

Report and Accounts

2014

Efacec Power Solutions






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Mission

Develop infrastructures for energy,
mobility and environment
for a sustainable world:
Building long-term partnerships;
With high technological content;
Ensuring agility and flexibility;
Attracting and developing talent worldwide;
Providing a consistent return to all stakeholders.

Vision

To be the preferred partner in achieving worldwide
innovative and customized solutions
for energy, mobility and environment.



index

Board of Directors' Report

Message from the Chairman of the Board of Directors	4
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Management Report	8
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Macroeconomic Environment	10
Top Performances	11
Economic and Financial Position	12
Application of Results	12
Relevant Facts	13

Organizational Profile	20
-------------------------------	-----------

Risk Management	22
Corporate Statements	24
Business Model	26
Technology Committee	28
Organization Office	28
Internal Audit	28
Management System	29
Relationship with Stakeholders	30
Revision and Management Supervision	31
Commitments for 2015	31

Focus on Economic Sustainability	32
---	-----------

Business Portfolio	34
Transformers	36
Switchgear and Automation	40
Engineering	43
Mobility	46
Electric Mobility	48
Activities Optimization	50

Focus on Innovation and Sustainability of the Planet	54
---	-----------

Innovation Management	56
Research, Development and Products Innovation	56
Environmental Impact of Activities	60

Focus on People and Society	62
------------------------------------	-----------

People Management	64
Relationship with the Society	69

Acknowledgments	73
------------------------	-----------

Annexes	74
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About this Report	74
Performance Indicators	75
Personal Details of the Board of Directors	80

Consolidated and Individual Financial Statements



Message from the Chairman of the Board of Directors

Although the world economy has registered a general increase in 2014, foreseeing its acceleration in 2015, this growth was however lower than expected at the beginning of the year, continuing to occur at different speeds, with the growth of the United States contrasting with the strong deceleration in Japan and some emerging countries and the tenuous economic recovery in the Eurozone. On the other hand, the macroeconomic adjustment of the Portuguese economy is still incomplete and the risks of internal and external nature, imposed on the Euro zone and Portugal should not be ignored.

In this context of relative macroeconomic uncertainty, both in the country and internationally, and considering the challenges of profitability and competitiveness that Efacec faces, relevant steps of its reform agenda were achieved through significant corporate, organizational and operational changes, from which we should point out, as one of the most outstanding, the creation, in August, of the new company *Efacec Power Solutions, SGPS, SA (EPS)*.

Formed in order to integrate, under the same legal identity, the most important activities and business of Efacec, the constitution of EPS enabled the corporate restructuring of the company through significant reconfiguration of its activity perimeter, both in terms of business as in terms of the main geographies to develop.

Despite the strong confidence in the growth and sustained future development of Efacec Power Solutions, the company was established and started operations under this configuration, since only in the second half of the previous year, and its different dimensions of management and, in particular the financial one are, of course, still consolidating.

Thus, its net profits in 2014 were still affected by negative values of extraordinary nature, arising from former activity, such as Power Transformers, Inc. (USA), whose business was sold at the end of the year, and by many engineering and transport projects in Brazil, most of them already completed.

In this context, and notwithstanding clearly positive operating indicators, with the company closing the year with Orders and Turnover already amounting to about 500 million euros - where the foreign market represents above two thirds of this activity - EPS showed a positive operating result but failed to offset the significant losses associated with the closure of PTI, presenting thus losses of -63 M €.

During the previous year, and in addition to these operations, it is worthy to mention the large corporate reorganization that produced, among many other changes, the incorporation into the perimeter of Efacec Power Solutions of Efacec shared service activities through the creation of Efacec Serviços Corporativos SA. Due to the importance this market represents for the different activities of EPS, it is also noted, as relevant, the acquisition to Efacec Capital, of 98,33% Efacec Angola, Lda.

2014 was rich in public recognition, Efacec being visited by several personalities of the Portuguese government, including the Minister of Environment, Land Planning and Energy, as part of a day dedicated to green growth and to the overall benefits of investment in electric mobility, but also by the Secretary of State for Foreign Affairs and Cooperation, as part of a day dedicated to Portuguese companies with head offices in the North of the country and that stand out for directing most of their business to international markets. During a government mission to Kazakhstan led by the Portuguese Deputy Prime Minister Efacec was invited to join, the company established commitments for the future realization of Expo 2017 Astana, an event to be held with the participation of more than one hundred countries.

In 2014, the Company participated in numerous corporate and business events from which we should point out, among others, the presence in the most relevant technology shows, held all over the world, from the US to Germany, Spain, Angola, or Mozambique, where Efacec had

the opportunity to present its portfolio of technical and technological skills and submit its full range of products and solutions in the various sectors in which it operates.

Internally, the company implemented important initiatives and achieved major projects for its processes optimization and consequent reduction of operating costs, particularly promoted in corporate areas such as the *efasst* portal – assuming itself as the main tool for communication and exchange of information between the company and its suppliers - and the portal for Project Management - the central instrument for serious risk management and implementation of projects, which received numerous improvements last year. Contributing to a significant reduction in operating costs, but also improving the group working conditions, it should be noted that Efacec began operating entirely its telephone communications through VOIP, with over two thousand IP phones installed at national and international level.

2014 continued to be a year of strong commitment to achieve permanent improvement in safety and health conditions of our employees, areas considered as true corporate priorities. So the company promoted, in this context, very significant projects and activities, continuously monitored, from which we highlight, in the operation area, a significant number of changes in the transformer manufacturing process, aiming at increasing the safety of people.

New human resources management processes were implemented aimed at continuous technical and technological development of the company employees and its human capital retention capability, with special focus on training and project management development, an area considered critical to the success of EPC activity - engineering, procurement and contracting. The employees' social support office registered, last year, a particularly intense activity and the corporate volunteering, a significant dynamism, involving a large number of company participants. Numerous initiatives of solidarity took place within the *efaAjudar* program, mainly through the collecting of clothes, toys, food, mobile phones and computer equipment, donated by employees or by Efacec and sent to social support.

In terms of Efacec "green" activity in 2014, renewable energies, in particular the solar photovoltaic one, had a considerable development, namely in the European and South American market. The company also introduced a new inverters portfolio and high performance innovative solutions, optimized for photovoltaic plants; necessary actions were also implemented so that, in early 2015, Efacec and the Faculty of Engineering of Porto University were able to achieve the sale, to the Australian company Dyesol, of the intellectual property of new solar perovskite cells, with low manufacturing cost, high energy efficiency and long durability.

