

Annual Report 2014



MRG
ENGINEERING & SOLUTIONS





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1.

INTRODUCTION

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1. INTRODUCTION

: 1.1

CHAIRMAN'S MESSAGE

Dear Shareholders,

In line with 2013, the year of 2014 was very tough for global economy and our Company in particular, both facing adverse conditions.

In fact, our 2014 results proved the above mentioned difficulties, showing a considerable loss of revenue. This was due to the 2013 sale of our Core Business (Building Construction) to MRG - EQUIPAV and to the consequent adjustments that had to be made regarding the Company's activities and targeted markets.

Therefore, and despite the fact that the financial performance was affected, the Company has taken all necessary measures to achieve adequate costs and income structures.

To avoid a mistaken interpretation of the financial performance, it is necessary to put it into context.

As a result of this transition period, the changes in both the activity of the Company and its operation geographies involved a considerable financial effort that did not have an immediate impact on the turnover, not because the activity is unable to generate it but rather because it is common for a SME's strategy of internationalization like ours to generate turnover in the short to medium-term.

Nonetheless, and because we believe that our strategy based on the added value of new geographies and activity areas will be sustainable in the near future, we are striving to make it happen soonest.

Based on the conviction that innovation and anticipation of trends are intrinsic values of the Company, and bearing in mind its new positioning on the global market, *MRG Engenharia e Construção* changed its name (already in 2015) into MRG Engineering & Solutions and ensured an adequate structure of

human and material resources, thereby enabling the Organization to face the future with optimism.

It is therefore with confidence that we focus on being fully committed for the year that has just started. We are fully committed to continuing to be recognised as a strong, reliable partner for all our stakeholders of whatever kind, and a leading edge employer that recognises all team members around the world, Portuguese included. I would like to express how proud and deeply grateful to them I am.

In order to continue winning, we must keep the fighting spirit and be available to face new challenges, new ways. This is only possible if each and every one of us takes responsibility for being bolder, increasingly innovative and entrepreneurs. Where everyone else sees a threat we must see an opportunity, **I believe that, with everyone's commitment, we will be, in a near future, a much stronger Organization, present in different parts of the world, without losing our vision of Corporate Sustainability with Social Responsibility.**

Fernando Manuel Rodrigues Gouveia
Chairman of the Board of Directors





1. INTRODUCTION

1.2

CORPORATE STRUCTURE

MRG holds stakes in private and public capital entities where the shareholders are autarchies and Municipal companies, in holding companies that operate in foreign markets and in subsidiaries and associates of private capital. The table below shows the Share Capital of the subsidiaries, associates and the respective held percentage.

MRG – ENGINEERING&SOLUTIONS, S.A.		
Campiscinas, S.A.	€ 50.000,00	- 51%
Mafreduca, S.A.	€ 100.000,00	- 51%
Paceteg, S.A.	€ 100.000,00	- 51%
Cister, S.A.	€ 50.000,00	- 51%
Armamar Viva, S.A.	€ 50.000,00	- 51%
Odivelas Viva, S.A.	€ 50.000,00	- 51%
Oeiras Expo, S.A.	€ 100.000,00	- 25,5%
Pro-Vila Verde, S.A.	€ 100.000,00	- 51%
Gouveinova, S.A.	€ 50.000,00	- 51%
Oeiras Primus, S.A.	€ 50.000,00	- 37%
Sociedade Edifício Guanabara, S.A.	MZN 100.000,00	- 50%
MRG SPA (Argélia)	DZD 100.000.000,00	- 24,5%
Qta Monte Leopoldo, LDA	€ 50.000,00	- 99,8%
Intergreb, S.A.	€ 100.000,00	- 100%
Luz do Mondego, S.A.	€ 50.000,00	- 44,99%

1.3

SHAREHOLDERS STRUCTURE

SHAREHOLDERS STRUCTURE	
MRG – SGPS, S.A.	€ 2.300.000,00 - 92%
Own Shares	€ 200.000,00 - 8%

1.4

STATUTORY GOVERNING BODIES

Board of Directors

Chairman: *Fernando Manuel Rodrigues Gouveia*

Member: *Rodolfo Oliveira Gouveia*

Member: *José Eduardo Loureiro da Silva*

Board of the General Meetings

Chairman: *Alfredo José Leal Castanheira Neves*

Secretary: *Alda Cristina Esculcas Pereira*

Statutory Auditor

LCA: *Leal, Carreira & Associados, SROC*, represented by *José Maria Carreira de Jesus Carreira*

Alternate Auditor

Fernando Jorge de Sá Pereira



2.

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BUSINESS ENVIRONMENT

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2.

BUSINESS ENVIRONMENT

2.1

INTERNATIONAL MACROECONOMIC BACKGROUND

In 2014, the **World Economy** grew 3,3%, 0,4% below the forecasted. During the second semester, some risk factors such as heightened geopolitical tensions, stagnation or very low growth rates in the developed countries and the growth slowdown of the emergent markets decelerated the activity from the first semester on. For 2015 it is forecasted a 3,5% growth of the global economy, as a result of a weaker outlook in China (+6,8%), Russia (-3,0%), Eurozone (+1,2%), Japan (+0,8%) and petroleum exporting countries (only +1,8%), these facing a sharp price decline (between June and the end of the year, oil depreciated 50%).

The USA is the only developed country with a better economic outlook, being forecasted a 3,6% growth for 2015, slightly higher than the growth expected for the world economy.

Reviewing the macroeconomic developments of the major economic blocks around the globe, there are evidences to suggest that:

- In 2014, the **Eurozone** economy improved slightly. Despite the favourable conditions to increase business activity, it is now estimated a 0,8% growth rate for that period. Nevertheless, it shows an improvement from 2013's recession.

The instability in Ukraine, the conflict with Russia and the slowdown of economies (e.g. China) that influence significantly the European growth, caused the poor performance in the Eurozone. It should be also highlighted the different performances between the largest and the peripheral countries within this area.

The labour market showed two trends: a continuous improvement in Germany as opposed to the overall stabilization of the unemployment at high levels in the Eurozone.

The unemployment rate should have reached 11,6%. There was a credit contraction to the non-financial private sector throughout the whole period, albeit at successively lower rates. Eurozone inflation and expectations fell steadily in 2014, reaching negative territory in some countries.

The consumer prices are likely to have seen a contraction by the end of 2014 resulting in a 0,4% inflation rate. For 2015 it is forecasted a slow recovery of the European economy, as a consequence of the high unemployment rate which would cause a decline in domestic demand, and also due to the low expectations regarding the exports growth as the emergent markets and the petroleum exporting countries are expected to grow weakly.

If successful, the BCE quantitative easing (QE) program can deliver the conditions for a continued period of increased growth in the European economy.

- The **USA** is likely to have seen a GDP growth rate of 2,4% in 2014, below the expectations, but still above the 2,2% observed at the end of 2013. After a sharp contraction in the first three months of the year as a result of the adverse climatic conditions, the country's recovery should have exceeded the most optimistic expectations.

Benefiting from the decline in oil prices, a less tight fiscal policy, and the ability to maintain the expansionary monetary conditions, the domestic demand and investment were the main drivers of the economic expansion.

There was a steady decrease in the unemployment rate, reaching values under 6,0% since September 2014. Despite the oil prices decline, the downward trend of the international prices and the US dollar appreciation, inflation should have reached about 2,0%, above the observed in 2013.

- Along with the USA, the **UK's** growth also registered an increase in 2014. It is likely to have reached 2,6%.

- **Japan's** growth was lower than in 2013. After a very positive first quarter, entered into a technical recession by the third quarter due to the excise duty on April 1st and to the slowdown of China's economy. The introduction of compensatory measures should have enabled the economy to show again a positive sign, being expected to reach a 0,6% growth rate in 2014.

- Regarding the **Emergent Countries (BRICS)**, the expectations have been revised downward. The most recent IMF forecasts show a 4,4% growth rate for these countries.

China registered successively lower growth rates during 2014, reaching around 7,4% at the end of the year, which represents the lowest level for 24 years. In contrast, India should have registered a better year-on-year result, being forecasted a 5,5% growth.

Brazil and Russia, in turn, had disappointing performances: despite the 0,1% and 0,6% growth rates forecasted by the international bodies, there is concern that the final results will highlight an economic contraction.



2. BUSINESS ENVIRONMENT

South Africa economy should have registered a lower year-on-year result, being forecasted a GDP growth rate of 1,4%.

Concerning the **Monetary Policy**, since the 2007/2008 economic/financial crisis, there's been an emphasis on ultra-expansionary monetary policies, on an attempt to strongly react to the above mentioned crisis.

In 2014 the big difference arises from the USA Central Bank (FED) announcement of the QE's end while the ECB is ramping up QE since June/July when started to seriously consider a similar monetary policy to the one that was being applied in both USA and UK economies.

Notwithstanding this approximation of monetary policies, during 2014 the ECB reduced twice the key ECB interest rates (0,25% to 0,05%) and introduced for the first time negative interest rates. The FED, in turn, kept its Fed Funds Target Rate between 0% and 0,25%.

Reflecting different economic cycles, in 2014 the Bank of Japan continued to hold off on further stimulus. Therefore, it is expected divergent monetary policies from these two groups of central banks.

In line with the main ECB reference rate, the EURIBOR rates were at their lowest. At the end of 2014, EURIBOR 3M, 6M and 12M were 0,078% (versus 0,287% in 2013), 0,171% (versus 0,389%) and 0,325% (versus 0,556%), respectively. Yields significantly decreased in the developed economies while risk premiums increased in most of emergent markets.

From the above mentioned, it can be concluded that, in 2014, there were four main events in the world economy that restrained the Governments and private agents' actions:

- Firstly, the decline of oil prices, especially from September on, partly because of the unexpected slowdown of the demand in some of the main world economies. Moreover, the Organization of Petroleum Exporting Countries (OPEC) decided to maintain the production levels, regardless of the continuous rise of the oil production by the non-members oil producers, such as the USA.

- Secondly, the asymmetric growth of the world economies. The recovery in the USA and UK was stronger than expected while the performance of all other main economies, such as China and Japan, has fallen short of expectations.

- Thirdly, the US dollar appreciation. The American currency has strengthened dramatically against most of the world's other major currencies, namely the yen and the euro, and many other currencies of emergent countries that are exporting commodities.

- Finally, the interest rates and spreads. The latter rose in many emergent markets, especially the commodity exporters, while the former (treasury yields) fell markedly, as a result of the main economies' slowdown.

"... There was a steady decrease in the unemployment rate, reaching values under 6,0% since September 2014 ..."





2.

BUSINESS ENVIRONMENT

2.2

DOMESTIC MACROECONOMIC BACKGROUND

2014 reflected the impact of the conclusion of the Financial Assistance Program agreed between the Portuguese authorities and the European Union and the International Monetary Fund (IMF) on the Portuguese economy. After three years of assistance, there were several adjustments on the economy - structural measures were taken - in order to correct macroeconomic imbalances.

Within this context, following three years of recession, Portugal registered an economic expansion in 2014, keeping the trend of recovery already observed during the second semester of 2013. In accordance with the National Quarterly Accounts, issued by the National Institute of Statistics (INE), the 4th quarter of 2014 showed a year-on-year GDP increase of 0,7% (1,2% in the 3rd quarter).

Consequently, the 2014 GDP growth rate rose 0,9% (-1,4% in 2013), the first positive change since 2010. This performance was driven by the recovery of the domestic demand (+2,2% in 2014 versus -1,7% in 2013) and the investment (+2,2% in 2014 versus -6,6% in 2013), as well as the reduction of the public consumption contraction (-0,5% in 2014 versus -1,8% in 2013).

It is expected an acceleration of the economy in the beginning of 2015 as a result of low oil prices and the depreciation of the euro, which should enable the exports to grow. It is forecasted a 1,6% and 1,7% GDP growth rate for 2015 and 2016 respectively.

From the most recent macroeconomic data disclosure, should be highlighted:

- The **economic activity indicator** decreased slightly in November and December, after being stabilized at the highest level since July 2008. In December, the Short-Term Statistics revealed an activity decrease in industry, construction and public works and in some sectors of services.

- The **net external financing capacity** of the economy registered a surplus for the third year in a row. This increased capacity arises from the rise of internal savings and the investment stabilization.

- The **private consumption** was unexpectedly positive, mainly after the end of the Financial and Economic Assistance Program. The enhancement of consumer confidence contributed to the 2014 growth in real terms of 2,2% (2,6% on the third quarter), reflecting an acceleration in consumption of durable and non-durable goods.

In 2015, it is forecasted a deceleration of the private consumption growth, as a result of the deleveraging process in the internal market. Nevertheless, the expectations of improvements in labour market conditions, the increase of the disposable income and the low inflationary pressures should maintain the private consumption in positive territory with growth rates of around 1,8% in 2015 and 1,5% in 2016.

- In 2014, **private investment** grew 2,2%, 1,7% below the observed in the third quarter. Indeed, the second and third quarters showed the highest investment growth rates (3,5% on average), being machinery and equipment the main types of investment during this period. The more favourable corporate tax system, in force since 2014, improved the investment climate, in contrast with the downturn registered in the previous three years.

- Contrarily to the forecasted, the contribution of **net exports** to growth was not positive in 2014: despite the good performance of exports (strong diversification of products and destinations, increased contribution of services - tourism highlighted), the imports followed the more buoyant domestic demand.

In fact, as a result of the increase in the domestic demand, imports grew 6,3% year-on-year, clearly above the 2,6% growth of the exports. Consequently, the

net exports contribution to the GDP's performance was -1,5%. However, in 2015 and 2016, the trade balance should have a positive contribution to the GDP's growth as the most recent data suggest a significant increase of exports for 2015.

- According to preliminary results of **international trade in goods**, in nominal terms, exports of goods slightly accelerated in December, increasing from 4,3% year-on-year in November to 4,6% in December, thus extending the increasing trend observed since June.

