the project. The differences obtained between the values arising from the calculation of the state of completion and the estimated profits and the amounts invoiced are included under "Other receivables" and "Deferrals".

The changes in the work against the amount of revenue agreed in the contract are recognised in income for the year when it is likely that the customer will approve the amount of revenue arising from the change and that this can be reliably measured.

Claims for reimbursement of costs not included in the contract price are included in the contract revenue when negotiations have reached a sufficiently advanced stage that it is likely that the customer will accept the claim and it can be reliably measured.

To cover the costs to be incurred during the project warranty period, the Group annually recognises a liability to cover this legal obligation, which is calculated bearing in mind the annual production volume and the history of costs incurred in the past with contracts in the warranty period. When it is likely that the total expected costs of the construction contract will exceed the profits defined in same, the expected loss is immediately recognised in the income statement for the year.

Dividends are recognised as gains in the income statement for the year when their payment is decided.

**p) Capitalised production costs**

Capitalised production costs correspond to construction and improvement works carried out by the Group's own companies, as well as major equipment repairs and include expenditure on material, direct labour and general expenditure.

This expenditure is capitalised only when the assets developed can be identified, there is a strong probability that the assets will generate future economic benefits and they can be reliably measured.

**q) Subsequent Events**

Events occurring after the balance sheet date and which provide additional proof or information on conditions existing on the balance sheet date ("events giving rise to adjustments") are reflected in the consolidated financial statements. Events after the balance sheet date indicating conditions that arose after the balance sheet date ("events not giving rise to adjustments"), when relevant, are disclosed in the notes to the financial statements.

**r) Judgements and estimates**

In the preparation of the financial statements, the Board of Directors relied on its best understanding and experience of past and/or current events considering certain assumptions relative to future events.

The most significant accounting estimates shown in the financial statements for the years ending on 31 December 2009 and 31 December 2010 include:

- The useful life of tangible assets, in particular buildings;
- The recording of impairment losses and provisions;
- The recognition of revenue from projects in progress.
- The recognition of the present value of liabilities with retirement benefits
- The calculation of the fair value of financial instruments.

The estimates were determined on the basis of the best information available on the date the financial statements were prepared. However, there may be situations in subsequent years which, not being foreseeable at the time, were not considered in these estimates. Alterations to these estimates occurring after the date of the financial statements will be corrected in income, prospectively, as provided for in NCRF 4.

### 3.2 Other relevant accounting policies

#### a) Income per share

Basic income per share is calculated by dividing the individual profit attributable to shareholders by the weighted number of ordinary shares in circulation during the year, excluding the number of own shares held.

#### b) Foreign currency

All assets and liabilities expressed in foreign currency are converted to the currency in the financial statements using the official exchange rates in force on the reporting date. Favourable or unfavourable exchange rate differences, brought about by differences in the foreign exchange rate in force on the transaction date and the rate in force on the collection or payment date, or the balance sheet date, are recorded as gains and losses in the income statements for the year.

In the preparation of the consolidated financial statements, the assets and liabilities in the financial statements of foreign entities are converted to euros using the exchange rates on the balance sheet date. Gains and losses. The resulting exchange rate difference is recorded in Equity under "Other changes in equity – Exchange rate differences of financial statements". At the time of the disposal of such foreign entities, the accumulated exchange rate differences are recorded in the income statement for the year.

The exchange rate differences associated with accounts receivable/payable with undefined maturity are recorded in the income statement for the year when such receivable/payable accounts are depreciated/sold/liquidated. Consolidation differences and fair value adjustments of the assets and liabilities of foreign entities are handled as assets and liabilities in foreign currency and are converted to euros using the exchange rates on the balance sheet date.

The financial statements of affiliates and branches expressed in foreign currency are converted to euros. The exchange rates used for conversion to euros were the following:

Currency	Conversion Currency	2010	2009
		31 December	31 December
US dollar	euro	0.7469	0.6928
Moroccan dirham	euro	0.0889	0.0879
Botswana pulas	euro	0.1156	0.1038
Mozambican metical	euro	43.956	39.708

### **3.3 Value judgements that the management body made in the process of applying the accounting policies and which had the greatest impact on the amounts recognised in the financial statements**

In the preparation of the financial statements according to the NCRF, the Board of Directors used estimates and assumptions that affect the application of policies and amounts recorded. Estimates and judgements are continually evaluated and are based on the experience of past events and other factors, including expectations relative to future events considered likely given the circumstances on which the estimates are based or as the result of information or experience acquired.

### **3.4 Main assumptions relative to the future.**

The financial statements have been prepared, based on going concern operations, from the books and accounting records of the Company, according to generally accepted accounting principles in Portugal.

Events occurring after the balance sheet date and which affect the value of the assets and liabilities existing on the balance sheet date are considered in the preparation of the financial statements for the year. These events, if significant, are disclosed in the notes to the financial statements.

### **3.5 Main sources of uncertainty**

This note refers to the main assumptions adopted in relation to the future in the preparation of the attached financial statements and which could imply a significant risk of material adjustments to the value of assets and liabilities for the next financial year.

#### **a) Asset impairment**

Determination of asset impairment requires an estimate of the present value of future cash flows associated with this asset. This calculation uses assumptions based on the Company's past experience as well as future expectations. The Company believes there is a controlled risk of these assumptions not occurring.

## **4. Cash flows**

### **4.1 Comment from the management on the quantity of significant balances in cash and cash equivalents that are not available for use.**

The value of the balance in "Cash and cash equivalents" is totally available.