Efacec confirmed itself as the leading provider of the EDP *Smart Grids* program engaging itself in several projects of the 7th European Framework Programme, in particular the *SmartC2Net* which develops strong solutions for *Smart Grids* operation in heterogeneous communication infrastructures, in the e-balance that aims to develop efficient solutions for the balance of energy consumption and generation in *smart cities* and *SuSTAINABLE*, a project involving partners from Portugal, Germany, UK, Greece and Spain, whose aim is the development of advanced solutions for managing the electricity network that enhance the integration of renewable sources.

In the context of electric mobility, Germany made a very important step for the future of this eco-activity key area by equipping the first motorway section with fast charging equipment, using Efacec fast chargers; EPS developed also several projects of fast charging, in Holland, Belgium, Sweden and Norway from which we should highlight the participation in the project *Green Highway*, the installation of an highway, 450 km long, free of fossil fuels, between Sweden and Norway. Significant advances were also registered in this activity with the development of modular power conversion system for use in a platform able to integrate renewable energy more efficiently and support innovative features for the electricity grid stability. In parallel Efacec obtained a new patent registration, which will also be applied in the US, relating to a project, which enables the installation of quick chargers of reduced dimensions, on walls of public or private buildings.

Colombo, the Efacec ideas management program, generated about two hundred new ideas providing from Efacec Power Solutions employees and the activity of R & D + i was intense in the company's business units, especially regarding the implementation of improvements and development of new solutions for calculation, design, manufacture and distribution transformers certification or new withdrawable medium voltage switchgears, specially designed for demanding climates. Efacec successfully passed the accreditation process of its *Fluofix GC* cells assigned by the entity that manages the equipment and electrical systems in Sudan's oil industry.

In 2014, the project *Monitor BT*, supported within the scope of QREN (NSRF- National Strategic Reference Framework) led by Efacec, deserves also to be mentioned; its aims to develop new functions of control and supervision of low voltage networks. The project's partners are INESC and INOV and EDP Distribuição.

"Formed in order to aggregate, under the same legal identity, the most important activities and business of Efacec, the constitution of EPS enabled the corporate restructuring of the company through significant reconfiguration of its activity perimeter, both in terms of business as in terms of the main geographies to develop."

Efacec launched last year a new version of the *Automation Studio* tool, setting a new standard to support electric power automation systems and the *view4grid*, a support tool for configuration and commissioning of intelligent controllers. The company obtained the validation of its new *AEGIS* rail signalling solution for secondary railway lines and proceeded with the *IPSILON* project, a new multi-functional and multi-service platform for light rail systems management, with a complete innovative concept of operation and integration.

The dynamism of the business activity was significant in 2014, especially in the domestic market, with orders awarded to EPS by the main Portuguese electricity utilities, EDP, REN, or GALP, and by several other very relevant companies. To point out, the construction of substations, wastewater treatment plants, pumping stations and multiple works in the construction of thermoelectric and hydroelectric power plants. Based on the success achieved with the implementation of an Efacec solution for level crossings automation at REFER, a new contract for additional supply of this equipment was signed.

In Europe, the UK remains the main market for Efacec to supply distribution transformers; the company maintains several multiannual contracts with the majority of Great Britain Utilities.

The activity related to heavy metros and light rail systems was significant, both in Dublin and in Nottingham; also worthy to be mentioned is Norway, with the completion of the design phase of the Bergen Metro telecommunications systems.

In Spain, Efacec signed important supply contracts with Iberdrola and REE - Red Eléctrica de España, but also with the Cadiz Metro to power their traction substations. In turn, Efacec Equipos Electric maintained the annual growth of twenty percent, especially in the autonomous Catalan and Valencian communities.

Also in Europe, Fortum Distribution, one of the four major Swedish utilities awarded to Efacec, for the first time, the supply of a mobile substation. The company also supplied the command and control systems of substations to Transelectrica, the operator of Romanian transmission and to the Armenian group Teghout CJSC, while in Norway, Hafslund Nett Øst ordered new automation systems of these same equipment; the delivery of the first phase of the SCADA / DMS systems for the Greek region of Attica was also completed.

I would also highlight, still in the European market, a major contract signed by Efacec in Tbilisi, the Georgian capital, for the construction of the Jvari substation, the financing of which is guaranteed by the European Bank for Reconstruction and Development (EBRD), by the Kreditanstalt für Wiederaufbau and by the EC Neighborhood Investment Facility.

In 2014 and as part of the space sector, we delivered the BERM radiation monitor to be integrated in the Bepi Colombo probe which will embark on a mission of ESA, European Space Agency to the planet Mercury and new orders were obtained under the JUICE mission that aims to explore Jupiter's moons.



In Angola, Efacec signed important contracts with the major electric utilities of the country: to highlight ENE-Electricidade de Angola and EDEL - Empresa de Distribuição de Electricidade namely regarding the supply of transformers, the revamping of power plants or installation of SCADA and automation, control and protection systems for the main substations of its energy system. I still point out for this country the signature of a new contract for the rehabilitation and repowering of the Luachimo dam project consisting in the revamping of the existing dam equipment and erection of a new hydroelectric power plant. At the same time, Efacec signed a contract of specialized services for the modernization of several mobile telecommunications sites for Ericsson, being now under conclusion the most important project developed by Efacec in this country - the Combined Cycle Plant of the Refinery of Luanda, for Sonangol.

In the area of telecommunication solutions, Efacec obtained in 2014 a new order of MCEL, the mobile operator in Mozambique, for the turnkey supply of several radio connections.

TanESCO, the Tanzania Electric Supply Company, awarded to Efacec two new contracts for automation systems, to be added to a previous supply for the hydroelectric plant of New Pangani Falls in the Hale zone.

In the Maghreb region, Algeria proved again to be an important market for Efacec which also signed new contracts with the Lebanese Matelec and the Spanish TSK, to supply several single-phase units to be installed in transmission substations of Sonelgaz and concluded,

also for this important customer, the commissioning of several new substations, in particular those of Messerghine, Tissemsilt, Sidi Kada, Thniet El Had and Batna Est. These contracts signed with GRTE include, in addition to the substations erected through turnkey contracts, different expansions and renovations, also already completed or currently under assembly and testing . Also in Algeria the first phase of the contract of traction power supply to the Thenia Line of Tizi Ousou Metro was completed and initiated the construction of the Mustapha substation.

In Latin and South America, namely Argentina, EDENOR and EDESUR, important distributors of electrical power to Buenos Aires, stands among the companies with the highest volume of orders for medium voltage cells. EDESUR stood also out as an important customer due to the order of three mobile substations transported to Buenos Aires by Antonov 124 in order to comply with the high demanding delivery time and commissioning.