Exports of consumer goods and intermediate goods were the main drivers of that year-on-year change, while fuel exports registered the only negative contribution.

Imports in nominal terms slowed down, decreasing from 3,8% year-on-year in November to 2,0% in December. Imports of transport material and consumer goods had a positive impact on that year-on-year variation, while fuel and intermediate goods had a negative impact.

- Given the decreasing external and domestic pressures, **inflation**, slowed down during the year, having registered negative year-on-year changes since the first quarter, despite the October's increase of the minimum wage.

In fact, in 2014, the **Consumer Price Index (CPI)** fell to -0,2%, mainly due to the sharp decline of energy and unprocessed food prices. The goods component of the CPI came from an average change of 0% in 2013 to -1,1% in 2014 while the services component of the CPI registered an average annual variation rate of 0,8% in 2014 (0,7% in the previous year).

Inflation could reach positive values by the second semester of 2015, mainly through jobs creation. However, it should remain low because unemployment is still high and the oil price is falling. It is forecasted an inflation of 0,1% in 2015 and 1,1% in 2016.

- Despite the high unemployment rate, in 2014 it was observed a slight recovery of the labour market. Employment rose 1,6% (-2,6% in 2013) and the unemployment rate fell to 13,9% (16,2% in 2013), corresponding to 726 thousand unemployed people. Notwithstanding, the last months showed a trend reversal, which was not observed since the unemployment rate peaked at 17,5% in the first quarter of the year of 2013, the worst moment of this crisis. The most recent projections point to a gradual drop of the unemployment rate, which should be around 12,6% in 2016.

"... It is expected an acceleration of the economy in the beginning of 2015 as a result of low oil prices and the depreciation of the euro, which should enable the exports to grow..."

"... Employment rose 1,6% (-2,6% in 2013) and the unemployment rate fell to 13,9% (16,2% in 2013) ..."

2. BUSINESS ENVIRONMENT

With a view to fulfilment of the targets under which Portugal has internationally committed itself, it was maintained the **fiscal consolidation** effort. At the end of the year the general government deficit reached around 3,9% of the GDP, net of one-off measures. The main features of the budget execution were the high taxation and the curbing of public expenditure. For 2015, the deficit is projected to fall further to less than 3,0% of the GDP.

- It is estimated that, at the end of 2014, the **general government debt** to GDP ratio was almost 129%, driven by higher deposits and the euro depreciation and, at the end of 2015, should fall to 124,5% as a result of the expected economic recovery and debt reduction operations. The Country's risk premium fell as a consequence of the consolidation effort, the implementation of structural measures and the ECB's monetary policy.

As a result of the macroeconomic scenario presented above, the success of the adopted policies in our Country following action by the "troika" in spring 2011, are currently under discussion. Most analysts believe that the problem is caused by the economic model built up over the years and enhanced by Portugal's entrance in the EU, which would unveil its exhaustion and unsustainability with the Country's entrance in the Eurozone.

Indeed, the Portuguese economy is structurally heavily dependent on external developments, with systematic deficits in the goods and services account balance that can only be offset when there are enough income and capital inflows.

Within this background, the options to take are:

- To pursue to accomplish the agreed targets with "troika", as part of the Stability and Growth Pact (deepened by the TSCG), jeopardizing the economic growth, through an austerity that will last for decades;
- To highlight both the economic growth and the debt service the main components of the fiscal consolidation and review the debt targets (indeed, several countries have been unable to comply with the targets included in the TSCG) and its payment conditions.

The option of decreasing the debt in the very short-term has an insurmountable cost for the economy. Therefore, to soften the conditions of payment, by relieving the service debt costs, seems to be the best option and the only way to allow the economy to grow. To be compatible with budget rebalancing, the growth, in nominal terms, must be higher than the interest burden in percentage of GDP, maintaining positive primary balances.

As we stated in the 2013 Annual Report, it is our opinion that in order to exit the current situation, and regardless of the model that will prevail between the Country and the international creditors, Portugal needs:

- To combine the financial adjustment programme with a new cycle of economic growth, which requires, in the first place, more time to achieve the former goal;
- The execution of a medium-term program with effective structural reforms (in opposition to piecemeal measures that only aim to implement the budget) in the economy, in the State and other public administrations.

The compatibility of economic growth with the public accounts consolidation depends on the achievement of the two above-mentioned aims.

...The option of decreasing the debt in the very short-term has an insurmountable cost for the economy ..."





2. BUSINESS ENVIRONMENT

2.3

SECTOR ENVIRONMENT

A. Construction Industry

The available data for the year of 2014 show that **worldwide**, the construction industry is gathering back momentum. Indeed, the recently disclosed information points to a 3,8% increase of the production in 2015, followed by an average annual growth of 3,9% for the period 2016-2020.

This expansion brings a variety of new opportunities for the companies that invest and operate in this sector, as well as for the suppliers of goods and services.

However, this growth has not been uniform worldwide, not even regionally, thus arising many risks and challenges.

Overall, regarding the construction industry, the emergent markets will continue to grow much faster than the developed economies. For the first time, in 2012, the emergent markets were responsible for more than half of the construction production worldwide and, by 2020, it is expected a 56% market share. For the period 2016-2020 it is forecasted an average annual growth of 2,2% and 5,3% in the developed and emergent economies, respectively.

In **Portugal**, it has been observed a steady recovery in confidence of both domestic companies and international investors. Within this context, and regardless the still unfavourable situation, during 2014 there is a clear slowdown of the construction crisis. According to the figures recently issued by the National Institute of Statistics (INE), it can be seen that:

- In December 2014, the construction production index was -5,2%, year-on-year, which is 0,6% higher than the observed in the previous month. Both segments of the industry, Building Construction and Civil Engineering, showed again less negative annual rates of change. The former registered a -4,6% year-on-year variation (-5,3% in November), representing a -2,7% contribution to the aggregate index. The

latter decreased 6,0% year-on-year (-6,4% in the previous month) representing a -2,5% contribution to the total of the construction production index.

- In the third quarter, the investment in construction fell 3,0% year-on-year, after a negative variation of -5,3% in the first semester.

- Following a 5,7% year-on-year drop in the first 6 months of the year, the sector's GVA registered a 3,5% contraction in the third quarter.

Simultaneously, some figures point out a possible recovery of the activity in the short-term:

- **Employment** fell until June with a year-on-year negative variation of 23,2 thousand people, but recovered during the third quarter, registering a 18,5 thousand jobs increase from the second to the third quarter, within a context of positive net change in total employment of the economy: there was a 50,5 thousand net job creation in that period.

- During the first nine months of the year, the value of the **works awarded** rose 34% year-on-year, which will mean an increase of the activity for the companies that operate in the public works market. Nevertheless, the outlook for the market of buildings construction is not so optimistic, as a consequence of the continuous decrease of building permits (-13% until September) and of the 4% year-on-year fall of the licensed area for non-residential buildings.

In the opposite direction, the following facts have been penalizing the companies:

- In the construction market for **public works**, during the first nine months of 2014 the value of open tenders fell 6,1% year-on-year to EUR 1,2 billion, while in 2013 it was registered an 18,3% year-on-year growth.

- The **credit granted** continues to sharply slowdown (EUR -5,5 billion in 24 months) while bad debts keeps rising, representing already 34% (last September) of the total credit in default, comparing to 18% in the same month of 2012.

Notwithstanding this sector's background, during the first nine months of 2014 the Portuguese business confidence indicator rose 38%, year-on-year, thus allowing, at least, hope to better times in the near future.

On the other hand, as it was stressed above, the construction market worldwide has been on a remarkable upward trend, especially in Africa, Middle East, Americas and Asia.

These geographical areas, mainly Africa, represent the main hope for the sector's future.



2.

BUSINESS ENVIRONMENT

B. Real estate

The development of both demand and supply indicators of the real estate sector shows, undoubtedly, a strong crisis over the last years, being 2009 one of the worst for the sector worldwide.

In comparison with its European partners, and despite being also largely afflicted, Portugal's crisis of the real estate did not arise so much from the subprime because, contrarily to Spain or Ireland, the sector was not expanding. The subsequent financial crisis and the need to deleverage was allegedly the main cause of the sector's crisis at all levels.

In fact, it should be noticed that, in a context of financial crisis and economic fragility such as the one occurred between 2009 and 2014, it is entirely to be expected that a sector which, by definition, sells durable, high value products, shows the biggest losses, as a result of higher families' risk aversion, which leads them to reduce purchases and mortgages.

Notwithstanding the above mentioned difficulties, the most recent data show a strong increase of the investments volume in the real estate sector in 2014. The main investors are foreigners, including funds and other institutional investors that, after being focused on Spain, have been targeting Portugal. This trend should accentuate in 2015. The real estate sector is expected to overpass € 1 billion turnover this year, which was unthinkable two years ago.

From all the changes and tendencies of the Portuguese real estate market, the main ones should be highlighted:

- **Focus on the urban regeneration:** there was a strong growth in the sector, with an increase of the related companies' activity that, in turn, boosted the number of acquired properties.
- **Increase of foreign investment:** in 2014, besides the traditional real estate funds, there was a considerable volume of foreign investment, namely by Chinese and Angolan citizens, under the "Golden Visa" program. This growth was not exclusive of the residential market. The office market also registered a significant increase in demand. Attracted by

competitive prices and current tax benefits, the European retirees have been considering Portugal as an attractive place to invest and live, and this trend is expected to continue to 2015.

- **Signs of reversal in the construction slowdown trend:** as it was mentioned above, construction's growth is very low, and it should not recover in 2015. Nevertheless, there can be seen some signs of rebound, mainly in the urban regeneration. Within this sector, dozens of projects are in place, showing a strong recovery.

- **Forecasted decrease in bank spreads:** after reaching prohibitive levels in the last years, the bank spreads are expected to fall during 2015, due to the current increase of liquidity. This factor will have a significant impact on the real estate turnover and on the financing of new projects.

As per the above mentioned, and regardless of the signs pointing to the beginning of recovery in 2014, we remain cautious and think that it is still premature to confirm it as, despite the better indicators (reduction of contraction) regarding prices, construction, sales and credit volume, those indicators are still falling year-on-year.

Therefore, as we observed the tumble of the real estate sector as a consequence of an economic recession, it is also expected to see the sector's recovery within the context of an economic growth, benefiting in the early stages from the increase of both families, and commerce and services demand. Furthermore, on a positive note, the sector confidence indicators improved and it is expected that, in 2015, the financial constraints will gradually become less restrictive.

Thus, the expected low reference rates, the anticipated reduced bank spreads, and the estimated improvement of the economic activity should lead to a slow recovery of the sector.

"... for the period 2016-2020, regarding the construction industry it is forecasted an average annual growth of 2,2% in the emergent economies ..."



3.

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COMPANY'S ACTIVITY IN 2014

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3. COMPANY'S ACTIVITY IN 2014

3.1

COMMERCIAL

3.1.1 Domestic Market

As it was referred in 2.3, the year of 2014, like in previous years, was deeply negative for the construction and public works sector. Nevertheless, the deceleration of the activity slowed down, mainly in some niche markets in Lisbon (e.g. rehabilitation). Regardless the still unfavourable situation, **in 2014 there was a clear slowdown of the construction crisis. The figures registered an employment recovery and a year-on-year increase of the awarded public works.**

Within this difficult scenario, **MRG sought to position itself in the domestic market with the value of sustainability, respecting its historical legacy** concerning the results, which, as a consequence of the permanent erosion of profit margins, proved to be a tricky obstacle to overcome.

Therefore, MRG was eventually forced to adapt its strategy to both the market and the company's conditions, moving resources from domestic to international market and from MRG to MRG – EQUIPAV, which is the company within MRG Group that concentrates the construction activity.

The need to ensure a more sound technical and commercial expertise regarding the private and public tenders, together with the aim of anticipating the investment needs within the scope of the company's diversification strategy, drove MRG to start in 2014 the transformation of the enterprise into a construction company within an integrated upstream and downstream business model.

MRG will keep its policies of opportunities/tenders selection, enhancement of the diversity of its specific strengths, and establishment of partnerships, that augurs well for the future. The

execution of this strategy serves a critical role in the formulation of the future development options.

"... MRG sought to position itself in the domestic market with the value of sustainability, respecting its historical legacy..."

3.1.2 External Market

In result of timely internationalization, in 2014 MRG moved vast resources to the key strategic markets. **MRG led the corporate reorganisation in order to adapt its structure of holdings and its image to meet the external market demands. Moreover, MRG also led the processes of training and creating the intra and inter-societal regulation within the participated companies in the external markets.**

Aiming at the strengthening of MRG's position in the Algerian market, it was created MRG, SPA, where MRG holds 24,5% of the company's share capital. Within this market, MRG has been participating in several public and private tenders and, in 2014, has won a tender which involved the design and construction of a EUR 24 billion building complex. Furthermore, **MRG has established a partnership with a local renowned company, seeking to ensure the concession/construction of industrial parks within the investment program regulated by the National Agency of Land Intermediation and Regulation (ANIREF).** MRG, SPA won a place, within the pre-qualification process, in the short-list of suppliers who will be invited to prepare tenders for the intervention on the urban whole facades of Algiers. For all these reasons, the option for the Algerian market has been extremely positive.

Aiming at the concentration of the construction activity in MRG – EQUIPAV, MRG sold its share capital of MRG Construction SARL, a company incorporated under French law, to MRG – EQUIPAV during the year of 2014.

In Mozambique, MRG cooperated in the conclusion of a partnership with a local group and in the deepening of existing relations within the scope of the company incorporated under Mozambican

law, MRG – Construção e Engenharia S.A. Several projects were presented to public and private entities, within the logic of an integrated value chain: design, construction, financing and management. **The implementation of some of these projects is foreseen to start in 2015.** It should be highlighted the awarded contract for business setting up and management of the *Guanabara* building, a 15 storey office tower, that will be executed throughout 2015 and 2016.