### **4.2 Breakdown of values in the cash and bank deposits item**

The cash and bank deposits balance can be broken down as follows:

	31/12/2010	31/12/2009
Cash	77,873	111,925
Demand deposits	9,948,554	8,246,607
Term deposits	7,397,078	13,710,221
<b>TOTAL CASH AND BANK DEPOSITS</b>	<b>17,423,505</b>	<b>22,068,753</b>

## 5. Related parties

### 5.1 Remuneration of key management personnel

a) Total remuneration and social security contributions: €1,060,542

### 5.2 Related party transactions

a) Nature of relationship of related parties:

	Country	%
<b><u>Branches:</u></b>		
Angola	-	-
Mozambique	-	-
Morocco	-	-
Botswana	-	-
<b><u>Subsidiaries:</u></b>		
Conduril – Gestão de Concessões de Infraestruturas, S.A.	Portugal	100.00
Edirio – Construções, S.A.	Portugal	100.00
Metis Engenharia, S.A.	Angola	99.00
ENOP-Engenharia e Obras Públicas, Lda.	Mozambique	85.47
Mabalane-Inertes, Lda.	Mozambique	85.00
<b><u>Jointly controlled entities</u></b>		
Edifer / RRC / Conduril, ACE	Portugal	33.33
Groupement Adriano/Jaime Ribeiro/Conduril Construção, ACE	Morocco	33.33
Groupement Túnel de Nador – Construção ACE	Morocco	50.00
Edifer, Dragados, Tecnovia, Conduril – Rodovias do Baixo Alentejo, ACE	Portugal	10.00
Edifer, Dragados, Tecnovia, Conduril – Rodovias do Baixo Alentejo, ACE	Portugal	10.00
<b><u>Other companies:</u></b>		
Rotas do Algarve Litoral, S.A.	Portugal	13.00
SPER – Sociedade Portuguesa para a Construção e Exploração Rodoviária, S.A.	Portugal	11.26
Planestrada – Operação e Manutenção Rodoviária, S.A.	Portugal	10.00
Planestrada – Operação e Manutenção Rodoviária, S.A.	Portugal	10.00
<b><u>Key management personnel:</u></b>		
Board of Directors:	-	-
António Luís Amorim Martins (Chairman)		
Maria Benedita Andrade de Amorim Martins (Chairman of the Executive Committee)		
Maria Luísa Andrade Amorim Martins Mendes (Vice-Chairman of the Executive Committee)		
Ademar Américo Soares Paiva		
Álvaro Duarte Neves Vaz		
António Baraças Andrade Miragaia		
Carlos António Soares de Noronha Dias;		
Ricardo Nuno Araújo Abreu Vaz Guimarães		
<b><u>Other:</u></b>		
Geonorte – Geotécnica e Fundações Especiais, Lda.	Portugal	-
Sociedade Agrícola da Quinta do Javali, Lda.	Portugal	-

**b) Pending transactions and balances:**

During this year, the Company showed the following transactions and balances for related entities:

<b>Related parties</b>	<b>Pending asset balances</b>	<b>Pending liability balances</b>	<b>Accumulated impairment losses</b>	<b>Provisions</b>
<b><u>Entities with joint control or significant influence:</u></b>				
Edifer / RRC / Conduril, ACE	12,474	19,392	-	-
Groupement Adriano/Jaime Ribeiro/Conduril Construção, ACE	4,075,761	452,880	-	6,248,001
Groupement Túnel de Nador – Construção ACE	30,497	201,933	-	479,891
Edifer, Dragados, Tecnovia, Conduril – Rodovias do Baixo Alentejo, ACE	52,843	430,580	-	-
Edifer, Dragados, Tecnovia, Conduril – Rodovias do Baixo Alentejo, ACE	945,570	1,058,947	-	-
	<b>5,117,145</b>	<b>2,163,732</b>	<b>-</b>	<b>6,727,892</b>
<b><u>Subsidiaries:</u></b>				
Conduril – Gestão de Concessões de Infraestruturas, S.A.	68,038	-	-	198,046
Edirio – Construções, S.A.	802,704	-	-	-
Métis Engenharia, S.A.	5,170,587	-	-	-
ENOP-Engenharia e Obras Públicas, Lda.	20,174,386	21,194,895	-	-
Mabalane-Inertes, Lda.	752,788	779,621	-	-
	<b>26,968,503</b>	<b>21,974,516</b>	<b>-</b>	<b>198,046</b>

<b>Related parties</b>	<b>Income</b>	<b>Expenditure</b>
<b><u>Entities with joint control or significant influence:</u></b>		
Edifer, Dragados, Tecnovia, Conduril – Rodovias do Baixo Alentejo, ACE	2,261,379	-
Edifer, Dragados, Tecnovia, Conduril – Rodovias do Baixo Alentejo, ACE	167,473	-
	<b>2,428,852</b>	<b>-</b>
<b><u>Subsidiaries:</u></b>		
Conduril – Gestão de Concessões de Infraestruturas, S.A.	-	-
Edirio – Construções, S.A.	322,903	-
Métis Engenharia, S.A.	16,723,578	15,330,614
ENOP-Engenharia e Obras Públicas, Lda.	8,223,435	4,674,185
Mabalane-Inertes, Lda.	-	-
	<b>25,269,916</b>	<b>20,004,799</b>

## 6. Intangible assets

### 6.1 Disclosures, for each category of intangible assets, distinguishing between internally generated intangible assets and other intangible assets

**a)** Depreciation for the year is calculated taking into account the following average useful life and amortisation rate:

<b>Intangible assets – Other</b>	<b>Useful life</b>	<b>Amortisation rate</b>
Computer programs	3	33.33%
Other intangible assets	3	33.33%

**b)** The elements of the intangible assets are depreciated using the straight line method, based on the amortisation rates set out in Regulatory Decree no. 25/2009 of 14 September.

**c)** The intangible assets can be broken down as follows:

Intangible assets – Other	31/12/2010		31/12/2009	
	Gross assets	Amortisation and Impairment losses	Gross assets	Amortisation and Impairment losses
Development projects	-	-	-	-
Computer programs	46,990	10,497	-	-
Industrial property	47,768	252	-	-
Other intangible assets	14,595	11,850	14,595	11,494
<b>TOTAL</b>	<b>109,353</b>	<b>22,599</b>	<b>14,595</b>	<b>11,494</b>

d) The value of amortisation relative to intangible assets included in the income statement under “Expenditure/reversals on depreciation and amortisation” was:

Amortisation during the year – Other	31/12/2010	31/12/2009
Development projects	-	-
Computer programs	10,425	-
Industrial property	216	-
Other intangible assets	356	175
<b>TOTAL</b>	<b>10,997</b>	<b>175</b>

e) Entries under intangible assets during 2010 and 2009 were as follows:

	2010					TOTAL
	Goodwill	Development projects	Software	Industrial property	Other intangible assets	
<b>GROSS ASSETS:</b>						
Balance at 31/12/2009	-	-	-	-	14,595	14,595
Changes in consolidation perimeter	-	-	259	647	-	906
Additions	-	-	46,731	47,121	-	93,852
Disposals	-	-	-	-	-	-
Transfers and write-offs	-	-	-	-	-	-
<b>Balance at 31/12/2010</b>	<b>-</b>	<b>-</b>	<b>46,990</b>	<b>47,768</b>	<b>14,595</b>	<b>109,353</b>
<b>ACCUMULATED DEPRECIATION:</b>						
Balance at 31/12/2009	-	-	-	-	11,494	11,494
Changes in consolidation perimeter	-	-	86	36	-	122
Additions	-	-	10,425	216	356	10,997
Disposals	-	-	-	-	-	0
Transfers and write-offs	-	-	(14)	-	-	(14)
<b>Balance at 31/12/2010</b>	<b>-</b>	<b>-</b>	<b>10,497</b>	<b>252</b>	<b>11,850</b>	<b>22,599</b>
<b>ACCUMULATED IMPAIRMENT LOSSES:</b>						
Balance at 31/12/2009	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Assets held for sale	-	-	-	-	-	-
Transfers and write-offs	-	-	-	-	-	-
<b>Balance at 31/12/2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET VALUE</b>	<b>-</b>	<b>-</b>	<b>36,493</b>	<b>47,516</b>	<b>2,745</b>	<b>86,754</b>

	2009					
	Goodwill	Development projects	Software	Industrial property	Other intangible assets	TOTAL
<b>GROSS ASSETS:</b>	-	-	-	-	-	-
<b>Balance at 31/12/2008</b>	-	-	-	-	24,392	24,392
Additions	-	-	-	-	1,771	1,771
Disposals	-	-	-	-	-	-
Assets held for sale	-	-	-	-	-	-
Transfers and write-offs	-	-	-	-	(11,558)	(11,558)
<b>Balance at 31.12.2009</b>	-	-	-	-	14,595	14,595
<b>ACCUMULATED DEPRECIATION:</b>						
<b>Balance at 31/12/2008</b>	-	-	-	-	22,870	22,870
Additions	-	-	-	-	175	175
Disposals	-	-	-	-	-	-
Assets held for sale	-	-	-	-	-	-
Transfers and write-offs	-	-	-	-	(11,551)	(11,551)
<b>Balance at 31.12.2009</b>	-	-	-	-	11,494	11,494
<b>ACCUMULATED IMPAIRMENT LOSSES:</b>						
<b>Balance as at 31/12/2008</b>	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Assets held for sale	-	-	-	-	-	-
Transfers and write-offs	-	-	-	-	-	-
<b>Balance as at 31/12/2009</b>	-	-	-	-	-	-
<b>NET VALUE</b>	-	-	-	-	3,101	3,101

## 7. Tangible assets

### 7.1 Disclosures on tangible fixed assets

#### a) Measurement basis:

Tangible assets are valued according to the cost model, by which a fixed asset item is book entered by its cost minus any accumulated depreciation and any accumulated impairment losses.

#### b) Depreciation method used:

The Company amortises its tangible fixed assets using the straight line method. According to this method, depreciation is constant during the useful life of the asset if its residual value does not change.

#### c) Useful life and deprecation rates used:

Depreciation for the year is calculated taking into account the following average useful life and amortisation rate:

Tangible assets	Useful life	Amortisation rate
Land and natural resources	-	-
Buildings and other constructions	25 – 20	4% – 5%
Basic equipment	3 – 10	10% – 33.33%
Transport equipment	4 – 6	16,66% – 25%
Office equipment	3 – 10	10% – 33.33%
Other tangible fixed assets	3 – 10	10% – 33.33%

d) / e) Reconciliation of book value at the beginning and end of the year

	2010							
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Investments in progress	TOTAL
<b>GROSS ASSETS:</b>								
Balance at 31/12/2009	7,272,883	21,070,038	52,944,521	19,597,427	1,610,753	358,279	944,910	103,798,811
Changes in consolidation perimeter	-	4,544	6,661	-	3,973	1,127	-	16,305
Additions	19,579	1,064	952,249	746,220	57,008	18,453	3,157,067	4,951,640
Revaluations	-	-	-	-	-	-	-	-
Disposals	-	(95,215)	(385,249)	(754,186)	(12,945)	(1,359)	(10,624)	(1,259,578)
Assets held for sale	-	-	-	-	-	-	-	-
Transfers and write-offs	(47,121)	3,475,307	(292,232)	(303,311)	(1,921)	(38,388)	(3,281,499)	(489,166)
<b>Balance at 31/12/2010</b>	<b>7,245,341</b>	<b>24,455,738</b>	<b>53,225,948</b>	<b>19,286,150</b>	<b>1,656,868</b>	<b>338,112</b>	<b>809,854</b>	<b>107,018,012</b>
<b>ACCUMULATED DEPRECIATION:</b>								
Balance at 31/12/2009	69,445	12,078,097	36,875,144	10,822,202	1,028,950	213,816	-	61,087,654
Changes in consolidation perimeter	-	114	359	-	371	123	-	967
Additions	-	1,290,821	4,867,571	3,827,099	106,640	37,548	-	10,129,679
Revaluations	-	-	-	-	-	-	-	0
Disposals	-	(86,737)	(307,009)	(735,581)	(5,649)	(571)	-	(1,135,547)
Assets held for sale	-	-	-	-	-	-	-	0
Transfers and write-offs	(69,445)	37,741	(233,559)	(135,105)	(9,877)	(9,449)	-	(419,694)
<b>Balance at 31/12/2010</b>	<b>-</b>	<b>13,320,036</b>	<b>41,202,506</b>	<b>13,778,615</b>	<b>1,120,435</b>	<b>241,467</b>	<b>-</b>	<b>69,663,059</b>
<b>ACCUMULATED IMPAIRMENT LOSSES:</b>								
Balance at 31/12/2009	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Assets held for sale	-	-	-	-	-	-	-	-
Transfers and write-offs	-	-	-	-	-	-	-	-
<b>Balance at 31/12/2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET VALUE</b>	<b>7,245,341</b>	<b>11,135,703</b>	<b>12,023,442</b>	<b>5,507,535</b>	<b>536,433</b>	<b>96,645</b>	<b>809,854</b>	<b>37,354,953</b>
	2009							
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Investments in progress	TOTAL
<b>GROSS ASSETS:</b>								
Balance at 31/12/2008	6,820,215	20,557,731	39,898,197	16,261,789	1,269,112	355,099	381,344	85,543,487
Additions	452,668	668,067	9,096,861	5,071,336	373,525	21,731	679,096	16,363,284
Revaluations	-	-	-	-	-	-	-	-
Disposals	-	(155,760)	-	(1,735,698)	(31,884)	(18,551)	(115,530)	(2,057,423)
Assets held for sale	-	-	-	-	-	-	-	-
Transfers and write-offs	-	-	3,949,463	-	-	-	-	3,949,463
<b>Balance at 31/12/2009</b>	<b>7,272,883</b>	<b>21,070,038</b>	<b>52,944,521</b>	<b>19,597,427</b>	<b>1,610,753</b>	<b>358,279</b>	<b>944,910</b>	<b>103,798,811</b>
<b>ACCUMULATED DEPRECIATION:</b>								
Balance at 31/12/2008	337,857	11,006,923	25,619,005	8,616,516	942,064	171,989	-	46,694,354
Additions	435	1,098,948	4,191,943	3,673,456	115,913	53,390	-	9,134,085
Revaluations	-	-	-	-	-	-	-	-
Disposals	(268,847)	(27,774)	-	(1,467,770)	(24,540)	(11,538)	-	(1,800,469)
Assets held for sale	-	-	-	-	-	-	-	-
Transfers and write-offs	-	-	7,064,196	-	(4,487)	(25)	-	7,059,684
<b>Balance at 31/12/2009</b>	<b>69,445</b>	<b>12,078,097</b>	<b>36,875,144</b>	<b>10,822,202</b>	<b>1,028,950</b>	<b>213,816</b>	<b>-</b>	<b>61,087,654</b>
<b>NET VALUE</b>	<b>7,203,438</b>	<b>8,991,941</b>	<b>16,069,377</b>	<b>8,775,225</b>	<b>581,803</b>	<b>144,463</b>	<b>944,910</b>	<b>42,711,157</b>