With regard to Brazil, Efavec provided protection and control systems for EDP Bandeirante substations while in the area of support systems to operation, it carried out the general design of the integrated system for the Rio de Janeiro Light rail system and the first systems embedded in vehicles. At the same time the company received orders for several mobile substations for other South American markets, such as ICE, Instituto de Electricidade da Costa Rica, the electricity and telecommunications service provider of this country.

Still in Latin America, we should mention the commercial and industrial partnership established with Magnetron, the largest Colombian distribution transformers manufacturer, from which we already received a first order.

In Chile, through the Enersis Group, Efavec also received the first orders of medium and high voltage equipment for the Colombian company Codensa and Edelnor in Peru. In San Pedro, Chile, in the Atacama Desert, it is worth highlighting the award of the turnkey construction contract of an impressive 40 MW photovoltaic plant, the first project of Efavec in this country.

In the United States the servicing activity was also important in 2014, with relevant orders from various utilities, including namely from Luminant and Florida Power & Light.

In the Middle East Efavec repositioned itself in the Saudi Arabian market, establishing a formal representation agreement with BIC, from which resulted several orders for power transformers and medium voltage switchgear, while in Iraq, following the signing, in 2013, of a Memorandum of Understanding with AL-NOOR Company for Electrical Services LTD, Efavec received the first order for the supply of primary distribution equipment for substations of that country.

In India, in 2014, Efavec also ensured the full control of the manufacture and assembly of *SwitchKIT®* and *Standard Assembled Kits* that are the basis for the final assembly of the entire products range of the switchgear activity of Efavec, in the new company Efavec Switchgear India Pvt. Ltd.

With all these facts, I must express my satisfaction with the diversity, richness and quality of the intense activity and capacity of Efavec Power Solutions in 2014, only made possible with the unparalleled commitment of its employees and the confidence of all its other stakeholders.

2015 will undoubtedly be a year of great and sustained challenges, requiring strong rigor to go ahead with our consolidation and repositioning policies for a more consistent and focused portfolio.

Efavec will pursue its commitment to develop new business in the international market, taking advantage of opportunities and strengthening the leading position it was able to acquire.

We hope to benefit from several actions the company has developed over the past years, such as management rigor, portofolio reconfiguration, penetration and consolidation in the domestic and foreign markets, strengthening of its internal structures in technological terms and human development, but also of divestment in business areas or countries that have proved less interesting.

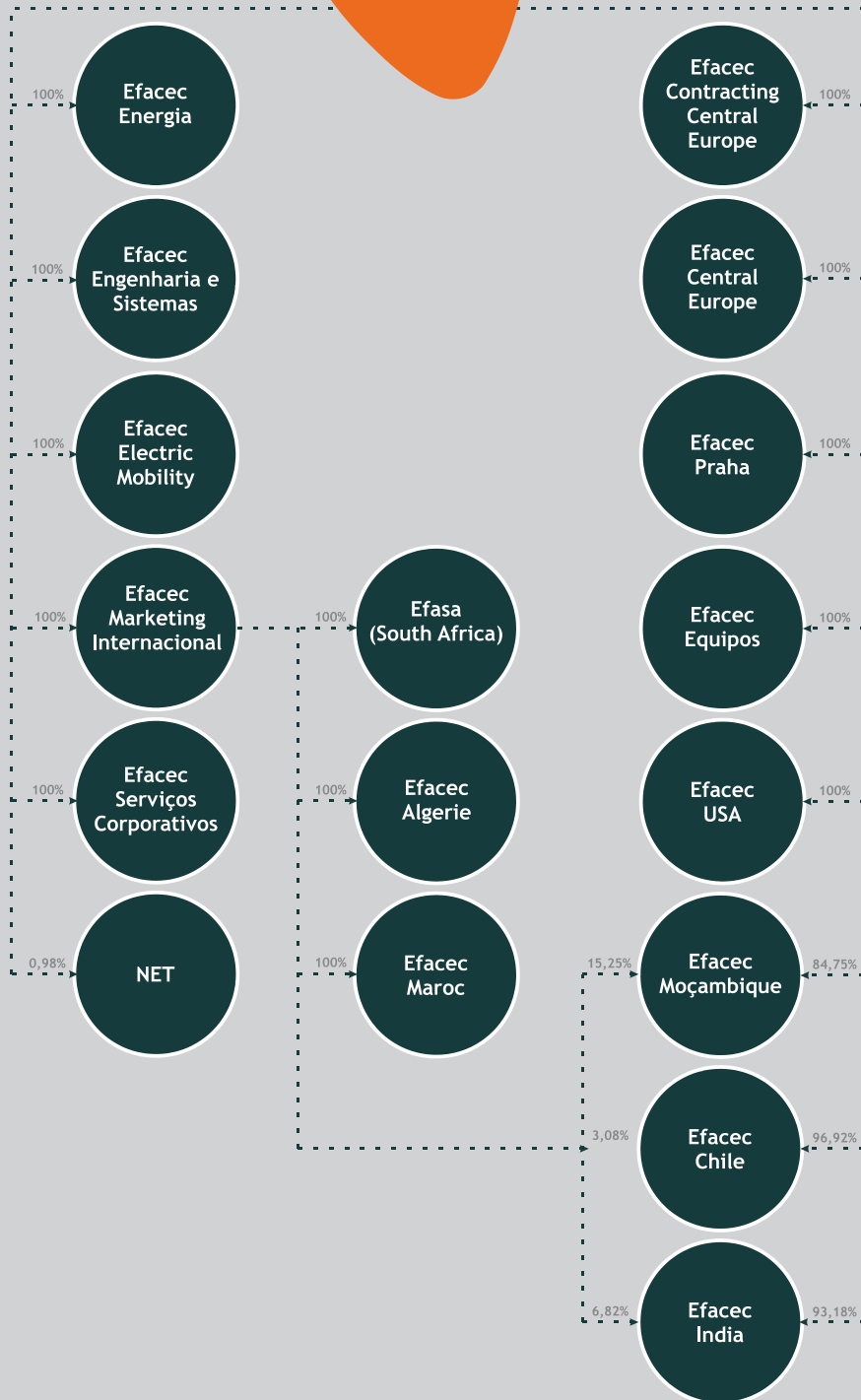
We believe we can consolidate our successful business position and we are increasingly well prepared for future challenges.

Thus, Efavec will continue to pursue the excellence of its products solutions and services as value-added factor and as a decisive element for its competitiveness in Portugal and internationally.

João Bento

Chairman of Efavec Power Solutions Board of Directors

Efacec Power Solutions



Management Report

Efacec Capital, sole shareholder of Efacec Power Solutions, SA, made a number of acquisitions, created new companies and made capital increases in cash, in order to integrate all the business of this company.