3. COMPANY'S ACTIVITY IN 2014

3.2

PRODUCTION, PLANNING AND CONTROL

The Sector was making adjustments bearing in mind that the orders and the works' volume diminished considerably.

Although the business environment continued to be adverse, MRG sought the best solutions to face all the challenges.

In this context, it was taken the decision of transferring the construction activity to MRG – EQUIPAV.

Therefore, following this strategic decision, in 2014, MRG - Engenharia e Construção continued to manage, production-wise, the conclusion of a few 2013 works, as well as some 2014 works that were carried forward to 2015 and that could not be included in the secondment agreement with MRG – EQUIPAV.

Bearing in mind these circumstances, the company's activity was almost negligible, resulting in 5 works during 2014.

In 2015, the execution of two works in progress will continue (ADRA is the contracting authority), as well as the works execution of *Algueirão* church, awarded in 2014 and to be completed until September 2015.

Hence, during 2014, the production reached an approximate value of EUR 2.300.000.

WORKS	PRODUCTION 2014
EDP Administrative Building - Viseu	€ 63.669,82
BIOTECH Building	€ 140.804,62
Restoration of Av. Vasco da Gama - Sines	€ 176.957,65
Restoration of Av. Vasco da Gama - 2 nd phase	€ 142.862,10
Waste-Water S.João/ S.Vicente Pereira/SIMRIA	€ 220.013,29
Waste-Water Network 2 nd Stage Execution - Talhadas	€ 1.256.296,45
Algueirão Church - Mem Martins	€ 340.938,93
310 VPO Houses (Social Housing) in Achada Limpo - Cape Verde	€ 706.255,08
Total	€ 3.047.797,94

As a result of both the core business sale to MRG – EQUIPAV and the strategic decision of shifting, not only to an external focus but also to different activity sectors, the Organizations' production volume dropped significantly but there were taken decisions that can bear fruit in the short run.





3.

COMPANY'S ACTIVITY IN 2014

3.3

FINANCIAL PERFORMANCE

These are some indicators that illustrate MRG financial structure and performance:

- **Net Assets**

Net Assets reached EUR 83,959 million, showing a year-on-year slight decrease of 1,90%;

- **Current Assets**

Current Assets stood at EUR 38,773 million, corresponding to a year-on-year increase of 1,95%;

- **Equity**

The Equity value at the end of the 2014 financial year was EUR 33,026 million, meaning a year-on-year decrease of 8,87%; this value arose from the influence of the Net Income for the financial year of 2014, as explained in detail in point 3.6 of this report.

- **Net Debt**

Net debt registered a year-on-year decrease of 7,94%, standing at EUR 22,249 million. However, it should be stressed that this value includes the Court Settlement issued within the extinction of Oeiras Primus, SA. Without it the MRG, S.A net debt was EUR 11,230 million, corresponding to a 33,90% decrease;

- **Turnover and Net Profit**

As expected, during the 2014 financial year, the turnover decreased significantly, standing at EUR 5,632 million. Besides the above mentioned crisis within the sector, the main cause for this result was the mid-2013 transfer of MRG's core business to MRG – EQUIPAV. Nonetheless, it should be highlighted the contribution of EUR 1021 million to MRG 2014 income statement, historically the first external market's contribution to MRG's turnover (through its Cape Verde branch).

As referred, the Company registered a net loss of EUR 3,066 million;

- **Adjusted EBITDA**

Regardless of the Operating Net Loss in 2014, it should be noted that the strong increase of the fiscal year's provisions plus depreciations significantly influenced it. Nevertheless, the 2014 adjusted EBITDA stood at EUR -610,242 thousand, an amount that did not jeopardise the fulfilment of all obligations assumed by MRG.

- **Financial Result**

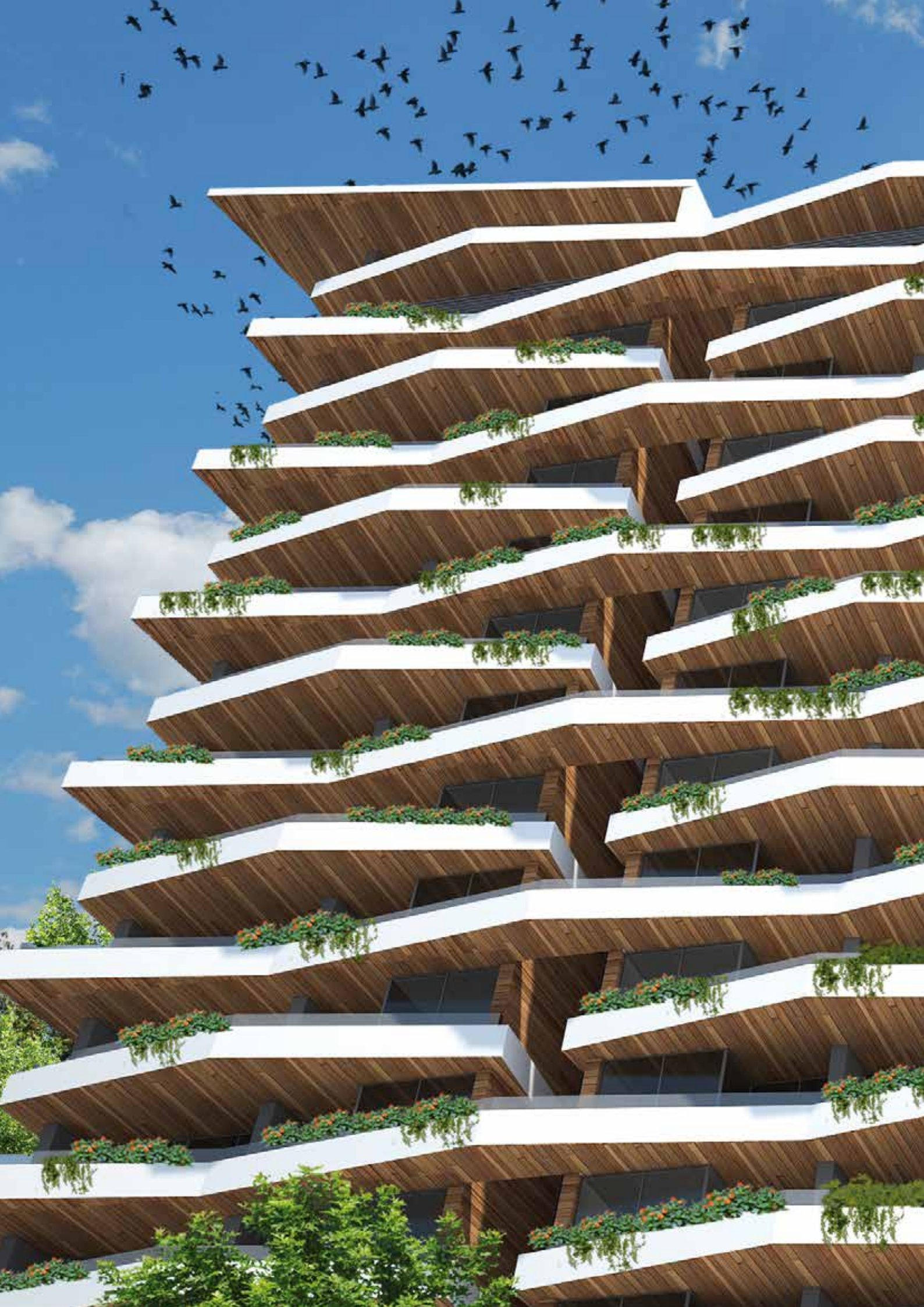
The financial result stood at EUR 1,173 million corresponding to a 57,57% year-on-year decrease. This performance was impacted by the above mentioned Court Settlement issued within the extinction of Oeiras Primus, SA.

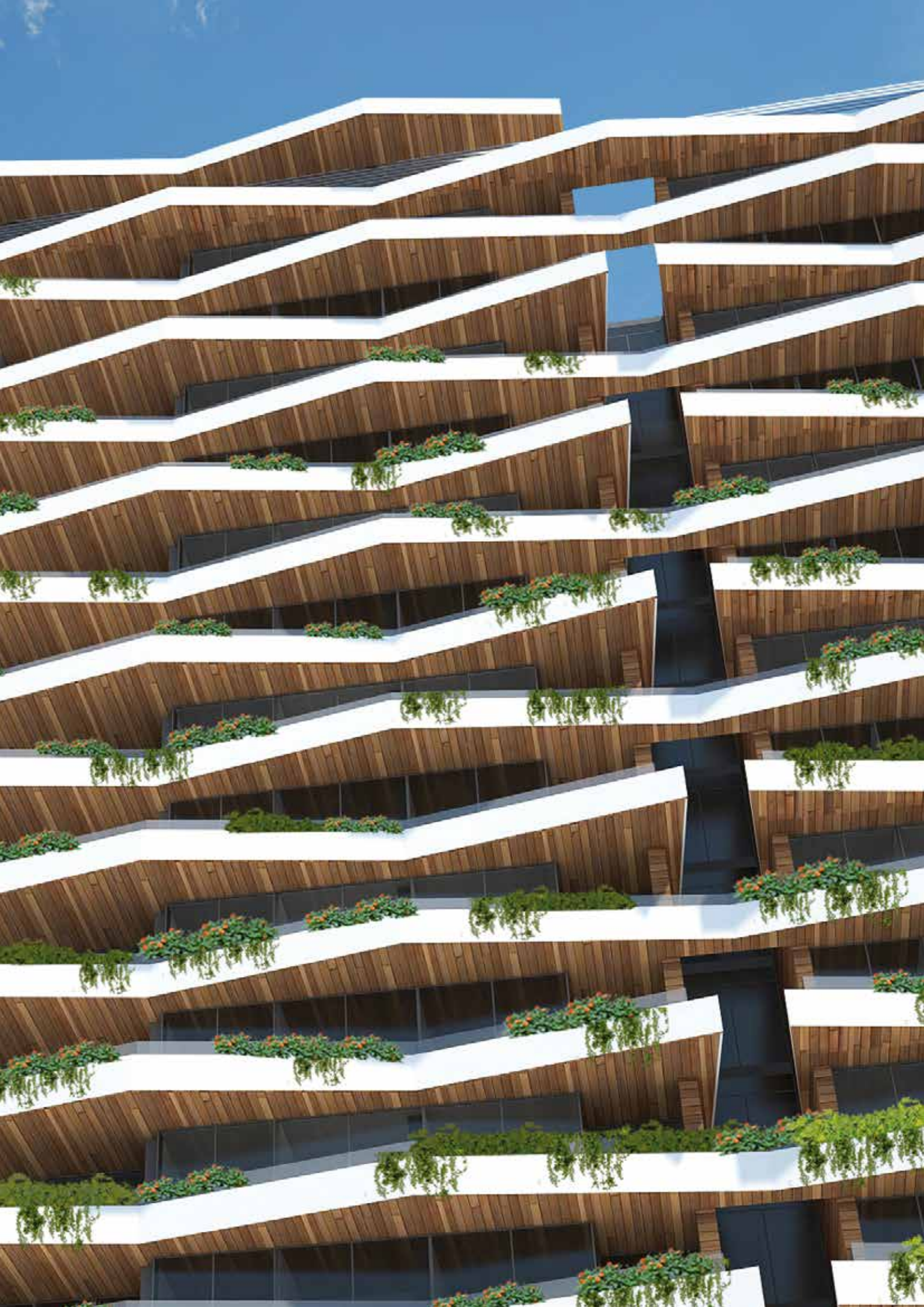
"... the contribution of EUR 1021 million to MRG 2014 income statement, historically the first external market's contribution to MRG's turnover ..."

Headings and Indicators

HEADINGS (Value in €)	2014	2013	2012
Current Assets	38.773.376,28	38.031.703,04	79.664.651,16
Non-Current Assets	45.186.491,20	47.556.542,55	12.867.937,40
Total Assets	83.959.867,48	85.588.245,59	92.532.588,56
Current Liabilities	24.311.336,73	19.246.635,67	41.921.709,11
Non-Current Liabilities	26.621.780,69	30.098.505,15	14.788.785,11
Total Liabilities	50.933.117,42	49.345.140,82	56.710.494,22
Equity	33.026.750,06	36.243.104,77	35.822.094,34
Turnover	5.631.995,39	39.473.342,71	58.315.091,27
Operating Profit	-5.374.866,65	-1.808.769,72	2.672.718,97
Financial Result	1.173.180,48	2.764.969,36	-844.542,00
Net Income for the Financial Year	-3.066.354,71	654.343,93	1.654.709,08

INDICATORS	2014	2013	2012
Working Capital	1,59	1,98	1,90
Liquidity-Quick Ratio	0,65	0,84	1,40
Financial Autonomy	39,34%	42,35%	38,71%
Solvency (Leverage Ratio)	64,84%	73,45%	63,17%
Debt-to-Equity Ratio	1,54	1,36	1,58
Asset Coverage Ratio	1,32	1,40	3,93
Adjusted EBITDA (€)	-610.242,11	-18.298,60	257.114,11
Adjusted EBITDA/Net debt	2,74%	-0,08%	1,27%
Adjusted EBITDA/Turnover	-10,84%	-0,05%	0,44%
Return on Sales (ROS)	N.A.	1,66%	2,84%
Return on Assets (ROA)	N.A.	-2,11%	2,89%
Return on Equity (ROE)	N.A.	1,81%	4,62%





3.

COMPANY'S ACTIVITY IN 2014

3.4

QUALITY, SAFETY AND ENVIRONMENT

The Company sees **the opportunity of emphasize its service Quality and the Safety of its team members** through the implementation of an Integrated Quality and Safety Management System (SIGQS), **which has decisively contributed to the increase of Customers' satisfaction**, to the access to new markets and to the reduction of the operating costs, as a consequence of a better operational performance. On the other hand, MRG implemented a new culture of awareness and motivation of its team members, oriented to the continuous improvement of all procedures, aiming at the Customers and all Stakeholders' satisfaction.