## 7.2 Amount of expenditure recognised in the book value for fixed assets during their construction

Tangible assets	Expenditure recognised during construction	Total book value
Land and natural resources	-	-
Buildings and other constructions	3,265,212	12,618,157
Basic equipment	34,058	34,058
Transport equipment	-	-
Office equipment	-	-
Biological equipment	-	-
Other tangible fixed assets	-	-
<b>TOTAL</b>	<b>3,299,270</b>	<b>12,652,215</b>

On 31 December 2010, renovation work was in progress at the company head office and work on the new Pole 2 premises.

## 7.3 Depreciation, recognised in income or as part of cost of other assets during the year

Tangible assets	Depreciation recognised in income	Depreciation recognised as part of cost of other assets	TOTAL
Land and natural resources	-	-	-
Buildings and other constructions	1,290,821	18,602	1,309,423
Basic equipment	4,867,571	-	4,867,571
Transport equipment	3,827,099	-	3,827,099
Office equipment	106,640	-	106,640
Biological equipment	-	-	-
Other tangible fixed assets	37,548	-	37,548
<b>TOTAL</b>	<b>10,129,679</b>	<b>18,602</b>	<b>10,148,281</b>

## 7.4 Accumulated depreciation at the end of the year

Accumulated depreciation	31/12/2010	31/12/2009
Land and natural resources	-	69,445
Buildings and other constructions	13,320,036	12,078,097
Basic equipment	41,202,506	36,875,144
Transport equipment	13,778,615	10,822,202
Office equipment	1,120,435	1,028,950
Biological equipment	-	-
Other tangible fixed assets	241,467	213,815
<b>TOTAL</b>	<b>69,663,059</b>	<b>61,087,654</b>

## 7.5 Fixed asset items in progress

The most significant values included under "investments in progress" on 31 December 2010 and 31 December 2009 refer to the following projects:

	31/12/2010	31/12/2009
New premises	249,526	944,910
Aggregate operations	526,270	-
Other projects	34,058	-
<b>TOTAL</b>	<b>809,854</b>	<b>944,910</b>

## 8. Leasing

### 8.1 Financial leasing - Lessees:

a) Net book value for each asset category on 31/12/2010:

	31/12/2010	31/12/2009
Basic equipment	599,045	934,609
Transport equipment	440,241	803,656
<b>TOTAL</b>	<b>1,039,286</b>	<b>1,738,265</b>

b) Reconciliation between the total of minimum future leasing payments on 31/12/2010 and 31/12/2009, and their present value:

	31/12/2010	31/12/2009
Minimum payments for up to one year	752,818	843,210
Minimum payments over 1 year but no more than 5 years	783,463	1,470,268
Minimum payments over 5 years	-	-
Total of minimum payments	<b>1,536,281</b>	<b>2,313,478</b>
Payment of future interest	61,198	103,539
<b>PRESENT VALUE OF LIABILITIES</b>	<b>1,475,083</b>	<b>2,209,939</b>

c) Total of minimum future leasing payments on the balance sheet date, and the present value:

	Minimum payments		Present value	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
No more than one year	752,818	843,210	669,192	1,236,106
More than 1 year and no more than 5 years	783,463	1,470,268	805,891	973,833
More than 5 years	-	-		
<b>TOTAL</b>	<b>1,536,281</b>	<b>2,313,478</b>	<b>1,475,083</b>	<b>2,209,939</b>

## 9. Interests in joint ventures and investments in associates

a) List and description of interests in significant joint ventures:

Description	Type of venture	Other venture partners
Edifer / RRC / Conduril, ACE	Jointly controlled entity	Edifer and RRC
Groupement Adriano/Jaime Ribeiro/Conduril Construção, ACE	Jointly controlled entity	Monte Adriano and Jaime Ribeiro e Filhos
Groupement Túnel de Nador – Construção ACE	Jointly controlled entity	Jaime Ribeiro e Filhos
Rodovias do Algarve Litoral, ACE	Jointly controlled entity	Edifer, Dragados and Tecnovia
Rodovias do Baixo Alentejo, ACE	Jointly controlled entity	Edifer, Dragados and Tecnovia

b) Share of equity interest held:

Company name	Share held
Edifer / RRC / Conduril, ACE	33.33%
Groupement Adriano/Jaime Ribeiro/Conduril Construção, ACE	33.33%
Groupement Túnel de Nador – Construção ACE	50%
Rodovias do Algarve Litoral, ACE	10%
Rodovias do Baixo Alentejo, ACE	10%

c) Method used for recognition of shares in joint ventures:

Interests in jointly controlled companies were recognised in the consolidated financial statements by the proportional consolidation method from the date on which control is shared until the date it effectively ends. According to this method, assets, liabilities, income and gains from these companies were integrated into the financial statements, item by item, in proportion to the attributable control in the joint venture.

**10. Inventories**

**10.1 Accounting policies adopted for the measurement of inventories and costing formula used**

Inventories are valued at cost or at the net realisable value, where this is lower. Cost includes all purchasing costs, conversion costs and other costs incurred to place the inventories in their present situation. Purchasing costs include the purchase price, import rights and other taxes, transport costs, handling, commercial discounts, write-offs and other similar items. Conversion costs include the costs directly related with the production units, such as direct labour. They also include a systematic allocation of fixed and variable general production expenditure incurred on finished products. The allocation of general production expenditure is based on the normal capacity of the production facilities.

The Company evaluates its inventories using the average weighted cost method, which assumes that the cost of each item is determined from the average weighted cost of similar items at the beginning of a year and the cost of similar items purchased or produced during the year.

**10.2 Total book value of inventories and book value in appropriate categories**

The book value of inventories can be broken down as follows:

Inventories	31/12/2010	31/12/2009
Consumable materials	9,757,124	9,110,007
Finished and intermediate products	484,109	5,173,750
Products and work in progress	1,312,823	548,583
	11,554,056	14,832,340
Impairment losses	(1,990,658)	(673,445)
<b>TOTAL</b>	<b>9,563,398</b>	<b>14,158,895</b>

**10.3 Amount of inventories recognised as expenditure during the year**

The value of the inventories recognised as expenditure during the year was as follows:

	Consumable materials
Initial inventory	8,436,562
Impairment losses on stock	286,271
Purchases	38,697,279
Subcontracts	-
Reclassification and adjustment of inventories	(649,994)
Final inventory	(7,766,466)
<b>Expenditure for the year</b>	<b>39,003,652</b>

	Finished/intermediate products	Products and work in progress
Final inventory	484,109	1,312,823
Reclassification and adjustment of inventories	(39,070)	(560,757)
Accumulated impairment losses	-	-
Initial inventory	473,279	5,249,053
<b>Expenditure for the year</b>	<b>(49,900)</b>	<b>3,375,473</b>

#### 10.4 Amount of impairment losses on inventories recognised as expenditure for the year

The value of impairment losses recognised as expenditure for the year was as follows:

Impairment losses on inventories	31/12/2010	31/12/2009
Goods	-	-
Consumable materials	1,344,486	482,834
Finished and intermediate products	-	-
Products and work in progress	-	-
<b>TOTAL</b>	<b>1,344,486</b>	<b>482,834</b>

### 11. Construction contracts

#### 11.1 Amount of contract revenue recognised as revenue for the year

The revenue for each construction contract includes the initial revenue amount agreed as well as changes to the work, claims and payment of incentives up to the point where it is likely that they will provide revenue and can be reliably measured. On 31/12/2010, the value of revenue recognised as revenue for the year was as follows:

Project/Contract	Total anticipated revenue	Revenue for the year
Construction contracts	901,041,911	238,934,155
<b>TOTAL</b>	<b>901,041,911</b>	<b>238,934,155</b>

#### 11.2 Methods used to determine the contract revenue recognised in the year

Recognition of revenue for the year is carried out according to the percentage completion method. According to this method, the revenue is measured against the contractual expenditure incurred to reach the completion phase. Contract revenue is recognised as revenue in the income statement in the accounting periods when the work is carried out. In cases where the conclusion of the contracts cannot be reliably estimated, the revenue is recognised up to the point where it is considered likely that the contract costs incurred are recoverable.

#### 11.3 Methods used to determine the completion phase of contracts in progress

The method used to determine the completion phase of contracts in progress is the percentage completion. According to this method, the contract revenue is measured against the contractual expenditure incurred to reach the completion phase, giving rise to the reporting of revenue, expenditure and profits which may be attributable to the proportion of the work completed.

In order to determine the completion phase of a contract, the method used is that which most reliably measures the work done. Depending on the nature of the contract, the method used to determine the completion phase may vary, as set out below:

- The proportion of the contract costs incurred with the work carried out so far against the total estimated contract costs;
- Survey of the work done;
- Conclusion of a physical proportion of the work done.

## 12. Revenue

### 12.1 Accounting policies adopted for recognition of revenue including the methods adopted to determine the completion phase of transactions involving the provision of services.

The Company recognises revenue according to the following criteria:

- a) **Sales** – recognised in the income statements when the risks and benefits inherent to the possession of the assets are transferred to the purchaser, when there is no longer any continued involvement in the management at a level generally associated with ownership, when the revenue amount can be reasonably quantified, when it is likely that the economic benefits associated with the transaction will be received by the entity and when the costs incurred or being incurred relative to the transaction can be reliably measured.
- b) **Provision of services** – recognised in the income statement with reference to the completion phase of the provision of services on the balance sheet date.
- c) **Interest** – recognised using the effective interest rate method.
- d) **Dividends** – recognised from the moment when the shareholder's right to receive payment is established.

### 12.2 Amount for each significant category of revenue recognised during the year including revenue from:

	31/12/2010	31/12/2009
Sales of goods	5,968,517	6,483,789
Provision of services	245,886,320	253,927,513
Interest	704,815	728,469
Royalties	-	-
Dividends	374,029	1,021,052
<b>TOTAL</b>	<b>252,933,681</b>	<b>262,160,823</b>

## 13. Provisions, contingent liabilities and contingent assets

### 13.1 Provisions

The Company recognises a provision when, cumulatively, there is a present obligation as the result of a past event; an outflow of resources incorporating economic benefits is likely to be necessary to settle the obligation; and a reliable estimate of the amount of the obligation can be made.