In addition to these operations, we should still point out, during the year 2014, within the perimeter of Efacec Power Solutions, the following operations:

- The creation of Efacec Serviços Corportativos SA, so that this subsidiary could acquire Efacec Sistemas de Gestão, SA, the business shared services unit of the Efacec Group, a transaction that occurred on 1 October 2014.
- On December 17, the pre contract for the acquisition of 98.33% of Efacec Angola, Lda. was firmed with Efacec Capital, an operation requiring an ANIP authorization which is ongoing and well advanced with regard to the approval process.
- On December 31 the Board of Directors of the subsidiary Efacec Energia decided to settle Efacec Power Transformers, Inc., which during the month of November had entered into an agreement to sale all its assets, including the Servicing business to the American company Caravels of the Virginia Transformers Corporation (VTC) group.

The share capital of Efacec Power Solutions, SA is EUR 233,874,030.00, fully paid up and represented by 46,774,806 (forty six millions seven hundred and seventy four thousand height hundred and six) shares with a nominal value of EUR 5 (five euros) each.

Macroeconomic Environment

Despite the increase of geopolitical tensions in the Middle East, between Russia and Ukraine and in Hong Kong last year, the global economy experienced a widespread growth in 2014.

According to the latest IMF forecasts, the world GDP grew by 3.3% in 2014 and should accelerate to 3.8% in 2015. However, this growth was lower than expected earlier this year - in April, the IMF predicted 3.4% and 4%, respectively - and continues to be done at various speeds, with the growth of the United States in contrast to the strong deceleration in Japan and some emerging countries and the tenuous economic recovery in the Eurozone.

The United States continues to show the most robust growth, with the economy expected to close the year, like in 2013, advancing 2.2% and to grow 3.1% in 2015.

Japan, after a 1.5% growth in 2013, should not go beyond 0.9% this year and 0.8% in 2015. In emerging economies, Russia is expected to grow only 0.2% this year compared to 1.3% in 2013 due to the impact of geopolitical tensions; in Brazil, the IMF expects the economy to grow by only 0.3%, against 2.5% recorded in 2013, due to weak competitiveness, low business confidence and investments decline in the country.

The Euro Zone, after two years of recession, will present a modest growth in 2014 (0.8%) with quite different rhythms: Ireland, Germany and Spain are expected to grow 3.6%, 1.4% and 1.3%, respectively, in contrast to the contraction of the GDP expected in Italy (0.2%), Finland (0.2%) and Cyprus (3.2%) and the slight increase in France (0.4%), the Netherlands (0.6%) and Greece (0.6%). For 2015 the scenario is more encouraging with the prospects of a 1.3% growth for the euro area, with all the block's economies to register a positive GDP growth.

The year now ending was also marked by the end of the largest financial stimulus program in the history of the United States. In late October, the president of the Federal Reserve (FED), Janet Yellen, announced that it had completed the quantitative easing, a purchase program of financial assets and mortgage loans from the US Treasury by issuing dollars injected into the system banking, which began in 2008. At the same time, the FED said it will keep interest rates near zero for a "*considerable period*", but the market is already anticipating a rise in interest rates in 2015.

In the Eurozone, the scenario is different. The risks of deflation or of a prolonged period of very low inflation and weak economic growth led the European Central Bank to make decisions, over 2014, in order to turn the monetary policy more accommodative. After the decrease, in September, of interest rates to historic lows (the reference rate dropped to 0.05%) the central bank began buying securitized debt under the covered bond purchase programs (mortgage bonds and obligations on the public sector) and Asset

Backed Securities (ABS), with loans to companies as underlying assets for a period of two years, without specifying at what rhythm these acquisitions take place and still left open the possibility to come up with new measures of monetary stimulus, as the purchase of public debt.

This trend dictated a drop of about 14% of the euro against the dollar, closing the year at 1.2141 dollars and the market anticipates that this tendency is to continue in 2015.

In Portugal, the year was marked by the end of the Economic Adjustment Programme of 78 billion euros agreed in 2011 with the troika (European Commission, ECB and IMF) in May. Although it was not necessary to use the Precautionary Program and the return to financing in international debt markets occurred with relative normality, the main rating agencies maintained the status of the Portuguese Republic as "*junk*".

On the other hand, the recovery of the Portuguese economy has proved slower than expected. According to forecasts of the Government and of major international organizations, GDP is expected to have grown by about 1% in 2014, with an expected increase to 1.5% next year; inflation have been close to 0% (0.7% in 2015) and unemployment retreated to 16.2% in 2013 to close to 14% this year and 13% in 2015. The budget deficit, for its part, will be below 4% in 2014 - and the European Commission and the IMF warn for a deficit of, respectively, 3.3% and 3.4% in 2015, above the target limit of 3% of GDP and well above the 2.7% forecasted by the Executive.

This trend does not leave margin for the beginning of a relief in the tax burden in 2015. The Government intends to maintain the Special Solidarity Contribution and the surcharge of 3.5% in IRS (tax return) next year and increase, among others, the special tax on banking and taxes on tobacco and spirituous beverages.

At the financial level, the year 2014 will be remembered for the collapse of the Espírito Santo Group (GES). After the BES has released a record loss in the first half of the year, the Bank of Portugal announced, in early August, a measure of resolution that gave rise to the "Novo Banco". The BES crisis spread also to Portugal Telecom, affecting its merger with Oi and causing a loss of about 73% of its value on the stock exchange.

The PSI 20 ended the year falling about 27%, staying only behind the Russian stock market index (-45.2%) and Greek (-28.9%), having registered the third worst performance since its inception in 1992. Although the national stock market has the possibility to recover in 2015, the fall in oil prices, the political crisis in Greece and the weakening of the Chinese economy are likely to catch the optimism of investors in a year of legislative elections in Portugal.

Financial Statement Analysis

The reform agenda of the Efacec Group initiated in the last quarter of 2013, had, in 2014, a great impact on internal measures; this was due, on one hand, to the financial restructuring implemented earlier in the year and, on the other hand, to a series of organizational and equity modifications, which significantly changed the structure of the Group. The corporate restructuring culminated with the establishment of the sub-holding Efacec Power Solutions SGPS and transfer of part of the assets to this company, concentrated on energy, engineering, environment and transport business and more focused on target geographies.