The process of certification of those Management Systems started in 2004 and ended on 30th March 2006, with the obtained Certification for the Management System of Quality for the activities of "Construction, Restoration and Remodelling of Works and Buildings, Public Works, Infrastructures, Communication Routes and Environmental Works".

This has been a development process of enhancing the implemented work involving all its professionals.

Consequently, in 2007 MRG began the development of the Management System of Safety in compliance with OHSAS 18001 regulations. MRG was certified by June 2009.

From the continuous improvement of its Management System, on 27th May 2008 MRG achieved another target, by extending its intended scope of approval to the requirement 7.3 Design and Development - regulation NP EN ISO 9001. MRG's sphere of activity included, from that moment on, the activities "Designing, Development, Construction, Restoration, Remodelling of Works and Buildings, Public Works, Infrastructures, Communication Routes and Environmental Works".

Presently, MRG - Engenharia e Construção, S.A. is certified by the Management System of Quality and Safety (SIGQS) in the normative references ISO 9001:2008 and OHSAS 18001:2001. **Rather than confining itself to the certification obtained, MRG is committed to effectively contribute for its Customers' satisfaction, and to a lower rate of labour risks, namely of accidents and occupational illnesses.**

Regularly, in accordance with a pre-established plan, audits are conducted, which besides being one of the factors that guarantee the implementation of the Integrated Policy of the Company, are also seen as a very important pedagogical tool, enhancing the awareness of all parties involved of the relevance of the compliance with norms, rules, procedures, law and other requirements of safety, quality and environment.

The comprehensive maintenance of the Integrated System has been assessed by audits made by external companies. MRG certification has been renewed by the certifying body, SGS.

The measurement of the customer satisfaction is an indicator of the efficiency of the management system, which can be verified by the MRG Engenharia e Construção S.A. accidents' figures.

"... the opportunity of
emphasize
**its service Quality and
the Safety of its team
members ..."**

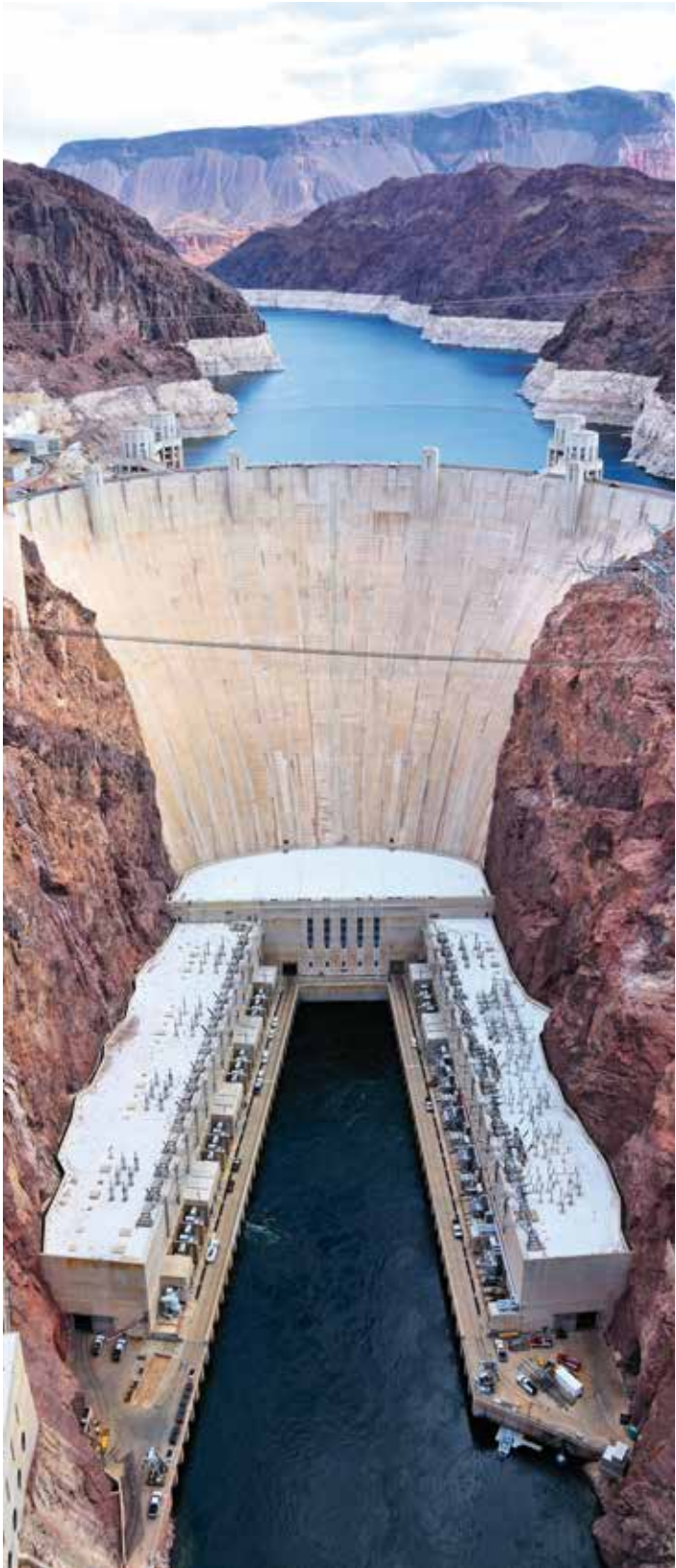
The table below shows the 2014 values:

MRG - Engenharia e Construção S.A.

- Index of Frequency = 0
- Index of Gravity = 0
- Index of Incidence = 0
- Index of Duration = 0

NO. OF ACCIDENTS	NO. OF WORKERS (AVERAGE)	NO. OF DAYS LOST	NO. OF MORTAL ACCIDENTS
0	13	0	0

"... to effectively contribute for its Customers' satisfaction and to a lower rate of labour risks..."



3. COMPANY'S ACTIVITY IN 2014

3.5

HUMAN RESOURCES

In 2014, following the reorganisation/restructuring program of MRG Group, in particular, of MRG – Engenharia e Construção and MRG – EQUIPAV, the Human Resources Plan was developed, bearing in mind the core business transfer to MRG – EQUIPAV and the adjustment of the corporate object of MRG Engenharia to the development of new businesses, in order to ensure the Group's diversification.

Therefore, in 2014 there was an adjustment in terms of both the number of employees and wages, with the goal of reducing to the minimum possible and keeping the best flexible, highly skilled talents.

In result, it has been developed a flexible company, where the ratio Turnover/Team members means fast and effective solutions.

The aim was to develop a Company with the following vision:

- To serve as the basis for the Group's diversification.
- To be recognised as a flexible Company that provides adjustable solutions to the customer's needs, either public or private.
- To focus the activity on the external markets, especially the African ones, and to go into market sectors within a long-term, sustainable strategy aiming at continuous cash flows.

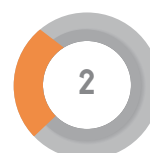
POSITION	NO. T. MEMBERS	NO. T. MEMBERS
	Jan - 14	Dec - 14
Engineers	16	2
Economists and Other Senior Managers	6	4
Middle Managers	3	1
Supervisors and Team Leaders	2	0
Operators and Drivers	1	0
Operational Employees	1	1
Administrative Employees	1	1
Service Providers	12	6
Total	42	15



Senior
Managers



Middle
Managers



Other Technicians
and Collaborators



3. COMPANY'S ACTIVITY IN 2014

3.6

RELEVANT FACTS

During the fiscal year of 2014, MRG's **strategy of internationalization** was taken forward across the priority markets.

Subsequently, there was a reinforcement of the multidisciplinary teams working in Algeria and Mozambique to ensure that in 2015 the company closes deals within these markets.

In September 2014, MRG held an **auction of equipment**. This decision of selling some machines and vehicles used within the subsector of communication and transport was based on the acknowledgment of lack of works prospects in the short to medium term, needed to optimize the use of the equipment and its profitability.

This strategic decision was an alternative to the steady deterioration of the equipment arisen from not being in use. It should be stressed that the final selling price of the several auction lots was above the minimum bid. The well maintained equipment and the strategy of not selling it at any price provided this result.

In 2014, MRG registered a loss of around three million euro. This negative performance, experienced for the first time in the history of the company, it was already expected bearing in mind 2013's activity and it is a result of:

- Turnover strong decrease, arisen from the transfer of the Core Business (Building Construction) to MRG – EQUIPAV.
- Strong increase of provisions: in 2014, provisions increased EUR 4365 million, resulting in net provisions (increases minus reversals) of EUR 3313 million.

- High costs related to the internationalization process, expected to be offset in the short to medium term. Inevitably, captions such as Personnel Expenses and External Supplies and Services (FSE) have been reduced at a slower pace than previously estimated.

We strongly believe that the loss registered in the fiscal year of 2014 is of exceptional nature. Thus, the Board of Directors will use its best endeavours to ensure that, in 2015, the company will return to a positive net income.

It should be also highlighted that, after the year-end closing, MRG entered into an assignment of debt agreement with a financial institution wherein MRG assigned to the financial institution debt owed to the company and, as a result, reinforced MRG's financial autonomy and solvability in an operation worth around EUR 21 million.

"... We strongly believe that the loss registered in the fiscal year of 2014 is of exceptional nature ..."



4.

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LOOKING AHEAD

.....

4.

LOOKING AHEAD

Following the guidelines defined in the Strategic Document and Business Plan of the company, the goals set out for 2015 are:

- To stabilize the Group's model of management and governance;
- To implement its core business within the markets of Algeria and Mozambique;
- The financial consolidation of the company in order to enable it to face a cycle of strong investment in diversification, both sectoral and geographical;
- To conclude new businesses opportunities;
- To launch diversification projects;
- To implement a new approach to the real estate market.

As a matter of fact, the opportunities, both in Portugal (real estate market dynamism) and Algeria and Mozambique (expected high economic growth) make possible to develop several high interest projects for MRG Group.

It is within this background that, after the 2014 decline as a result of the strong deceleration of the construction sector and the company's adaptation, it is expected a turnover stabilization and a gradual recovery of its EBITDA.

"... (Expected high economic growth) make possible to develop several high interest projects for MRG Group ..."





5.

A decorative dotted line consisting of a vertical segment of three dots on the left and a horizontal segment of 15 dots extending to the right.

RESULTS APPROPRIATION PROPOSAL

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5.

RESULTS APPROPRIATION PROPOSAL

Under the legal and statutory terms, the Board of Directors propose the following appropriation of net loss generated in 2014 in the amount of EUR 3.066.354,71 (three million and sixty six thousand three hundred and fifty four euro and seventy one cent), as determined in the financial statements:

- **For Retained Earnings:** EUR 3.066.354,71 (three million and sixty six thousand three hundred and fifty four euro and seventy one cent).





6.

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FINAL NOTE

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6.

FINAL NOTE

The Board of Directors would like to express its recognition to all those who contributed, during the financial year of 2014, in pursuing the objectives proposed by the Company:

A To the team members for their commitment, zeal and professionalism.

B To the Business Partners for their trust placed in MRG over the years.

C To the Financial Institutions for the permanent trust and support, vital for the Business.

D To the Shareholders for the trust and support demonstrated in several moments of MRG's life.

E To the Statutory Auditor for the professional cooperation.

Coimbra, 09th March 2015

The Board of Directors

Fernando Manuel Rodrigues Gouveia

Rodolfo Oliveira Gouveia

José Eduardo Loureiro da Silva





7.

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MANAGEMENT REPORT ANNEX

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7.

MANAGEMENT REPORT ANNEX

1. Information under number 5 of article 447 of the Portuguese Companies Act

• **Members of the Board of Directors:** are not shareholders of the Company

• **Statutory auditor:** is not shareholder of the Company

2. Information under number 4 of article 448 of the Portuguese Companies Act

SHAREHOLDERS	NUMBER OF SHARES	PERCENTAGE
MRG - SGPS, S.A.	460.000	92%
Own Shares	40.000	8%
Total	500.000	100%

Coimbra, 09th March 2015

The Board of Directors

Fernando Manuel Rodrigues Gouveia

Rodolfo Oliveira Gouveia

José Eduardo Loureiro da Silva





8.

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FINANCIAL STATEMENTS AND ANNEX

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8.