During the year ending on 31 December 2010, the following entries were made relative to provisions:

Provisions	Initial Balance	Increase	Usage	Reversal	Adjustments	Final Balance
Guarantees to customers	443,766	359,602	-	-	119,849	923,217
Legal proceedings in progress	166,650	-	-	-	-	166,650
Subsidiaries	-	-	-	-	479,891	479,891
Other provisions	<b>3,288</b>	<b>39,158</b>	<b>(9)</b>	-	<b>(32,691)</b>	<b>9,746</b>
<b>TOTAL</b>	<b>613,704</b>	<b>398,760</b>	<b>(9)</b>	-	<b>567,049</b>	<b>1,579,504</b>

## 14. Effects of changes in exchange rates

### 14.1 Exchange rate differences recognised in income

	31/12/2010	31/12/2009
Unfavourable exchange rate differences		
- Other expenditure and losses	<b>4,905,966</b>	<b>5,679,931</b>
	<b>4,905,966</b>	<b>5,679,931</b>
Favourable exchange rate differences		
- Other income and gains	<b>3,271,325</b>	<b>920,012</b>
	<b>3,271,325</b>	<b>920,012</b>

### 14.2 Net exchange rate differences classified in a separate component of equity

Exchange rate differences in equity on 31 December 2009	<b>(971,723)</b>
Reinforcements	<b>833,871</b>
Cancellations	-
<b>Exchange rate differences in equity on 31 December 2010</b>	<b>(137,852)</b>

## 15. Events after the balance sheet date

### 15.1 Updating of disclosures concerning the situation on the balance sheet date

Between the balance sheet date and the issue of the financial statements, no information was received on the situation existing on the balance sheet date. Therefore, no adjustments were made to the amounts recognised in these financial statements.

## 16. Environmental matters

### 16.1 Description of the measurement basis adopted as well as the methods used in the calculation of value adjustments

Given its activity, it is a legal/contractual responsibility of the Company to avoid, reduce or repair environmental damage. In order to comply with this obligation, during the year ending on 31 December 2010, the Company incurred expenditure of €50,000.

To measure expenditure of an environmental nature, the Company recognises the expenditure that effectively occurred during the year.

## 16.2 Expenditure of an environmental nature allocated to income

All expenditure of an environmental nature must be considered in income if such expenditure incurred during the actual year, i.e. if it is not aimed at avoiding future damage or providing future benefits.

Thus, expenditure of an environmental nature allocated to income refers to past or current activities and the restoration of the environmental conditions to the situation in which they were before contamination.

	<b>Amount allocated to income</b>
Waste treatment	50,000
Wastewater treatment	-
<b>TOTAL</b>	<b>50,000</b>

## 17. Corporate income tax

### 17.1 Main components of tax expenditure/income

	31/12/2010	31/12/2009
Current tax and adjustments:		
Current tax for the year	27,646,353	18,121,874
	27,646,353	18,121,874
Deferred taxes:		
Deferred taxes related with timing differences	(8,430)	256,923
	(8,430)	256,923
<b>Income tax expenditure</b>	<b>27,637,923</b>	<b>18,378,797</b>

### 17.2 Aggregate current or deferred tax related with items debited or credited to equity

Current tax or deferred tax must be directly debited or credited to equity if the tax is related with items that are debited or credited, in the same or in a different year, directly to equity.

During the financial year ending on 31 December 2010, the items directly debited/credited to equity were as follows:

	<b>Deferred Tax</b>
Valuation of financial instruments at fair value – impact of previous financial years (NCRF 4 and NCRF 27)	24,093
Provision for customer guarantees referent to previous years (NCRF 4 and NCRF 21)	(117,598)
<b>TOTAL</b>	<b>(93,505)</b>

### 17.3 Relationship between tax expenditure/income and book profit

Reconciliation of effective tax rate:

	2010	2009
Income before tax	61,831,952	55,664,339
Income tax expenditure	27,637,923	18,378,797
Effective tax rate	44,7%	33,2%
Nominal tax rate (28.85% in 2010 and 26.5% in 2009)	17,839,254	14,711,308
Adjustments:		
Differentiated tax rates	9,739,763	3.510.257
Transition adjustments	-	(719.117)
Expenditure not accepted as tax cost	81,511	214.655
Pension fund	38,629	(102.710)
Tax estimate surplus	(426,968)	(114.482)
Independent taxation	283,001	342.428
Deferred taxes of prior years	-	315.949
Tax losses generated in the year	44,505	208.215
Other	38,228	12.294
	<u>9,798,669</u>	<u>3.667.489</u>
Adjustments relative to tax of prior years	-	-
<b>Income tax expenditure</b>	<b>27,637,923</b>	<b>18,378,797</b>

The amount relative to “Differentiated tax rates” arises essentially from the fact that the nominal income tax rate for the Angolan branch is 35%.

## 18. Financial instruments

### 18.1 Measurement basis

It is Company policy to recognise assets, financial liabilities and equity instruments only when these become part of the contractual provisions of the instrument.

The Company measures financial instruments with a defined maturity, whose returns are of a fixed amount, with a fixed interest rate during the lifetime of the instrument or a floating rate which is a typical market index for financing operations (e.g. Euribor) or which include a spread on that index, and that do not have any contractual clause which could cause the holder a loss in the nominal value and interest accumulated (excluding cases of credit risk) at cost or at amortised cost minus impairment losses.

Contracts granting or taking loans on a net basis and equity instruments which are not publicly negotiated and whose fair value cannot be reliably obtained, as well as contracts linked with such instruments which, if implemented, will result in the handover of such instruments, are also measured at cost or at amortised cost minus impairment losses.

All financial instruments not measured at cost or at amortised cost minus any impairment losses are measured at fair value.

The Company does not include transaction costs in the initial measurement of the financial asset or liability measured at fair value, offset in income.

While the Company holds a financial instrument, the measurement policy will not be altered.