Efacec Power Solutions together with its subsidiaries form the 'EPS Group', which presents, in 2014, its first consolidated accounts. This is an incomplete financial year from the point of view of results as the financial statements only record the contribution of each of the companies after their acquisition by Efacec Power Solutions and further entry into the consolidation perimeter. As an example, Efacec Energia and Efacec Engenharia, which are considered as the most distinctive companies in the consolidation perimeter, were only transferred to the portfolio of Efacec Power Solutions at the end of the year, and consequently their activities had no impact on the results of 2014. With regard to the balance sheet, the financial statement already enables an objective analysis of the assets and equity at the end of the year.

The share capital of Efacec Power Solutions amounts to 234 million euros and was fully realized with contributions in kind through the transfer of the subsidiaries to its direct dependence. Equity represents thus 60% of the paid capital of the Group. For a volume of assets of about 900 million euros, the financial autonomy is 26.3%. With regard to funding, we highlight the financial restructuring completed in February 2014 with the main creditor banks.

The two main companies of the EPS Group - Efacec Energia and Efacec Engenharia - were part of the solution, leading to the refunding of the current bank debt to not current. With this operation, in addition to the extension of maturities until 2020, it was possible to achieve improvements in the costs of debt and reduce the number of credit lines, optimizing its management. At the end of 2014, the net financial debt of the EPS Group amounted to 155 million Euros.

In 2014, the consolidated income statement does not enable to assess the Group's level activity, as it is an incomplete financial exercise. The annualized perspective of the results shows a Group with a turnover close to 500 million euros, although still impacted by the effects of the economy global downturn, which dominated the business environment in recent years.

International markets represent a very significant part of the Company's business, amounting to 75% of the sales and 72% of the orders received in the period.

Within the restructuring process carried out by Efacec, some activities that generated losses in previous years were discontinued. This was the case for the transformers manufacturing plant in the United States, which was sold at the end of the year, and for some loss-making projects in Brazil, closed in the meanwhile.

With the disposal of the assets in the United States and further decision to settle the local subsidiary, Efacec Energia recorded the total impairment of its investment and a respective tax effect of 44 million euros registered under the heading «deferred tax assets» recoverable within 12 years after settlement.

With regard to human resources, this recently created Group employs about 2500 employees, from which almost 2100 are assigned to activities in Portugal.

Economic and Financial Position

Application of Profits

Highlights

In 2014, Efacec continued its reform agenda through the implementation of various corporate, organizational and operational changes, aimed at streamlining its international structure, simplifying its offering portfolio, reducing operating costs and identifying and implementing sustainable financing solutions.

Corporate Changes

To be mentioned, the creation, in August 2014, of the company Efacec Power Solutions, SGPS, SA. Created with the aim of integrating, under the same legal identity, the Efacec business activities considered nuclear, several acquisitions were made, new companies created and capital increases were done in cash, all this performed by the sole shareholder Efacec Capital.

During the year 2014, and in addition to these facts, we still should point out, within the perimeter of Efacec Power Solutions, the creation, on 1st October, of Efacec Serviços Corporativos SA. This company was created in order to acquire the Efacec Group shared services activity to Efacec Sistemas de Gestão, SA.

On December 17, the pre contract for the acquisition of 98.33% of Efacec Angola, Lda. was firmed by Efacec Capital, a transaction requiring an ANIP authorization which is ongoing and well advanced with regard to the approval process.

On December 31, the Board of Directors of the subsidiary Efacec Energia decided to settle Efacec Power Transformers, Inc., which during the month of November had entered into an agreement to sale all its assets, including the Servicing business to the American company Caravels of the Virginia Transformers Corporation (VTC) group.

Governance

The new governing bodies of Efacec for the period 2014-2016 were elected during the General Meeting held on February 3, the Board of Directors being formed, since that date, by six directors.

In March a new member was co-opted to the Board of Directors and the position of Vice President of the Executive Committee was also created. Throughout the year 2014 we assisted to the appointment of a new executive director, the Executive Committee being thus presently formed by four directors.

As the Board of Directors of Efacec Power Solutions integrates four members who simultaneously form the Board of Directors of Efacec Capital, the previous changes had naturally a direct impact on the Board of Directors of Efacec Power Solutions and indirect at the organizational and operational level of the company.

Events, Recognitions and Public Participations

Efacec received, on 11 April, at its Maia technological premises, the visit of the Minister of the Environment, Land Planning and Energy, Jorge Moreira da Silva, as part of a day dedicated to green growth and environmental benefits, economic and business's commitment to electric mobility, an event that recognized the important role of Efacec in this growing area.

The Secretary of State for Foreign Affairs and Cooperation, Luis Campos Ferreira, visited also Efacec within a day dedicated to Portuguese companies with head offices in the North that stand out for focusing the major part of their business to international markets. The visit covered the areas of Power Electronics Systems, Automation and Electric Mobility.



Prof. João Bento, Efacec CEO, joined the National Council for Innovation and Entrepreneurship, an organization chaired by Prime Minister Dr. Passos Coelho. This body was set up in order to carry out an assessment of the different instruments designed to support entrepreneurship and innovation in Portugal.

As part of a state visit to Kazakhstan led by the Portuguese Deputy Prime Minister Dr. Paulo Portas, João Bento, on behalf of Efacec, promoted the signing of contracts within the scope of the future Expo 2017 at Astana, the capital of the country, to be held with the participation of more than 100 countries.

In 2014, Efacec participated again in EDPartners awards organized by EDP, and for the second time, achieved the finalist status in the Innovation category, with the project Commissioning Advanced Tool for Intelligent Networks.

Participation in Technology Exhibitions

In 2014, Efacec participated actively in numerous corporate events and business, of which we highlight, among others, the presence in AMPER (Brno), IEEE PES T & D (Chicago), Groothandel & Logistiek (Eindhoven), CeMAT (Hannover), Filda (Luanda), Facim (Maputo), CIGRE (Paris), Inntrans (Berlin), Taropak (Poznan), IWA World Water Congress & Exhibition (Lisbon), eCarTec (Munich), Logistics (Madrid) and Solar Energy (Birmingham).

Noteworthy is the participation at the Hanover Fair, one of the largest and most important world events of the industrial sector, where more than 180,000 visitors from 100 countries were able to learn about the latest technological developments made public by about 5,000 exhibitors. Efacec presented its portfolio of skills and presented its full range of products and solutions in the context of electric mobility, with particular emphasis on the new domestic and public charging equipment.



Main Orders and Achievements

In the **domestic market** we refer the orders of shell and core type transformers awarded by REN - Redes Energéticas Nacionais and within the servicing activity, the important rehabilitation of three phase transformers of this company. We also highlight the supply of various transformer stations to be erected at the Photovoltaic Trajouce Plant.

Leader of the national medium voltage market, Efacec made also the supply of dozens of transformer stations, in particular to strengthen the power of LIDL stores in Portugal and Continental Mabor Lousada plant.