FINANCIAL STATEMENTS AND ANNEX

BALANCE SHEET ON 31st DECEMBER 2014 AND 2013

CAPTION	NOTES	31-12-2014	31-12-2013
ASSETS			
Non-Current Assets			
Tangible Fixed Assets	6	2.610.725,43	2.802.656,33
Investment Property	7	3.908.611,85	4.019.375,50
Shareholdings – Other Methods	8	3.983.400,53	3.845.916,97
Other Financial Assets	8	1.165.125,66	1.566.668,07
Deferred Tax Assets		1.102.006,38	546.003,81
Other Receivables	9	32.416.621,35	34.775.921,87
		45.186.491,20	47.556.542,55
Current Assets			
Inventories	11	23.078.887,52	21.883.320,81
Trade Receivables (Customers)	12	6.475.410,64	7.436.796,05
Prepayments	13	55.506,50	0,00
State and Other Public Entities	14	480.183,60	270.246,71
Other Receivables	9	8.173.382,38	7.569.777,44
Deferrals	15	23.084,94	47.045,34
Financial Assets Held for Trading	4	1.913,51	1.913,51
Cash and Cash Equivalents	4	485.007,19	822.603,18
		38.773.376,28	38.031.703,04
Total Assets		83.959.867,48	85.588.245,59
EQUITY AND LIABILITIES			
Equity			
Paid in (Share) Capital	16	2.500.000,00	2.500.000,00
Treasury (Own) Shares (Participations)	16	-14.800.000,00	-14.800.000,00
Other Equity Instruments	16	9.100.000,00	9.100.000,00
Legal Reserves	16	629.618,00	629.618,00
Other Reserves	16	14.867.596,50	14.867.596,50
Retained Earnings		23.795.890,27	23.291.546,34
		36.093.104,77	35.588.760,84
Net Profit		-3.066.354,71	654.343,93
Total Equity		33.026.750,06	36.243.104,77
Liabilities			
Non-Current Liabilities			
Provisions	17	8.870.416,35	5.556.464,68
Loans Received	18	13.402.716,31	16.931.851,79
Deferred Tax Liabilities		0,00	637.217,03
Other Non-Current Liabilities	19	4.348.648,03	6.972.971,65
		26.621.780,69	30.098.505,15
Current Liabilities			
Trade Payables (Suppliers)	20	5.439.604,50	8.808.141,28
Prepayments (Advances from Customers)	21	1.137.289,23	15.911,65
State and Other Public Entities	14	454.747,61	521.199,26
Shareholders/Partners	22	132.800,00	570.000,00
Loans Received	18	9.331.453,49	8.058.410,30
Other Current Liabilities	19	7.815.441,90	902.260,34
Deferrals	15	0,00	370.712,84
		24.311.336,73	19.246.635,67
Total Liabilities		50.933.117,42	49.345.140,82
Total Equity and Liabilities		83.959.867,48	85.588.245,59

INCOME STATEMENT BY NATURE ON 31st DECEMBER 2014 AND 2013

INCOME AND EXPENSES	NOTAS	2014	2013
Sales and Services Rendered	23	5.631.995,39	39.473.342,71
Operating Grants		1.903,04	14.958,26
Gains and Losses in Subsidiaries, Associated Companies and Joint	24	-295.818,00	-2.773,49
Variation in Production Inventories	25	256.174,56	800.127,54
Cost of Goods Sold and Materials Consumed (CGSMC)	26	-1.154.885,12	-7.344.625,59
External Supplies and Services (FSE)	27	-8.944.842,83	-42.244.489,91
Personnel Expenses	28	-1.471.101,95	-2.500.422,27
Accounts Receivables Adjustments (Losses/Reversals)	29	861.331,66	-317.664,77
Provisions (Increases/Decreases)	17	-3.313.951,67	1.416.866,34
Impairment of Assets not Subject to Depreciation/Amortization (Losses/Reversals)	30	216.234,85	-12.601,37
Other Revenues and Gains	31	3.304.907,30	10.125.526,25
Other Costs and Losses	32	-247.086,44	-803.055,75
Earnings before Depreciation, Interest and Others (EBITDA)		-5.155.139,21	-1.394.812,05
Depreciation and Amortization Costs/Reversals	6	-219.727,44	-413.957,67
Net Operating Income		-5.374.866,65	-1.808.769,72
Interest and Similar Revenue	33	2.789.156,91	4.782.608,52
Interest and Similar Costs	33	-1.615.976,43	-2.017.639,16
Pre-Tax Profit		-4.201.686,17	956.199,64
Corporate Income Tax	10	1.135.331,46	-301.855,71
Net Income for the Year		-3.066.354,71	654.343,93



CASH-FLOW STATEMENT ON 31st DECEMBER 2014 AND 2013

CAPTION	2014	2013
OPERATING ACTIVITIES:		
Receipts from Customers	8.503.702,70	47.040.148,04
Payments to Suppliers	13.479.569,95	50.139.791,35
Payments to Staff	498.093,91	2.649.711,79
Flows Generated by Operations	-5.473.961,16	-5.749.355,10
Payment/Receipt of Corporate Income Tax	501.914,56	1.172.702,51
Other Receipts/Payments relative to Operating Activity	10.083.732,01	6.158.416,99
Cash Flows from Operating Activities (1)	4.107.856,29	-763.640,62
INVESTING ACTIVITIES:		
Receipts from Investments		
Financial Investments	613.981,02	184.335,13
Tangible Assets	10.000,05	83.025,00
Intangible Assets	-	555,00
Interest and Similar Income	-	-
	623.981,07	267.915,13
Payments relative to Investments		
Financial Investments	61.250,00	6.749,70
Tangible Fixed Assets	4.058,60	12.071,59
	65.308,60	18.821,29
Cash Flows from Investing Activities (2)	558.672,47	249.093,84
FINANCING ACTIVITIES:		
Receipts from:		
Loans Received	12.438.115,38	41.977.791,42
Interest and Similar Income	194.620,98	286.272,13
Shareholder Loans	450.000,00	-
	13.082.736,36	42.264.063,55
Payments relative to:		
Loans Received	15.087.866,65	38.462.437,83
Repayments of Leasing Contracts	451.035,85	457.856,32
Interest and Similar Income	1.162.330,03	2.145.872,54
Shareholder Loans	768.650,00	225.600,00
Acquisition of Own Shares/Supplementary Payments	-	-
Dividends	617.200,00	30.000,00
	18.087.082,53	41.321.766,69
Cash Flows from Financing Activities (3)	-5.004.346,17	942.296,86
ACTIVITIES WITH EXCHANGE RATE EFFECTS:		
Payments/Receipts from Exchange Rate Effects		
Receipts from Effects of Exchange Rate Differences	221,42	465,12
Cash Flows from Activities with Exchange Rate Effects	221,42	465,12
Variation in Cash and Cash Equivalents (5) = (1) + (2) + (3) + (4)	-337.595,99	428.215,20
Cash and Cash Equivalents at the Beginning of the Period	824.516,69	396.301,49
Cash and Cash Equivalents at the End of the Period	486.920,70	824.516,69



STATEMENT OF CHANGES IN EQUITY ON 31st DECEMBER 2014 AND 2013

EQUITY OF SHAREHOLDERS OF THE PARENT COMPANY					
	SHARE CAPITAL	OWN SHARES	OTHER EQUITY INSTRUMENTS	SHARE PREMIUMS	LEGAL RESERVES
2014					
Position as at the Beginning 2014 (6)	2.500.000,00	-200.000,00	9.100.000,00	-14.600.000,00	629.618,00
Changes Related with the Period					
First Time Adoption of New Accounting Standards					
Changes in Accounting Policies					
Currency Conversion Gains and Losses					
Carrying Out of Revaluation Surplus from Tangible Fixed and Intangible Assets					
Revaluation Surplus from Tangible Fixed and Intangible Assets					
Deferred Tax Adjustments					
Other Changes Recognised in Equity					
(7)	-	-	-	-	-
Net Profit for the Year (8)					
Comprehensive Income (9=7+8)					
Transactions with Shareholders					
Share Capital					
Carrying Out of Share Issuance Premium					
Dividends Distribution					
Entries for Coverage of Losses					
Other Transactions					
(10)	-	-	-	-	-
Position at the End of 2014 (6+7+8+10)	2.500.000,00	-200.000,00	9.100.000,00	-14.600.000,00	629.618,00
2013					
Position at the Beginning of 2013 (1)	2.500.000,00	-200.000,00	9.100.000,00	-14.600.000,00	630.548,00
Changes Related with the Period					
First Time Adoption of New Accounting Standards					
Changes in Accounting Policies					
Currency Conversion Gains and Losses					
Carrying Out of Revaluation Surplus from Tangible Fixed and Intangible Assets					
Revaluation Surplus from Tangible Fixed and Intangible Assets					
Deferred Tax Adjustments					
Other Changes Recognised in Equity					
(2)	-	-	-	-	-
Net Profit for the Year (3)					
Comprehensive Income (4=2+3)					
Transactions with Shareholders					
Share Capital					
Carrying Out of Share Issuance Premium					
Dividends Distribution					
Entries for Coverage of Losses					
Other Transactions					-930,00
(5)	-	-	-	-	-930,00
Position at the End of 2013 (1+2+3+5)	2.500.000,00	-200.000,00	9.100.000,00	-14.600.000,00	629.618,00

OTHER RESERVES	RETAINED EARNINGS	FINANCIAL ASSETS ADJUSTMENTS	REVALUATION SURPLUS	OTHER CHANGES IN EQUITY	NET INCOME FOR THE YEAR	TOTAL	MINORITY INTERESTS	TOTAL EQUITY
14.867.596,50	23.291.546,34	-	-	-	654.343,93	36.243.104,77	-	36.243.104,77
-	654.343,93	-	-	-	-654.343,93	-	-	-
-	654.343,93	-	-	-	-654.343,93	-	-	-
-	-	-	-	-	-3.066.354,71	-3.066.354,71	-	-3.066.354,71
-	-	-	-	-	-3.720.698,64	-3.066.354,71	-	-3.066.354,71
-	-150.000,00	-	-	-	-	-150.000,00	-	-150.000,00
-	-150.000,00	-	-	-	-	-150.000,00	-	-150.000,00
14.867.596,50	23.795.890,27	-	-	-	-3.066.354,71	33.026.750,06	-	33.026.750,06
14.800.000,00	21.936.837,26	-	-	-	1.654.709,08	35.822.094,34	-	35.822.094,34
-	1.654.709,08	-	-	-	-1.654.709,08	-	-	-
-	1.654.709,08	-	-	-	-1.654.709,08	-	-	-
-	-	-	-	-	654.343,93	654.343,93	-	654.343,93
-	-	-	-	-	-1.000.365,15	654.343,93	-	654.343,93
-	-300.000,00	-	-	-	-	-300.000,00	-	-300.000,00
67.596,50	-	-	-	-	-	66.666,50	-	66.666,50
67.596,50	-300.000,00	-	-	-	-	-233.333,50	-	-233.333,50
14.867.596,50	23.291.546,34	-	-	-	654.343,93	36.243.104,77	-	36.243.104,77

8. FINANCIAL STATEMENTS AND ANNEX

8.1

INTRODUCTION

MRG - Engenharia e Construção, S.A., with registered office in Parque Industrial da Abrunheira, Lotes 9 e 10, Vila Chã, 6270-186 Seia (MRG or Company) was incorporated on 31st December 1977, being the public and private Works and its related activities the Company's purpose. Presently, operates in the Continent and Cape Verde thorough MRG, S.A. – CV branch.

All accounting transactions and movements of the CV branch are separately highlighted in the notes of both Balance Sheet and Income Statement Annex. The respective values are expressed in euro, having been converted at the fixed exchange rate of 110,265 CVE = 1 EUR.

8.2

ACCOUNTING STANDARDS ON THE PREPARATION OF FINANCIAL STATEMENTS

8.2.1 ACCOUNTING STANDARDS

The Financial Statements were prepared in accordance with the Accounting Normalization System (SNC), thus containing the principles used to present the Financial Statements, the Financial Statements Models, the Account Code and the National Financial Reporting Standards (NCRF).

The National Financial Reporting Standards were adopted for the first time for the periods ending from 1st January 2010. Therefore, and in accordance with NCRF 3 – First time adoption of NCRF – the effects reported at the time of transition to the NRCF should be recorded.

In the preparation of the Financial Statements the following principles were considered:

- The Going concern assumption

The financial statements have been prepared from the books and accounting records of the Company on a going concern basis, and in accordance with the accounting principles generally accepted in Portugal.

- Accrual Basis of Accounting

The Company records the income and expenses at the moment they occur, regardless of the receiving or payment moment. The amounts of income that at the end of the related period have not yet been received or settled are recorded as "Other Accounts Receivable". On the other hand, the amount of expenses that, at the end of the related period have not been paid or settled, are recorded as "Other Accounts Payable".

- Materiality and Aggregation

The items' lines that are not relevant are aggregated to other items in the Financial Statements. The Entity did not lay down any materiality criterion to be used in the Financial Statements presentation.

- Offsetting

Full details of the financial info were shown without expecting any compensation of debt by an asset, revenue by an expense, and same.

- Comparability

The financial information and the methods adopted on 31st December 2014 were clear and presented coherently with the ones adopted on 31st December 2013.

8.2.2 DEROGATION TO SNC PROVISIONS

During the financial year related to these financial statements, there were no exceptional cases that could lead to any SNC provisions derogation.

8.3

MAIN ACCOUNTING POLICIES

The main accounting policies adopted in preparing the accompanying Financial Statements are as follows:

8.3.1 TANGIBLE ASSETS

Tangible assets are recorded at acquisition cost, net of the respective accumulated depreciations and impairment losses.

Depreciations are calculated on a straight line consistent basis once the assets are in conditions to be used.

The depreciation rates used correspond to the following estimated useful lives:

	NUMBER OF YEARS
Buildings and Other Constructions	40
Machinery and related Equipment	3-8
Transport Equipment	4
Administrative Equipment	3-8

Repairs and maintenance which do not increase these assets' useful lives are charged to the statement of comprehensive income during the financial period to which they relate. Beneficiations that are estimated to generate additional economic benefits are capitalised under the caption Tangible Fixed Assets.

Gains or losses on sale or disposal of tangible fixed assets are calculated as the difference between the selling price and the carrying amount of the asset at the date of its sale/disposal. These are recorded in the income statement of the financial year in which the sale/disposal occurs.

8.3.2 LEASES

Lease contracts are recorded either as financial leases when the majority of the risks and advantages to own the asset are transferred to the Company or, if not, as operational leases.

Tangible assets acquired under financial lease contracts and the corresponding liabilities are recorded in accordance with the NCRF 9 – Leases, by recording the tangible fixed asset, its accumulated depreciations as per the above mentioned policies, and the

unsettled debts in accordance with the financial plan of the contract. In addition, the finance charges and the depreciation expense for depreciable assets are taken to the income statement in the period in which they are incurred.

Lease payments under operating lease contracts are recognised as an expense on a straight line basis over the lease term, in accordance with its inherent obligations.

8.3.3 INVESTMENT PROPERTIES

Investment properties consist of buildings that are held to earn rentals or for capital appreciation or both, rather than for use or for sale in the ordinary course of business.

Investment properties are recorded at acquisition cost, net of accumulated depreciations.

Costs incurred with investment properties in use, such as maintenance, repairs, insurance and property taxes, are recognised in the income statement for the period to which they refer.

8.3.4 INTANGIBLE ASSETS

Intangible Assets are recorded at acquisition cost, net of the respective accumulated depreciations and impairment losses.