**18.2 Financial Assets and Liabilities**

**a) Financial assets with impairment recognition**

	31.12.2010		31.12.2009	
	Cost	Accumulated impairment	Cost	Accumulated impairment
Trade accounts receivable	240,373,554	-	185,747,053	-
Customers with guarantees	10,660,161	-	7,521,659	-
Doubtful debtors	2,829,389	(2,829,389)	2,538,246	(2,538,246)
<b>TOTAL</b>	<b>253,863,104</b>	<b>(2,829,389)</b>	<b>195,806,958</b>	<b>(2,538,246)</b>

**b) Financial liabilities measured at fair value**

	Book value 31/12/2010	Book value 31/12/2009
Interest rate swaps	(159,083)	(90,918)
<b>TOTAL</b>	<b>(159,083)</b>	<b>(90,918)</b>

**c) Base for determination of fair value**

For each financial asset and liability, in particular interest rate swaps, measured at fair value, the base for determination of the fair value is the result of the sum of the updated value of future cash flow swaps, bearing in mind the fixed interest rate contracted and the expected value of the underlying index on each date of the swaps of the respective cash flows.

Calculation of the fair value of derivatives contracted by the Company was carried out by the respective counterparties, considered to be independent financial entities.

**d) Net gains and losses recognised on financial assets and liabilities**

On 31 December 2010, the net gains and losses of financial assets and liabilities recognised in the year ending on that date are broken down as follows:

	Net Gains	Net Losses
Financial liabilities measured at fair value		
Interest rate swaps	-	(68,165)
<b>TOTAL</b>	<b>-</b>	<b>(68,165)</b>

### 18.3 Total Interest Income and Expenditure on Financial Assets and Liabilities

The effective interest rate method was used to calculate the amortised cost of a financial asset or a financial loss and allocate the income from the interest or the expenditure on the interest during the year.

According to this method, the total income from interest for financial assets and the total expenditure on interest for financial liabilities is broken down as follows:

#### a) Income from interest on financial assets:

Financial assets	2010
Bank deposits	355,067
Other	353,537
<b>TOTAL</b>	<b>708,604</b>

#### b) Expenditure on interest on financial assets:

Financial liabilities	2010
Loans	1,508,076
Financial leasing	29,429
Other	30,921
<b>TOTAL</b>	<b>1,568,426</b>

### 18.4 Impairment losses on financial assets

For financial assets not measured at fair value through profit and loss and for which there are impairment indexes, the Company assessed the respective impairments.

This assessment allowed the Company to acquire objective evidence that the financial assets, presented in the table below, showed impairment losses in the year:

Financial Assets	Impairment loss 2010	Reversals 2010
Customers	71,547	13,409
Other accounts receivable	-	
Other financial assets	-	
<b>TOTAL</b>	<b>71,547</b>	<b>13,409</b>

### 18.5 Amount of share capital

On 31 December 2010, the Company had share capital of €10,000,000, fully subscribed and paid-up.

### 18.6 Shares representing the share capital

On 31 December 2010, the share capital was made up of 2,000,000 shares, at a face value of €5 euros each.

## 19. Employee benefits

### 19.1 Post-employment benefits

On 31 December 2010, 52 employees were receiving post-employment benefits relative to defined benefit plans. The expenditure recognised in 2010 on post-employment benefits totalled €754,517.

The surplus of the covered liabilities on 31 December 2010, at €358,306, is recorded under Deferrals.

## 20. Other Information

### 20.1 State and other public bodies

The breakdown of "State and other public bodies" on 31 December 2010, was as follows:

	<u>31/12/2010</u>
<b>Assets</b>	
Personal income tax	1,158
Value Added Tax	5,742,749
Corporate income tax	6,911,277
	<u>12,655,184</u>
<b>Liabilities</b>	
Personal income tax	599,776
Value Added Tax	2,551,188
Social Security contributions	495,501
Corporate income tax	22,165,385
Other taxation	94,250
	<u>25,906,100</u>

On 31 December 2010, the Company was liable for guarantees stood totalling €117,385,060.

### 20.2 Sales and provision of services by activity and geographic market

The breakdown of sales and provision of services on 31 December 2010 and 2009 was as follows:

	<u>31/12/2010</u>	<u>31/12/2009</u>
Sales and provision of services		
Domestic market	49,594,628	44,687,429
Foreign market	202,260,209	215,723,873
<b>TOTAL</b>	<u>251,854,837</u>	<u>260,411,302</u>

### 20.3 Other income and gains

The breakdown of the "Other income and gains" item for the year ending on 31 December 2010 and 2009, was as follows:

	<u>31/12/2010</u>	<u>31/12/2009</u>
Other income and gains		
Additional income	11,066,043	6,515,500
Discounts received for cash payment	1,139,520	483,111
Recovery of receivables	87,234	-
Gains on inventories	-	-
Income and gains on remaining financial assets	6,876	-
Income and gains on remaining non-financial assets	291,555	105,818
Other	12,406,419	12,792,414
<b>TOTAL</b>	<b>24,997,647</b>	<b>19,896,843</b>

#### 20.4 Other expenditure and losses

The breakdown of the "Other expenditure and losses" item for the year ending on 31 December 2010 and 2009, was as follows:

	<u>31/12/2010</u>	<u>31/12/2009</u>
Other expenditure and losses		
Taxes	1,932,341	1,796,355
Discounts granted for cash payment	718,488	391,585
Bad debt	41,501	158,477
Losses on inventories	-	-
Expenditure and losses on subsidiaries, associates and joint ventures	-	-
Expenditure and losses on remaining financial instruments	-	-
Expenditure and losses on non-financial instruments	236,986	179,930
Other	8,575,787	15,069,444
<b>TOTAL</b>	<b>11,505,103</b>	<b>17,595,791</b>

#### 20.5 Financial income statement

The financial income is broken down as follows:

	<u>31/12/2010</u>	<u>31/12/2009</u>
Financial expenditure and losses		
Interest paid	1,568,426	1,296,189
Other financial expenditure and losses	2,031,406	-
	<b>3,599,832</b>	<b>1,296,189</b>
Interest, dividends and other similar income		
Interest earned	708,604	653,445
Dividends received	374,028	-
Other similar income	23,296	-
	<b>1,105,928</b>	<b>653,445</b>

# Report of the Supervisory Board

**SUPERVISORY BOARD**  
**2010 FINANCIAL YEAR**  
**CONSOLIDATED ACCOUNTS**

Dear Shareholders,

In compliance with the law, the Supervisory Board hereby presents its Report and gives its Opinion on the consolidated management report, consolidated balance sheet and accounts and the proposal for the appropriation of income, which were presented by the Board of Directors of CONDURIL-Engenharia, S.A., previously called Conduril - Construtora Duriense, S.A., pertaining to the year ending on 31 December 2010.