In the last financial year, Efacec increased its market share as a provider of cells and equipment for EDP Distribuição; supplies for EDP Produção were equally important, particularly for the hydroelectric plants of Hermitage, Ribeiradio and Salamonde and within the framework of agreements established with these companies, works done in various transformers and the rehabilitation of different distribution transformers. With regard to the automation activity, Efacec proved to be the leading provider of *Smart Grids* EDP program. GALP Energia also awarded Efacec various orders, especially for the repair of rotating machines.

The French group Neoen is installing in Portugal three photovoltaic parks in the regions of Coruche, Cabrela and Seixal and Efacec is responsible for the supply, installation and commissioning of different transforming and switching stations.

Efacec and Andritz Hydro consortium commissioned two groups of Ermida Hydroelectric Power Plant and carried out work at Ribeiradio. Efacec concluded, for Solar Balance promoter, the turnkey construction contract of Salgueirinha and Trajouce photovoltaic parks.

Águas do Mondego awarded the company the construction of a wastewater treatment plant while Tecnovia and Ramalho Rosa-Cobetar ordered respectively the pumping stations of Alvito and Sado as well as that of Beja, all of them belonging to EDIA.

The company was also awarded the design and construction project for the rehabilitation of Vale da Pedra Water Treatment Plant and the design and construction of Semide Waste Water Treatment Plant.

Águas do Noroeste ordered the telemanagement, operation and maintenance of the Vale do Ave Waste Water Treatment Plant.

Based on the success achieved with the implementation of Efacec Xsafe SIL-4 solution for automation of level crossings at REFER, a new contract for additional supply of automatic level crossings was signed. At Covilhã we completed the construction of the new high-voltage substation that will supply power to the entire complex of the largest Data Centre of Portugal Telecom.

In Europe, the UK remains the main Efacec market for the supply of distribution transformers, the company still keeping several multiannual contracts with several utilities of Great Britain. Consolidating the partnership that begun in 2011 with the largest solar promoter in the world, SunEdison Spain, Efacec strengthened its presence in the European market, with the provision of equipment and services for photovoltaic plants. The installed capacity during 2014 was greater than 100 MW, with great relevance with that installed in the UK. Also in the UK, improvements have been implemented to support system operation and information to passengers on the lines of the first phase of the Nottingham Light Rail system, while in Dublin, the Dundrum substation entered into service and the energy works of the new Cross City line of the light rail system of that city were initiated.



Photovoltaic Plants at San Pedro, Chile - Atacama Desert

Still within the scope of light rail systems, the project phase of the Bergen Metro telecommunication system was completed.

In Spain, Efacec signed contracts with Iberdrola and with REE - Red Eléctrica de España, in the latter case for the transformers rehabilitation of La Plana and Soto Ribera substations. With regard to Cadix Metro, Efacec powered the traction substations, and it was already possible to do the first trip in the new trains. Efacec Equipos Electricos maintained its annual growth of twenty percent, especially in the autonomous communities of Catalonia and Valencia. Also in Europe Fortum Distribution one of the four main Swedish utilities, awarded to Efacec, for the first time, the supply of a mobile substation.

Supplies of substations command and control systems were done for Transelectrica, the Romanian power transmission utility and the Armenian group Teghou CJSC.

In 2014, Efacec completed the delivery of the first phase of SCADA/DMS systems for the region of Attica (Athens) and in Norway, supplied to Hafslund Nett Øst new substation automation systems. In the field of electric mobility, Efacec has registered a significant development of its business in Europe, namely through the participation in the project *Green Highway*, which involves a partnership to install a free fossil fuels highway with 450 km, from Sweden to Norway.

In its turn, Germany took a major step in the future of the European electric mobility by equipping the first section of a motorway with Efacec fast charging infrastructure for electric vehicles. In April Efacec signed with Allego (Alliander Mobility Systems), a two years framework contract for the provision of normal and fast charging solutions for the markets of the Netherlands, Belgium and Germany. In Georgia Efacec received an important order for the erection of the Jvari 500 / 220kV substation. This is the first lot of the Jvari- Khorga interconnection project. The European Bank for Reconstruction and Development (EBRD), Kreditanstalt für Wiederaufbau and the EC Neighborhood Investment Facility guarantee the financing of the substation.

As part of the space sector in 2014, we delivered the BERM radiation monitor to be integrated in the Bepi Colombo probe that will be incorporated in a mission of ESA, European Space Agency, to the Mercury planet. New orders were also achieved within the JUICE mission that will explore the moons of Jupiter.

In the Maghreb region, Algeria has proved again to be an important market for Efacec, which signed new contracts with the Lebanese Matelec and the Spanish TSK to supply several single-phase units to be installed in transmission substations of Sonelgaz. Also in Algeria new substations were commissioned, in particular, those of Messerghine, Tissemsilt, Sidi Kada, Thniet El Had and Batna Est, regarding contracts signed with GRTE, a company of Sonelgaz Group; in the meanwhile, we also completed the first phase of the power traction supply contract to the Thenia Line of the Tizi Ousou metro.

In Angola, Efacec signed important orders for power transformers, namely for the Lauca hydroelectric power plant. The company also signed contracts with ENE-Empresa Nacional de Electricidade

de Angola to perform the revamping of Gove Hydroelectric Power Plant and for the commissioning of Kikuxi and Catete substations. Efacec also supplied to this same utility the management and advanced supervision of the transmission and distribution power networks. ENE, as well as EDEL-Empresa de Distribuição de Electricidade awarded to Efacec the supply of the SCADA systems for the control centres and the automation, control and protection systems for the most important substations of their power system. We also carried out the electric substation maintenance for EDEL. In this country, at the beginning of the year, Efacec signed a new contract for the rehabilitation and power strengthening of the Angolan Luachimo Hydroelectric dam. Foreseen to be concluded within thirty-seven months, the project comprises the rehabilitation of the dam equipment already existing and the erection of a new hydroelectric power plant. In Angola, EFACEC was also awarded a contract of specialized services to implement/ modernize over two hundred mobile telecommunication sites for Ericsson.

In Moçambique we would highlight the orders of HCB - Hidroeléctrica de Cahora Bassa for the supply of new winding sets to keep as spare parts and the erection of the new transformer bay of the Infulene substation which supplies fifty per cent of the electric power of Maputo and which is considered as a critical work for EDM-Electricidade de Moçambique, the final customer. Efacec still concluded in Mozambique the commissioning of a fuel plant for the power strengthening in Inhambane and signed a new contract for the works of Engineering, procurement, rehabilitation and testing to be carried out at the Luanda refinery. With regard to the telecommunication area, we highlight the award of a new order of MCEL, the mobile utility in Mozambique of a turnkey contract for the supply of over twenty ARLradio connections.