8.3.5 FINANCIAL INVESTMENTS

Financial Investments are recorded at acquisition cost.

8.3.6 IMPAIRMENTS

Both Tangible and Intangible Assets are assessed for impairment at each balance sheet date whenever events or changes, indicate that the carrying amount of an asset may not be recoverable.

8.3.7 INCOME TAX

The Company is subject to Corporation Tax (IRC) at the current rate of 23%. On the portion of taxable profits between € 1.500.000 and € 7.500.000 an additional State surcharge of 3% applies, plus a maximum municipal surcharge of 1,5%, and an autonomous taxation on a separate set of charges and others referred to in article 88 of IRC.

When calculating the taxable income for the period, the amounts not accepted for tax purposes are added and deducted to the accounting result. This difference between fiscal and accounting result can be temporary or permanent.

Portuguese Tax Authorities can review the filed income tax return for a period of four years (five years for Social Security), except when tax losses have been generated, tax benefits have been granted or when any review, claim or impugnation is in course, under which circumstances the periods are extended or suspended. Therefore, all annual tax returns for the years 2011 through 2014 (inclusive) are still open to such review.

Deferred tax assets corresponding to a temporary difference in the amount of tax payable/receivable by the Company, as per NCRF 25 – Deferred Taxes, are recognised when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be used.

This assessment is based upon the Company's business plan which is periodically reviewed and updated.

8.3.8 INVENTORIES

Merchandises are valued at the acquisition cost.

Products and works in progress are valued at the cost of production, which includes raw materials, direct labour and other costs considered to be normal.

It does not include financial or administrative expenses.

8.3.9 TRADE RECEIVABLES (CUSTOMERS) AND OTHER RECEIVABLES

Trade receivables ("Customers") and "other receivables" are registered initially at nominal cost, adjusted for any subsequent impairment losses which will be charged to the income statement under "Accounts Receivables Adjustments (Losses/Reversals)" - accumulated impairment losses - and thereby reflecting their net realisable value.

At the end of each reporting period, the "Customers" and "other receivables" accounts are analysed to assess the existence or not of any non-recoverable amount. In case of the existence of an objective and measurable non-recoverable amount, this value is immediately recognised as an impairment loss. Reversal of impairment losses recognised in prior years is only recorded when it is concluded that the impairment losses recognised for the asset no longer exist or have decreased.

8.3.10 CASH AND BANK DEPOSITS

The "Cash and Bank Deposits" item comprises both cash and demand deposits. Overdrafts are recorded under "Loans Received" – current liabilities – and correspond to checks in transit.

Monetary assets denominated in foreign currencies are translated to euro using exchange rates at the balance sheet date. These exchange differences arising from translation are recognised in the income statement.

8.3.11 PROVISIONS

Provisions are recognised when the Company has a present obligation (legal or implicit) as a result of a past event provided that it is likely that an outflow of resources will be required to settle the obligation and the respective amount has been reliably estimated.

These provisions are reviewed at each reporting period and are adjusted to reflect the best estimate at the date, taking into consideration all the risks and uncertainties inherent to such estimates.

8.

FINANCIAL STATEMENTS AND ANNEX

8.3.12 TRADE PAYABLES (SUPPLIERS) AND OTHER ACCOUNTS PAYABLE

Non-interest bearing "Trade payables (suppliers)" and "other accounts payable" are stated at their nominal value, which is near equivalent to their fair value.

8.3.13 LOANS RECEIVED (BANKS BORROWINGS)

Loans are recorded as liabilities at their nominal value. Borrowing costs are recognised as an expense in the period in which they are incurred on an accruals basis in accordance with effective interest rate method.

Loans which are payable in less than 12 months are classified as current liabilities. The others are recorded as non-current liabilities.

8.3.14 REVENUE

The revenue is the fair value of the consideration received or to be received. The recognised revenue is deducted from sales returns, discounts and other rebates, and does not include VAT and other related taxes.

Income and costs associated with construction contracts are recorded using the stage of completion method, which is understood as the relationship between the incurred costs in each work contract at the balance date and the sum of these costs with the estimated costs to complete the work. The assessment of the state of each contract completion is reviewed regularly bearing in mind the most recent production indicators.

8.3.15 SUBSEQUENT EVENTS

Events after the balance sheet date that provide additional information about conditions that existed at the balance sheet date, (adjusting events) are reflected in financial statements. Events after the balance sheet date that are non-adjusting events are disclosed in the notes when materially relevant.

8.3.16 JUDGMENT AND ESTIMATES

While preparing the annexed financial statements, judgments and estimates which have an impact on the assets, liabilities, income and expenses are made.

Estimates used are based on the best information available during the preparation of financial statements and are based on best knowledge of past and present events. Although future events are neither controlled by the Company nor foreseeable, some could occur and have impact on the estimates. Changes to the estimates used by the management that occur after the date of these consolidated financial statements, will be recognised, using a prospective methodology. Therefore the real results might differ from the estimated ones.

The main estimates and assumptions in relation to future events included in the 2014 and 2013 financial statements are:

- Recognition of adjustments on assets and provisions.





8. FINANCIAL STATEMENTS AND ANNEX

8.4

CASH FLOWS

The Statement of Cash Flow is presented under the direct method, through which gross cash flows from operating, financing and investing activities are disclosed.

As of 31st December 2014 all cash and cash equivalent balances are available.

The breakdown of the values recorded as Cash and Bank Deposits on 31st December 2014 and 2013 was as follows:

CAPTION	2014	2013
Cash	1.788,26	3.436,93
Demand Deposits	468.514,28	819.166,25
Demand Deposits - Branch	14.704,65	-
	485.007,19	822.603,18
OTHER INFORMATION		
Financial Assets Held for Sale	1.913,51	1.913,51
	486.920,70	824.516,69

Cash and cash equivalents amounts correspondent to the Investments settlement during the financial year of 2014 were as follows:

AMOUNTS PAID	2014
Acquisitions/Constitutions	61.250,00
	61.250,00
AMOUNTS RECEIVED	
Disposals	-
Others	613.981,02
	613.981,02



8.5

CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS

During the financial year of 2014 there were no changes in accounting policies or corrections of prior period errors.



8.

FINANCIAL STATEMENTS AND ANNEX

8.6

TANGIBLE FIXED ASSETS

This caption is analysed as follows:

CAPTION	2014	2013
Gross Value:		
Land and Natural Resources	114.179,27	114.179,27
Buildings and Other Constructions	2.862.938,40	2.862.938,40
Machinery and Related Equipment	1.041.377,28	2.787.641,74
Transport Equipment	510.585,38	1.036.084,04
Administrative Equipment	1.532.554,69	1.538.466,37
Other Tangible Fixed Assets	102.646,10	118.555,50
	6.164.281,12	8.457.865,32
Accumulated Depreciation and Impairment		
Period's Depreciation	-108.963,79	-303.194,04
Accumulated Depreciation from Previous Periods	-3.444.591,90	-5.352.014,95
Impairment Losses of the Period	-	-
Impairment Losses of Previous Periods	-	-
	-3.553.555,69	-5.655.208,99
Net book value	2.610.725,43	2.802.656,33

The movements in "Tangible Assets", as well as the accumulated depreciations and impairment losses for the years ended 31st December 2014 and 2013 were as follows:

	LAND AND NATURAL RESOURCES	BUILDINGS AND OTHER CONSTRUCTIONS	MACHINERY AND RELATED EQUIPMENT	TRANSPORT EQUIPMENT	ADMINISTRATIVE EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	TOTAL
2014							
Assets							
Initial Balance	114.179,27	2.862.938,40	2.787.641,74	1.036.084,04	1.538.466,37	118.555,50	8.457.865,32
Acquisitions	-	-	6.500,00	-	-	-	6.500,00
Disposals	-	-	1.752.764,46	525.498,66	5.911,68	15.909,40	2.300.084,20
Regularisation	-	-	-	-	-	-	-
Final Balance	114.179,27	2.862.938,40	1.041.377,28	510.585,38	1.532.554,69	102.646,10	6.164.281,12
Accumulated Depreciation							
Initial Balance	-	366.070,17	2.690.412,28	969.583,90	1.511.255,33	117.887,31	5.655.208,99
Depreciation Charge	-	56.543,28	27.348,44	12.374,99	12.028,94	668,14	108.963,79
Disposals	-	-	1.709.172,05	479.623,96	5.911,68	15.909,40	2.210.617,09
Final Balance	-	422.613,45	1.008.588,67	502.334,93	1.517.372,59	102.646,05	3.553.555,69
Net Assets	114.179,27	2.440.324,95	32.788,61	8.250,45	15.182,10	0,05	2.610.725,43
2013							
Assets							
Initial Balance	114.179,27	2.862.938,40	3.125.093,29	1.743.808,42	1.538.466,37	118.555,50	9.503.041,25
Acquisitions	-	-	12.756,25	-	-	-	12.756,25
Disposals	-	-	350.207,80	707.724,38	-	-	1.057.932,18
Regularisation	-	-	-	-	-	-	-
Final Balance	114.179,27	2.862.938,40	2.787.641,74	1.036.084,04	1.538.466,37	118.555,50	8.457.865,32
Accumulated Depreciation							
Initial Balance	-	309.526,89	2.865.433,45	1.586.047,90	1.448.135,51	117.176,33	6.326.320,08
Depreciation Charge	-	56.543,28	91.559,58	91.260,38	63.119,82	710,98	303.194,04
Disposals	-	-	266.580,75	707.724,38	-	-	974.305,13
Final Balance	-	366.070,17	2.690.412,28	969.583,90	1.511.255,33	117.887,31	5.655.208,99
Net Assets	114.179,27	2.496.868,23	97.229,46	66.500,14	27.211,04	668,19	2.802.656,33

As at 31st December 2014 and 2013, the Tangible Fixed Assets financed by leasing contracts is detailed as follows:

ITEM	GROSS VALUE	DEPRECIATION/ IMPAIRMENT	NET VALUE	PRINCIPAL
31-12-2014				
Buildings and Other Constructions	2.789.753,51	-390.565,49	2.399.188,02	1.633.212,54
Machinery and Related Equipment	351.510,00	-279.948,52	71.561,48	90.949,04
Transport Equipment	43.425,04	-35.175,04	8.250,00	9.853,89
	3.184.688,55	-705.689,05	2.478.999,50	1.734.015,47
31-12-2013				
Buildings and Other Constructions	2.789.753,51	-334.770,42	2.454.983,09	1.812.298,87
Machinery and Related Equipment	585.293,50	-458.434,12	126.859,38	225.421,58
Transport Equipment	220.104,01	-170.604,01	49.500,00	73.912,07
	3.595.151,02	-963.808,55	2.631.342,47	2.111.632,52

The total of future minimum lease payments is detailed as follows:

CAPTION	31-12-2014	31-12-2013
	Capital em Dívida	Capital em Dívida
Less than One Year	255.031,41	309.387,17
Between One and Five Years	950.843,08	1.084.354,25
More than Five Years	528.140,98	717.891,10
	1.734.015,47	2.111.632,52



8. FINANCIAL STATEMENTS AND ANNEX

8.7

INVESTMENT PROPERTIES

Investment Properties are recorded at acquisition cost, plus any directly attributable costs, net of the respective accumulated depreciations and impairment losses.

This item is analysed as follows:

CAPTION	31-12-2014	31-12-2013
Gross Value:		
Parking	4.365.697,09	4.365.697,09
Apartment	108.081,53	108.081,53
	4.473.778,62	4.473.778,62
Accumulated Depreciation and Impairment		
Period's Depreciation	-110.763,65	-110.763,63
Accumulated Depreciation from Previous Periods	-454.403,12	-343.639,49
Impairment Losses of the Period	-	-
Impairment Losses of Previous Periods	-	-
	-565.166,77	-454.403,12
Net Book Value	3.908.611,85	4.019.375,50

The movements in the item "Investment Properties" during 2014 were as follows:

CAPTION	INITIAL BALANCE	ADDITIONS AS RESULT OF ACQUISITIONS	ADDITIONS AS RESULT OF SUBSEQUENT COSTS	DEPRECIATIONS	TRANSFERS TO AND FROM INVENTORIES	FINAL BALANCE
Buildings	4.019.375,50	-	-	-110.763,65	-	3.908.611,85
	4.019.375,50	-	-	-110.763,65	-	3.908.611,85





INVESTMENTS

This item is analysed as follows:

INVESTMENTS	31-12-2014			31-12-2013		
	Gross	Impairment	Net Value	Gross	Impairment	Net Value
Investments in Subsidiaries						
Intergreb-Engenharia, Construção e Obras Públicas, S.A.	100.000,00		100.000,00	100.000,00		100.000,00
Campiscinas - Desenv. e Implementação Piscinas, S.A.	25.500,00		25.500,00	25.500,00		25.500,00
Mafreduca, S.A.	51.000,00		51.000,00	51.000,00		51.000,00
Paceteg, S.A.	51.000,00		51.000,00	51.000,00		51.000,00
Cister - Equipamentos Educativos, S.A.	25.500,00		25.500,00	25.500,00		25.500,00
Armamar Viva, S.A.	25.500,00		25.500,00	25.500,00		25.500,00
Pro-Vila Verde, S.A.	51.000,00		51.000,00	51.000,00		51.000,00
Odivelas Viva-Construção e Manutenção de Equipamentos, S.A.	25.500,00		25.500,00	25.500,00		25.500,00
Quinta Monte Leopoldo Empr.Turisticos e Imob., S.A.	3.112.412,54		3.112.412,54	3.112.412,54		3.112.412,54
Oeiras Expo, S.A.	25.500,00		25.500,00	25.500,00		25.500,00
Gouveinova, S.A.	25.500,00		25.500,00	25.500,00		25.500,00
MRG Construction, S.A.R.L.				99.000,00		99.000,00
Sociedade Edifício Guanabara, S.A.	1.283,56		1.283,56			
	3.519.696,10	-	3.519.696,10	3.617.412,54	-	3.617.412,54
Investments in Associates						
Oeiras Primus, S.A	18.500,00		18.500,00	18.500,00		18.500,00
Gaventur - Gouveia Aventura e Turismo, S.A.				9.800,00		9.800,00
Luz do Mondego, S.A.	22.499,00		22.499,00	22.499,00		22.499,00
MRG SPA	245.000,00		245.000,00			
	285.999,00	-	285.999,00	50.799,00	-	50.799,00
Investments in Other Companies						
Beiragás	134.675,43		134.675,43	134.675,43		134.675,43
PLIE Guarda - Gest Adm Plat Log Ini Empr Guarda, S.A.	2.500,00		2.500,00	2.500,00		2.500,00
SPGM - Sociedade de Investimento, S.A.	5.000,00		5.000,00	5.000,00		5.000,00
Norgarante - Sociedade de Garantia Mútua, S.A.	18.790,00		18.790,00	18.790,00		18.790,00
AEIC - Associação p/ Empreendedorismo e Inovação do Centro			-	10.000,00		10.000,00
Garval Sociedade de Garantia Mútua, S.A.	5.870,00		5.870,00	5.870,00		5.870,00
Lisgarante Sociedade de Garantia Mútua, S.A.	10.870,00		10.870,00	10.870,00		10.870,00
Banco Privado Português	1.947.597,14	-783.264,49	1.164.332,65	2.556.089,47	-999.499,34	1.556.590,13
Other Financial Investments	793,01		793,01	77,94		77,94
	2.126.095,58	-783.264,49	1.342.831,09	2.743.872,84	-999.499,34	1.744.373,50
	5.931.790,68	-783.264,49	5.148.526,19	6.412.084,38	-999.499,34	5.412.585,04

8.