**REPORT**

In the performance of its duties, the Supervisory Board met regularly, monitoring company activity and the business evolution of CONDURIL, S.A. watching over and upholding observation of the law and the articles of association, and keeping up to date on acts carried out by the Board of Directors, which also provided any clarification requested.

The Board carried out a careful analysis of the consolidated management report presented by the Board of Directors, the consolidated balance sheet as at 31 December 2010, the consolidated income statement, the consolidated cash flow statement, the consolidated changes in equity statement and the explanatory notes thereto. All those documents were considered to be in good order.

The Board kept itself informed on the work carried out during the year by the Statutory Auditor, obtained information and clarification, provided by its representative, necessary to supervising the audit of the financial reporting documents, acknowledged the Audit Conclusions and Recommendations Report sent to the Board of Directors and proceeded with the analysis of the Statutory Audit Certificate of the consolidated accounts, which document merits the agreement of the Board relative to its content.

Given the above, the Board believes that the aforementioned documents permit, as a whole, the correct understanding of the consolidated financial situation of CONDURIL, S.A., as at 31 December 2010, and the results for the year ending on that date. It also finds that the provisions of the law and of the articles of association have been complied with.

The Board, under the scope of its competence, also expresses its agreement concerning the accounting policies and the valuation criteria used.

In conclusion, the Board would like to express its gratitude for the reference made to its activity in the management report and to join with the Board of Directors in its recognition of the dedication of its employees.

Thus, the Supervisory Board is of the

**OPINION**

1. that the consolidated management report, the consolidated balance sheet, the consolidated accounts and the notes thereto relative to the year ending on 31 December 2010 be approved;
2. that the proposal for appropriation of income contained in the consolidated management report presented by the Board of Directors be approved.

Ermesinde, 4 April 2011

**THE SUPERVISORY BOARD**  
Crisóstomo Aquino de Barros (Chairman)  
Daniela Brás Vigário Silva  
José Tiago Sapage Meireles de Amorim

# **Statutory Audit Certificate of the Consolidated Accounts**



Horwath & Associados, SROC, Lda.  
Edifício Scala  
Rua de Vilar, 235, 2º andar  
4050-626 PORTO  
PORTUGAL

Tel: +351 22 605 17 80  
Fax: +351 22 605 17 89  
audit@crowehorwath.pt  
[www.crowehorwath.pt](http://www.crowehorwath.pt)

## STATUTORY AUDIT CERTIFICATE OF THE CONSOLIDATED ACCOUNTS

### Introduction

1. We examined the consolidated financial statements of Conduril Engenharia, S.A. ("Company"), previously called Conduril – Construtora Duriense, S.A., which include the consolidated balance sheet at 31 December 2010 (which shows a total of €360,909,724 and total equity of €122,876,420, including net income of €34,116,397), the consolidated income statement by nature, the consolidated statement of changes in equity and the consolidated cash flow statement for the year ending on that date, and the Notes thereto.

### Responsibilities

2. It is the responsibility of the Company's Board of Directors to draw up the consolidated financial statements in a manner that presents a true and fair view of the financial situation of the group of companies included in the consolidation, the consolidated income from their business operations, the changes in equity and the consolidated cash flows, as well as to adopt appropriate accounting policies and criteria and to ensure the upkeep of appropriate internal control systems.
3. It is our responsibility to express a professional and independent opinion of those financial statements, based on our audit.

### Scope

4. The examination was conducted following the technical standards and review/audit directives issued by the Association of Statutory Auditors, which require that the audit is planned and performed so as to provide reasonable assurance that the financial statements are free of material misrepresentation. Therefore, the audit included the following:
  - checking whether the financial statements of the companies included in the consolidation had been appropriately examined and, where they had not been, checking the significant cases, by sampling, for the physical proof of the figures and statements contained therein and assessing the estimates used in their preparation, which are based on judgements and criteria defined by the Board of Directors;
  - checking the consolidation operations;
  - checking whether the going concern basis can be applied or not; and
  - assessment of the adequacy of the accountancy policies, whether they have been disclosed according to the circumstances and applied consistently or not;

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Lisbon: Avenida Miguel Bombarda, 21 - 3ºesq., 1050-161 Lisbon  
Tel: +351 21 319 00 90 Fax: +351 21 354 15 59

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- checking whether the going concern basis has been applied or not; and
  - assessing the overall adequacy of the presentation of the consolidated financial statements.
5. Our examination also checked whether the financial information provided in the Consolidated Annual Report matched that disclosed in the consolidated financial statements.
6. We believe that our audit provides reasonable basis for expressing our opinion.

#### **Opinion**

7. In our opinion, the aforementioned financial statements provide a true and appropriate view, in all materially relevant aspects, of the consolidated financial position of Conduril Engenharia, S.A. at 31 December 2010, as well as the consolidated income from its business operations, the changes in equity and consolidated cash flows for the financial year ending on that date, in accordance with generally accepted accounting principles in Portugal.

#### **Emphasis of Matter**

8. As stated in Note 2.3 of the Notes to the consolidated financial statements, the Company adopted the Accounting and Financial Reporting Standards ("NCRF") for the first time in the preparation and presentation of its consolidated financial statements. Thus, the values presented for comparison purposes, referring to the year ending on 31 December 2009, were restated on the basis of the dispositions of NCRF 3 – First-time adoption of accounting and financial reporting standards.

Porto, 28 March 2011

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HORWATH & ASSOCIADOS, SROC, LDA.  
Represented by Ana Raquel Borges L. Esperança Sismeiro (Statutory Auditor no. 1126)

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