TanESCO, Tanzania Electric Supply Company, awarded to Efacec two new contracts for the supply, configuration and commissioning of automation systems which should be added to a former supply for the New Pangani Falls hydroelectric plant in the Hale region.

In Latin America and South America, namely Argentine, EDENOR and EDESUR, important electric power utilities of Buenos Aires, along with the correspondent utility in the Province of Mendoza (EDEMESA), stood out among the companies with the greatest order demand of medium voltage cells. EDESUR was also an important client in the field of mobile substations; we highlight the order of three of these units, which, at request of the client and in order to ensure the high demanding time of delivery and commissioning, were transported to Buenos Aires by air, as by sea, it would last around one month and a half; special Antonov 124 airplanes, the second biggest cargo plane in the world, carried and transported each substation in only 24 hours since Sa Carneiro/Porto airport to their destination.

In Brazil Efacec supplied protection and control systems for three substations of EDP Bandeirante and in the area of support to operating systems, it is noteworthy the overall integrated system for the Light Rail System of Rio de Janeiro and the supply of the first embedded systems in vehicles. At the same time, the Company



Alqueva Dam, Portugal

received orders of several mobile substations for other South American markets, such as ICE, Instituto de Electricidade da Costa Rica, the electricity and telecommunications service provider of this country. We still point out the commercial and industrial partnership with Magnetron, the largest Colombian distribution transformers manufacturer, which has already resulted in a first order.

In Chile, through the Enersis group, Efacec received the first orders of medium voltage switchgear and high voltage disconnecting switches also for the Colombian Codensa and for Edelnor (Peru). A turnkey contract for the erection of photovoltaic plants at San Pedro in Chile was also awarded; this was the first photovoltaic project of Efacec in this country.

In the **United States**, the servicing activity was also important in 2014 with orders from Luminant and Florida Power & Light.

In the **Middle East**, Efacec repositioned itself in the market of Saudi Arabia and established a contract of representation with the BIC company, which already resulted in an initial order, new business opportunities being foreseen through this partner; in Iraq, following the signing, in 2013, of a Memorandum of Understanding between Efacec and the AL-NOOR Company for Electrical Services LTD. Efacec has already received the first order from this customer for the supply of primary distribution equipment to be assembled in the Tikrit South, Al-Habaniya and Dyiala sustations.

In 2014, in **India**, Efacec ensured the full control of the manufacture and installation of the SwitchKIT® and Standard Assembled Kits that are the basis for the final assembly of the full range of Efacec switchgear activity products by the new company Efacec Switchgear India Pvt. Ltd.

Processes Management

efasst was seen as the main tool for communication and exchange of information between the company and its suppliers, in particular for quotations, the system being already in expansion at Efacec's facilities in India. In May the 1st efasst Workshop took place; it aimed at preparing the company's partners to use the portal, already in use in the various Units of Efacec

In order to improve the interface with the fleet management and the control of cars hiring process, we implemented a new application for the request of cars for use in service, which enable the optimization of needs.

With regard to the Project Management Office (PMO) three new releases of this fundamental management risk tool in project context were implemented. Also in the area of risk management, we should mention the completion of the virtualization of the ERP environment (BaaN LN) and the improvements in the Data Centre of the Efacec Maia premises.

The replacement process of conventional telephone stations was completed in 2014 with the substitution of the Maia premises telephone station, which allowed all Efacec telephone communications to be one hundred percent VOIP (Voice over IP) with about two thousand IP phones (Internet Protocol) installed at the national level.

Innovation and Development of New Products and Solutions

Colombo, Efacec's idea management program generated about two hundred ideas.

In Transformers, several improvements were implemented and new solutions developed for the calculation, design, manufacture and certification of immersed distribution transformers with aluminium conductors. In the Switchgear area, we developed new 36 kV withdrawable single bus and transfer boards, specially designed for demanding climates.

Efacec successfully passed the accreditation process of **Fluofix GC** cell assigned by the Greater Nile Petroleum (GNPOC), the entity that manages the equipment and electrical systems in Sudan's oil industry.

In 2014 it is also worthy to highlight the **Monitor BT** project, led by Efacec aiming to develop new features for control and supervision of low voltage networks. Subsidized by the NSRF- National Strategic Reference Framework (QREN) it is expected to last two years and the project's partners are INOV - INESC Innovation and EDP Distribuição.

With reference to the automation activity, Efacec is involved in several projects of the 7th European Framework Programme, in particular *SmartC2Net* which aims to develop strong solutions that enable smart grid operation in heterogeneous communication infrastructures. The project, in which Efacec is responsible for Adaptive Grid Controls and Dissemination and Exploitation, presents important developments and includes various Efacec equipment already in use. The company's participation in another project of this Framework Programme, e-balance, which aims to develop efficient solutions for the balance of energy consumption and production in *Smart Cities*, was also of great importance. We still highlight the *3PHASE*, a project intended for the use of SCADA/DMS systems on networks with unbalanced phases. With a duration of eighteen months and similarly subsidized by the NSRF, the project is conducted in partnership with INESC Porto. Equally important is the participation in the *SuSTAINABLE*, a project, involving partners from Portugal, Germany, the UK, Greece and Spain, whose aim is the development of advanced solutions for managing the electricity network that enhance the integration of renewable sources.

Still in 2014 Efacec launched the third version of the **Automation Studio** tool, now with support for IEC 61850 Ed.2, a new step to support the automation of electrical power systems.

Within the scope of medium voltage smart automation, Efacec launched the **view4grid**, a support tool for configuration and commissioning of intelligent controllers like the **G Smart** and smart meters as the **M Box**.

Efacec also introduced a new portfolio of inverters and high performance innovative solutions, optimized for photovoltaic plants, the **EFASOLAR** inverters.

In 2014, the necessary steps were taken so that, in early 2015, Efacec and the Faculty of Engineering of Porto University were able to sale, to the Australian company Dyesol, the intellectual property of new perovskite solar cells (PSC), with low manufacturing cost, great energy-efficiency and twenty-five years of durability, a technology that is expected to revolutionize the new energy market.

In March the EPO - European Patent Office, the European Patent request for *Method of Treating Leachate, Phototreatment Reactors and Respective Use* was registered. Simultaneously with the R & D studies developed by FEUP, the full-scale treatment unit was being built; it will become operational in 2015.