FINANCIAL STATEMENTS AND ANNEX

During the financial year ended on 31st December 2014, the movements in the item "Investments", including the respective impairment losses, were as follows:

CAPTION	INITIAL BALANCE	ADDITIONS	DISPOSALS	OTHER CHANGES	FINAL BALANCE
Investments in Subsidiaries					
Intergreb-Engenharia, Construção e Obras Públicas, S.A.	100.000,00				100.000,00
Campiscinas - Desenv. e Implementação Piscinas, S.A.	25.500,00				25.500,00
Mafreduca, S.A.	51.000,00				51.000,00
Paceteg, S.A.	51.000,00				51.000,00
Cister - Equipamentos Educativos, S.A.	25.500,00				25.500,00
Armamar Viva, S.A.	25.500,00				25.500,00
Pro-Vila Verde, S.A.	51.000,00				51.000,00
Odivelas Viva-Construção e Manutenção de Equipamentos, S.A.	25.500,00				25.500,00
Quinta Monte Leopoldo Empr. Turísticos e Imob., S.A.	3.112.412,54				3.112.412,54
Oeiras Expo, S.A.	25.500,00				25.500,00
Gouveinova, S.A.	25.500,00				25.500,00
MRG Construction, S.A.R.L.	99.000,00	193.000,00	6.132,00	285.868,00	-
Sociedade Edifício Guanabara		1.283,56			1.283,56
	3.617.412,54	194.283,56	6.132,00	285.868,00	3.519.696,10
Investments in Associates					
Oeiras Primus, S.A.	18.500,00				18.500,00
Gaventur - Gouveia Aventura e Turismo, S.A.	9.800,00			9.800,00	-
Luz do Mondego, S.A.	22.499,00				22.499,00
MRG SPA		245.000,00			245.000,00
	50.799,00	245.000,00	-	9.800,00	285.999,00
Investments in Other Companies					
Beiragás	134.675,43				134.675,43
PLIE Guarda - Gest Adm Plat Log Ini Empr Guarda, S.A.	2.500,00				2.500,00
SPGM - Sociedade de Investimento, S.A.	5.000,00				5.000,00
Norgarante - Sociedade de Garantia Mútua, S.A.	18.790,00				18.790,00
AEIC - Associação p/ Empreendedorismo e Inovação do Centro	10.000,00			10.000,00	-
Garval Sociedade de Garantia Mutua, S.A.	5.870,00				5.870,00
Lisgarante Sociedade de Garantia Mutua, S.A.	10.870,00				10.870,00
Banco Privado Português	2.556.089,47			608.492,33	1.947.597,14
Other Financial Investments	77,94	715,07			793,01
	2.743.872,84	715,07	-	618.492,33	2.126.095,58
	6.412.084,38	439.998,63	6.132,00	914.160,33	5.931.790,68
Impairments	999.499,34			-216.234,85	783.264,49
	999.499,34			-216.234,85	783.264,49
	5.412.585,04	439.998,63	6.132,00	697.925,48	5.148.526,19

8.9

OTHER ACCOUNTS RECEIVABLE

This item is analysed as follows:

CAPTION	31-12-2014	31-12-2013
Current Assets		
Trade Debtors Accrued Income	186.418,04	192.736,91
Trade Debtors Accrued Income – Branch	512.073,14	-
	698.491,18	192.736,91
Outros Debtors		
Retentions Customers	-	786,30
Moratorium Interest	752.023,30	653.218,32
Related Parties	956.966,77	838.390,49
Debtors – Pre-Litigation	1.581.543,34	1.289.672,84
Debtors – Litigation	60.573,10	-
Sundry Debtors	5.798.103,81	5.935.311,39
Sundry Debtors - Branch	138.873,14	-
Personnel	17.159,59	33.417,02
Personnel - Branch	9.774,72	-
Suppliers Debtors Balance	15.832,58	27.608,02
	9.330.850,35	8.778.404,38
Period's Impairments	-454.595,30	-452.076,69
Impairments of Previous Periods	-1.401.363,85	-949.287,16
	-1.855.959,15	-1.401.363,85
Total Current Assets	8.173.382,38	7.569.777,44
Non-Current Assets		
Other Debtors		
Moratorium Interest	-	49.609,24
Related Parties	358.199,13	299.805,27
Suppliers Debts	297.647,87	106.725,72
Sundry Debtors	23.392.191,15	26.673.394,31
	24.048.038,15	27.129.534,54
Customers with Agreements	8.368.583,20	7.646.387,33
Total Non-Current Assets	32.416.621,35	34.775.921,87







8. FINANCIAL STATEMENTS AND ANNEX

8.10

INCOME TAXES

The Company records the tax effect resulting from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis.

The reconciliation of earnings before taxes with tax costs for the years 2014 and 2013 is detailed as follows:

CAPTION	31-12-2014	31-12-2013
Pre-Tax Profit	-4.201.686,17	956.199,64
Current Tax	57.888,14	489.631,76
Deferred Tax	-1.193.219,60	-187.776,05
Corporate Income Tax	-1.135.331,46	301.855,71
Autonomous Taxation	57.888,14	57.185,52
Effective Tax Rate	-	31,57%

8.11

INVENTORIES

As at 31st December 2014 and 2013, the "Inventories" are detailed as follows:

CAPTION	31-12-2014	31-12-2013
Cross Value:		
Merchandise	17.482.116,72	17.482.116,72
Finished, Semi-Finished Products	1.772.200,36	1.785.915,06
Products and Works in Progress	2.829.726,17	2.559.836,91
Payments on Account	-	55.452,12
Payments on Account - Branch	994.844,27	-
	23.078.887,52	21.883.320,81
Accumulated Impairments		
Period's Impairments	-	-
Impairments from Previous Periods	-	-
	-	-
Net Book Value	23.078.887,52	21.883.320,81

8.12

TRADE RECEIVABLES (CUSTOMERS)

Trade receivables are analysed as follows:

CAPTION	31-12-2014	31-12-2013
Trade Receivables - Current		
General	3.382.875,98	4.516.914,80
General - Branch	158.820,62	-
Parent Companies	3.500,00	-
Associated Companies	1.671.154,35	654.628,97
Factoring	652.736,62	1.366.710,25
Doubtful Customers	6.264.973,14	7.589.050,10
Withholding Customers	606.322,87	898.542,03
	12.740.383,58	15.025.846,15
Accumulated Impairment		
Impairment Losses of the Period	1.324.076,96	-226.768,08
Impairment Losses of Previous Periods	-7.589.050,10	-7.362.282,02
	-6.264.973,14	-7.589.050,10
Net Book Value	6.475.410,44	7.436.796,05

The movements of Impairment Losses are analysed in the following table:

CAPTION	SALDO INICIAL	PERDAS	UTILIZAÇÃO	REVERSÕES	SALDO FINAL
Impairment Losses					
Doubtful Customers	7.589.050,10	191.404,54	-	1.515.481,50	6.264.973,14
	7.589.050,10	191.404,54	-	1.515.481,50	6.264.973,14

8.13

PREPAYMENTS (ADVANCES TO SUPPLIERS)

Prepayments are analysed as follows:

DESCRIÇÃO	31-12-2014	31-12-2013
Prepayments		
General	55.506,50	-
	55.506,50	-

8.

FINANCIAL STATEMENTS AND ANNEX

:8.14

STATE AND OTHER PUBLIC ENTITIES

This item is analysed as follows:

CAPTION	31-12-2014	31-12-2013
Assets		
Income Tax	249.067,00	127.246,71
Tax (VAT) Receivable	3.781,90	-
Requested VAT Refunds	225.000,00	143.000,00
Other Taxes	1.179,00	-
Other Taxes - Branch	1.155,70	-
	480.183,60	270.246,71
Liabilities		
Income Tax	-	-
Taxes Withheld	19.215,52	86.222,39
VAT Payable	-	16.074,00
Social Security Contributions	19.021,98	80.942,44
Local Taxes	63.939,14	65.860,83
Other Taxes	352.454,57	272.099,60
Other Taxes - Branch	116,40	-
	454.747,61	521.199,26

:8.15

DEFERRALS

The breakdown of the "Deferrals" item is as follows:

CAPTION	31-12-2014	31-12-2013
Assets		
Deferred Expenses		
Finance Costs	101,12	4.719,54
Insurances	22.704,07	41.094,13
External Supplies and Services (FSE)	279,75	1.231,67
	23.084,94	47.045,34
Liabilities		
Deferred Income		
% Stage of Completion	-	370.712,84
	-	370.712,84

8.16

EQUITY INSTRUMENTS

• Share Capital

The share capital of the Company amounted to EUR 2.500.000,00, represented by 500.000 shares with a par value of EUR 5,00 each, subscribed and fully paid up by 31st December 2014.

• Own Shares

As at 31st December 2014 and 2013, the movements in the item "Own Shares" were as follows:

CAPTION	NUMBER OF SHARES	VALUE
Initial Balance 01-01-2013	40.000	14.800.000,00
Acquisitions 2013	-	-
Final Balance 31-12-2013	40.000	14.800.000,00
Acquisitions 2014	-	-
Final Balance 31-12-2014	40.000	14.800.000,00

• Other Equity Instruments

This caption is related to additional capital contributions granted to the Company in 2009 amounting to EUR 9.900.000,00. On 31st December 2014 its balance was EUR 9.100.000,00.

• Legal Reserves

In accordance with Article 295 of *Código das Sociedades Comerciais* (Portuguese Commercial Companies Code) and the Company's articles of association, the legal reserve must be increased by a minimum of 5% of the annual profit until it reaches 20% of the company's share capital. This reserve can only be used to cover losses or to increase share capital. During the financial year of 2014, there was no reinforcement of the reserve because its amount is already in accordance with the legal limit.

• Other Reserves

In order to comply with point b of Article 324(1) of *Código das Sociedades Comerciais*, the Company constituted a captive reserve totalling EUR 14.800.000,00, and corresponding to the acquisition cost of 40.000 shares representing 8% of the Capital Stock.

• Retained Earnings

The retained earnings variation is the result of the EUR 654.343,93 (net income of the previous year) less the EUR 150.000,00 of dividends distribution.

8.17

PROVISIONS

The movement of "Provisions" is analysed as follows:

CAPTION	INITIAL BALANCE	INCREASES	REVERSALS	USE	FINAL BALANCE
Customer Guarantees	4.136.206,30	80.428,13	584.249,35	-	3.632.385,08
Litigations	1.420.258,38	170.611,82	467.380,61	-	1.123.489,59
Others	-	4.114.541,68	-	-	4.114.541,68
	5.556.464,68	4.365.581,63	1.051.629,96	-	8.870.416,35

8.

FINANCIAL STATEMENTS AND ANNEX

8.18

LOANS RECEIVED

This item is analysed as follows:

CAPTION	31-12-2014	31-12-2013
Non-Current		
Credit Institutions and Financial Companies		
Bank Loans	9.985.232,25	12.880.873,61
Shareholder Loans	1.938.500,00	2.249.000,00
Finance Leases	1.478.984,06	1.801.978,18
	13.402.716,31	16.931.851,79
Current		
Credit Institutions and Financial Companies		
Bank Loans	8.871.045,29	7.314.339,82
Finance Leases	255.031,41	309.654,34
Factoring	205.376,79	434.416,14
	9.331.453,49	8.058.410,30

The "Loans Received" analysis by maturity is as follows:

CAPTION	31-12-2014	31-12-2013
Credit Institutions and Financial Companies		
Bank Loans		
Up to 1 Year	8.871.045,29	7.314.339,82
Between 1 and 5 Years	9.985.232,25	12.880.873,61
More than 5 Years	-	-
Shareholder Loans		
Between 1 and 5 Years	1.938.500,00	2.249.000,00
Overdrafts	-	-
Finance Leases		
Up to 1 Year	255.031,41	309.387,17
Between 1 and 5 Years	950.843,08	1.084.354,25
More than 5 Years	528.140,98	717.891,10
Factoring	-	434.416,14
	22.528.793,01	24.990.262,09

:8.19

OTHER ACCOUNTS PAYABLE

The caption "Other accounts payable" is analysed as per the table below:

CAPTION	31-12-2014	31-12-2013
Non-Current		
Related Parties	368.000,00	1.875.000,00
Withholding Suppliers	3.657.626,07	4.766.032,55
Share Capital Increases Not Yet Paid	162.749,30	-
State and Other Public Administrations - Agreements	160.272,66	331.939,10
	4.348.648,03	6.972.971,65
Current		
Assets Suppliers	-	2.853,60
Expense Accruals		
Personnel Costs	73.542,83	74.416,74
Interest Payable	169.659,00	192.070,10
Supplies and Services (FSE)	-	-
Sundry Creditors	116.525,88	251.053,58
Payments on Account	-	-
Customers Credit Balances	11.509,18	26.292,44
Share Capital Increases Not Yet Paid	36.750,00	25.599,30
Other Accounts Payable		
Related Parties	7.155.571,86	33.040,85
Withholding Suppliers	-	2.618,44
Payments on Account (on Tangible Assets Sales)	-	-
Sundry Creditors	8.892,50	273.801,56
Sundry Creditors - Branch	242.655,64	-
Personnel	335,01	20.513,73
	7.815.441,90	902.260,34
	12.164.089,93	7.875.231,99

:8.20

TRADE PAYABLES ("SUPPLIERS")

The "Suppliers" item is analysed as follows:

CAPTION	31-12-2014	31-12-2013
Suppliers - Current Account		
General Suppliers - Domestic	3.319.663,85	8.026.310,41
General Suppliers - Branch	410.315,03	-
Withholding Suppliers	1.213.733,98	781.830,87
Confirming (Reverse Factoring)	495.891,64	-
	5.439.604,50	8.808.141,28

8. FINANCIAL STATEMENTS AND ANNEX

:8.21

PREPAYMENTS (ADVANCES FROM CUSTOMERS)

The item "Advances from customers" is analysed as follows:

CAPTION	31-12-2014	31-12-2013
Payments on Account - Advances from Customers - Domestic	65.911,65	15.911,65
Payments on Account - Advances from Customers - Branch	1.071.377,58	-
	1.137.289,23	15.911,65

:8.22

SHAREHOLDERS

The caption "Shareholders" is analysed as per the table below:

CAPTION	31-12-2014	31-12-2013
Results Attributed		
MRG - SGPS, SA	132.800,00	570.000,00
	132.800,00	570.000,00

:8.23

REVENUE

The recognised Revenue in the financial years of 2014 and 2013 is detailed as follows:

CAPTION	2014	2013
Sales	57.409,45	842.830,13
Services Rendered	4.553.605,52	38.630.512,58
Services Rendered - Branch	1.020.980,42	-
	5.631.995,39	39.473.342,71

8.24

GAINS AND LOSSES IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

The item "Gains and Losses in Subsidiaries, Associated Companies and Joint Ventures" is analysed as follows:

CAPTION	2014	2013
Loss Coverage	285.868,00	2.773,49
Others	9.950,00	-
	295.818,00	2.773,49

8.25

VARIATIONS IN PRODUCTION INVENTORIES

This item is analysed as follows:

CAPTION	2013	2012
Initial Inventories		
Finished, Semi-Finished Products	1.785.915,06	1.797.915,43
Products and Works in Progress	2.559.836,91	1.747.709,00
Regularizations		
Inventories	-	-
Final Inventories		
Finished, Semi-Finished Products	1.772.200,36	1.785.915,06
Products and Works in Progress	2.829.726,17	2.559.836,91
	256.174,56	800.127,54

8.26

COST OF GOODS SOLD AND MATERIALS CONSUMED (CGSMC)

CGSMC is analysed as follows:

CAPTION	2014	2013
Merchandise	295.891,27	1.542.983,61
Raw materials and Consumables	854.737,43	-
Raw materials and Consumables - Branch	4.256,42	5.801.641,98
	1.154.885,12	7.344.625,59

8.

FINANCIAL STATEMENTS AND ANNEX

:8.27

EXTERNAL SUPPLIES AND SERVICES (FSE)

As at 31st December 2014 and 2013, "External Supplies and Services" breakdown is as follows:

CAPTION	2014	2013
Subcontracts	4.124.072,65	37.769.437,01
Subcontracts - Branch	931.821,62	-
Specialised Services		
Specialised Works	1.329.179,50	1.177.777,46
Specialised Works - Branch	254.313,96	-
Advertising and Publicity	24.368,36	21.851,10
Vigilance and Security	181.165,77	246.289,24
Fees	843.963,41	548.030,02
Maintenance and Repairs	82.203,65	194.053,03
Financial Services	388.882,40	477.780,94
Other Specialized Services	74.585,07	85.405,26
Materials:		
Rapid Wear Tools	37.767,29	64.108,14
Accounting Books and Technical Documentation	15.603,13	21.075,59
Consumables	13.889,55	19.746,57
Offers	2.117,70	1.545,92
Sundries - Branch	611,58	-
Energy and Fluids		
Electricity	50.829,59	111.642,23
Combustibles	116.247,53	409.978,31
Water	22.065,24	55.651,21
Sundries - Branch	2.388,45	-
Transport, Travel, and Lodging		
Travel and Lodging	211.377,38	585.268,48
Goods Transport	1.149,99	4.346,05
Sundries - Branch	11.816,92	-
Sundry Services		
Rents and Leases	81.430,15	238.757,13
Communications	51.091,32	73.867,59
Insurances	36.051,80	81.987,16
Legal and Advisory Fees	21.842,70	28.613,95
Representation Expenses	14.351,87	11.517,07
Cleaning Up Services	4.999,06	15.760,45
Sundries - Branch	14.655,19	-
	8.944.842,83	42.244.489,91

:8.28

PERSONNEL COSTS

As at 31st December 2014 and 2013, "Personnel costs" breakdown is as follows:

CAPTION	2014	2013
Board of Directors Remuneration		-
Personnel Remuneration	481.202,57	1.565.239,25
Personnel Remuneration - Branch	15.814,95	-
Allowances	53.402,34	139.449,50
Severance Payments	600.859,48	367.826,11
Severance Payments - Branch	3.880,00	-
Cashier's Allowances	448,80	921,80
Charges on Remuneration	123.046,13	349.510,24
Insurance Against Accidents at Work and Occupational Diseases	5.233,43	45.863,15
Other Personnel Costs	165.329,37	31.612,22
Other Personnel Costs - Branch	21.884,88	-
	1.471.101,95	2.500.422,27

• Company's average staff number

During the financial year of 2014, the average number of Personnel was 13.

:8.29

ACCOUNTS RECEIVABLES ADJUSTMENTS (LOSSES/REVERSALS)

This item is analysed as follows:

CAPTION	2014	2013
Losses		
Customers	191.404,54	647.610,13
Other Debtors	457.915,76	452.076,69
Partners/Shareholders	8.150,00	236.600,00
Reversals		
Customers	1.515.481,50	420.842,05
Other Debtors	3.320,46	597.780,00
	-861.331,66	317.664,77

8.

FINANCIAL STATEMENTS AND ANNEX

:8.30

IMPAIRMENT OF ASSETS NOT SUBJECT TO DEPRECIATION

This item is analysed as follows:

CAPTION	2014	2013
Losses		
Financial Investments	50.405,44	12.601,37
Reversals		
Financial Investments	266.640,29	-
	216.234,85	-12.601,37

:8.31

OTHER REVENUES AND GAINS

This item is analysed as follows:

CAPTION	2014	2013
Additional Revenue		
Consortia Balances	1.780.028,06	3.702.418,64
Core Transfer	-	612.271,36
Projects	-	1.188.425,68
Sundry Additional Revenue	19.770,99	435.905,28
Gains on Inventories	-	791,52
Revenues and Gains in Investments	482.545,42	400.079,64
Compensation - Court Settlement	4.129,54	3.000.117,13
Contractual Indemnities	325.340,59	643.774,14
Rents	220.894,20	-
Sundries	118.573,07	-
Others - Branch	353.625,43	141.742,86
	3.304.907,30	10.125.526,25

8.32

OTHER COSTS AND LOSSES

As at 31st December 2014 and 2013, "Other costs and losses" breakdown is as follows:

CAPTION	2014	2013
Taxes	172.634,22	280.437,42
Bad Debts	9.433,44	-
Inventory losses	-	3.315,42
Corrections Related to Prior Periods	-	78.188,56
Expenses with Works Guarantees	-	147.035,99
Others	57.638,49	294.078,36
Others - Branch	7.380,29	-
	247.086,44	803.055,75

8.33

INTERESTS AND SIMILAR COSTS

As at 31st December 2014 and 2013, "Interests and similar costs" breakdown is as follows:

CAPTION	2014	2013
Interest Expenses		
Bank Loans	1.567.219,13	904.362,15
Factoring	19.462,89	151.306,62
Finance Leases	29.294,41	27.348,64
Losses on Hedging Instruments	-	925.100,00
Other Interests	-	9.521,75
	1.615.976,43	2.017.639,16

As at 31st December 2014 and 2013, "Interests and similar revenue" breakdown is as follows:

CAPTION	2014	2013
Interest Income		
Deposits	194.620,98	318.528,32
Moratorium Interest	2.524.401,58	4.464.025,25
Withholdings Settlement	70.275,04	-
Others	-140,69	54,95
	2.789.156,91	4.782.608,52

8.

FINANCIAL STATEMENTS AND ANNEX

8.34

DISCLOSURES REQUIRED BY LAW

- **Statutory Auditor's Fees**

The total annual fees charged by the Statutory Auditor during the financial years of 2014 and 2013 amounted to EUR 14.000,00.

- **Government**

The Board of Directors informs that the Company has no overdue debts to the Government, in accordance with Decree-Law 534/80 of 7th November.

- **Social Security**

Under the terms of no. 1 of Article 21 Decree-Law no. 411/91, of 17th October, the Company declares that is not liable to pay any overdue contributions to Social Security.

8.35

OTHER DISCLOSURES - ADDITIONAL INFORMATION

The entered numbers in, both the balance sheet and the income statement, correspond to the numbering of the Annex, with the exception of the initial cardinal "8".

Chartered Accountant (TOC)

João Carlos Pinto Marques

Board of Directors

Fernando Manuel Rodrigues Gouveia

Rodolfo Oliveira Gouveia

José Eduardo da Silva Loureiro





9.

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STATUTORY AUDIT AND AUDITORS' REPORT

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STATUTORY AUDIT

Introduction

1. We have examined the financial statements of **MRG –ENGINEERING & SOLUTIONS, S.A.**, comprising the statement of financial position as of December 31, 2014, which reflects total assets of Euro 83 959 867.48 and total shareholder's equity of Euro 33 026 750.06 including a net loss of Euro 3 066 354.71, and the income statement by nature, the statement of changes in equity and the statement of cash flows for the year then ended, and the corresponding notes to the accounts.

Responsibilities

2. The Board of Directors is responsible for the preparation of financial statements which present a true and fair view of the state of affairs, results of operations and cash flows of the Company, for the adoption of adequate accounting policies and criteria and for the maintenance of an appropriate system of internal control.
3. It is our responsibility to report our independent professional opinion, based on our audit of such financial statements.

Scope

4. Our examination was made in accordance with the generally accepted Portuguese Statutory Auditing Standards, which require our audit to be planned and performed in order to provide reasonable assurance that the financial statements are free from material misstatement. Therefore, our audit included:
 - examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements, and assessment of the significant estimates, which were based on judgements and criteria defined by the Board of Directors used in the preparation of the financial statements;
 - assessment of the appropriateness of the accounting principles adopted and related disclosures, in the circumstances;
 - examination of the adequacy of the going concern basis of preparation of the financial statements;
 - Evaluation of the overall adequacy of the presentation of the financial statements.
5. Our audit also included the checking of the agreement of the financial information included in the Directors' Report with the financial statements.
6. We consider that the audit that we performed provides a reasonable basis for the expression of our opinion.

Opinion

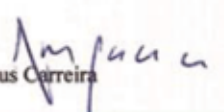
7. In our opinion, the financial statements referred to above, give a true and fair view, in all material respects, of the financial position of **MRG –ENGINEERING & SOLUTIONS, S.A.**, as of December 31, 2014, and of its results of operations and the cash flows for the year then ended, in accordance with the Generally Accepted Accounting Principles of Portugal.

Report on other legal requirements

8. It is also our opinion that the information included in the Directors' Report is consistent with the financial statements for the financial year.

Leiria, 13th March 2015

LCA, SROC
Represented by
José Maria de Jesus Carreira
R.O.C. n.º 614



LCA - Leal, Carreira & Associados SROC

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REPORT AND OPINION OF THE STATUTORY AUDITOR

Dear Shareholders,

We issue for your perusal the present annual report over the supervision of **MRG – ENGINEERING & SOLUTIONS, S.A** during the financial year of 2014 and our Opinion, which covers the Management Report, the Financial Statements and the Board of Directors' Proposal for the Appropriation of Profits.

During the year under analysis, we oversaw the evolution of the operations and verified the adequacy of the accounting records. The periodic monitoring works were complemented with the end of the financial year adequate review procedures. Our conclusion on those is that there are not any materially relevant aspects that may compromise the content of the financial statements. As a consequence of the work performed, we issued on this date, the Statutory Audit on the financial statements, which does not include any qualification.

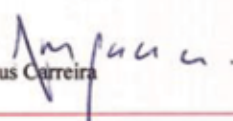
In fulfilment of the mandate that was conferred to us, both the Executive Board of Directors report and the Proposal for Appropriation of Profits were also analysed and are in accordance with the legal and statutory requirements, and the former is consistent with the presented financial statements.

Considering the above, in our opinion the financial statements referred to above and the Management Report, as well as the proposal included therein, can be approved.

We would like to thank the Board of Directors and all Company's managers for the assistance (availability, given information and clarification) provided to us.

Leiria, 13th March 2015

LCA, SROC
Represented by
José Maria de Jesus Carreira
R.O.C. n.º 614



LCA - Leal, Carreira & Associados SROC

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