The development and formal validation of the new **AEGIS** rail signalling solution for Secondary railway lines was concluded and the SIL-4 with TUV SUD process certification is in progress. At the same time, in 2014, we proceeded with the development of the **IPSILON** project, which aims to develop a new multi-functional and multi-platform service for light rail management, in which the concept of operation and integration is completely innovative.

With regard to Electric Mobility, there have been significant advances in the development of modular power conversion system for use in a platform able to promote the integration of renewable energies more efficiently and support innovative stability functions of the electricity grid.

Alongside Efacec obtained in 2014 a new patent application, which will also advance in the US, for a project intended to solve the problems associated with the incorporation of fast chargers for electric vehicles, on the walls of buildings, for home users, fleets, companies, condominiums, garages, car dealers and in public places.





Environmental Management

In 2014 a new methodology and spreadsheet for assessing the life cycle of transformers was developed, with plans to implement this methodology, in 2015, to all models that will be installed in the European Economic Area.

Still worthy to mention is the progress of the Switchgear Revamping project, which aims to provide the replacement of circuit breakers with old cutting technologies (oil and SF6) by vacuum circuit breakers in old electric boards of Efacec and in those of our competitors.

The renovation of Building 8 (financial area) at Arrorteia Premises enabled the use of different and more efficient technologies regarding energy, construction, lighting, ventilation and air conditioning systems.

At the Servicing unit, the calibration press refrigerating circuit and stator coil alternators polymerization was changed to a closed circuit, thereby reducing significantly the water consumption.

In 2014, Efacec hired a unique service to manage all the waste produced at its industrial premises of Arrorteia and Maia, expecting, with this change, greater efficiency in the treatment of waste.

People and Community Management

In 2014, Efacec kept Safety and Health as key corporate priorities, carrying out a large number of projects and activities, continuously monitored. Special mention should be done to the significant number of changes to the transformer manufacturing process, with the main objective to increase the safety of employees.

The process of reception and integration of employees was reviewed and a Sustainability module was introduced.

Over one thousand sessions of employees' attendance took place, carried out by the Efacec social assistance office to provide decision support. The main problems remained to be, as in 2013, financial, personal health and family problems.

Volunteering activities had again great dynamism in 2014, involving a significant number of employees. In Portugal, the different actions and activities took essentially place within the scope of the Jose de Mello Corporate Volunteering Programme, the Programme "Porto do Futuro" and through the direct collaboration with the Junior Achievement Portugal programme. Important steps were also done in order to establish, already at the beginning of 2015, a partnership with EPIS-Associação Empresários pela Inclusão (Association of Businessmen for Inclusion).

Throughout the year, there were numerous initiatives of solidarity within the efaAjudar program, namely collecting clothes, toys, food, mobile phones and computer equipment which were donated or recovered for social support. Efacec participated once again in the programme "Show Solidarity" and offered its contribution to the Frei Gil work and ANGEL institution. This contribution reflected, as usual, the financial participation of its employees.

ADEFACEC, Efacec employees association continued its extensive range of sport, cultural, recreational and social activities, developing numerous initiatives for employees and families.



View of Efacec Power Solutions head offices, Arroiteia Premises - Matosinhos (Portugal)



Organizational Profile

In line with the practice of high accuracy and transparency of the structure, organization, control and management of companies operating in the most demanding international markets, Efacec Power Solutions develops and continually improves its model of governance and business, creates new management support systems and mechanisms of processes standardization and improvement.

Within the company's governance settings are included Strategic Planning practices and Strategic Reviews/ Performance and Risk Management as well as the activities developed within specific Commissions and Committees, focused on the analysis and treatment of priority themes with great importance for the Company.

Governing Bodies

General Meeting

Maria Joana Machado Lima de Martins Mendes de Amorim **Chairman**
Susana Manuela Abreu Alves Pereira Furtado de Mendonça **Secretary**

Board of Directors

João Afonso Ramalho Sopas Pereira Bento **Chairman**
Rui Alexandre Pires Diniz **Vice-Chairman**
Francisco Bernardo Sampaio de Almada-Lobo **Director**
Pedro Manuel de Azeredo Ferreira Lopes **Director**

Company Secretary

Maria Joana Machado Lima de Martins Mendes **Permanent**
Susana Manuela Abreu Alves Pereira Furtado de Mendonça **Substitute**

Supervisory Board

Luís Francisco Valente de Oliveira **Chairman**
Jorge Alberto Weber Ramos **Director**
Luís Black Freire d'Andrade **Director**
Diogo Salema da Costa **Substitute**

Statutory Auditor

PriceWaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda., license nº 183, represented by:

António Joaquim Brochado Correia ou José Pereira Alves **Permanent Member**
Hermínio António Paulos Afonso **Substitute**

Remuneration Committee

João Afonso Ramalho Sopas Pereira Bento **Chairman**
António Manuel do Vale Pinheiro **Director**
Maria Joana Machado Lima de Martins Mendes de Amorim **Director**

Risk Management

The Corporate Risk and Contract Management Directorate, coordinated by the Chief Risk Officer (CRO), develops and implements risk management activities (RM). These activities are planned and implemented taking into account the ISO 31000 standard, CMVM recommendations and other regulations on this subject.

The risks, which may lead to disruption of critical activities for the business, are managed taking into account the best practices in the management of business continuity and crisis management. The procedures for managing such risks are inspired by the BS 25999-2, OHSAS 18001 and ISO 14001 standards. The identification of risks and opportunities of a process, an horizontal activity across all areas of the company, contributes to the establishment of indicators, objectives, targets and actions, whose deviations from what has been planned are monitored regularly, leading upstream to management decisions and, downstream, to the changes considered necessary.

The different activities developed by the Risk Management consist in obtaining information providing from the monitoring of external events (at the responsibility of the Corporate Directorate for Communications and Sustainability), from the occurrences system (at the responsibility of the Corporate Directorate for Innovation and Quality) and from the PMO portal, the project management system (at the responsibility of the Corporate Directorate for Risk Management and Contracts).

The team of Risk and Contracts regularly meets with the Internal Audit team in order to identify, audit and monitor the progress of the projects audited within the Steering Committee activity.

The risk management in projects assumes, at Efacec, a particular preponderance and priority, and procedures, highly detailed for all stages of these processes, have been defined. The PMO portal is the Efacec primary project management tool, designed to enable the management of all critical phases of the most relevant projects.

With regard to other risk categories, in late 2013 and early 2014, risk analysis were developed with the support of specialized companies. We also sought to assess whether the current insurance portfolio of Efacec was adequate to these risks. These analyses resulted in adjustments in policies, as well as in a working basis for further deeper analysis in the future.

Focusing on risk prevention, the training program for project managers and proposal managers was improved in 2014, with the introduction of new training modules. The *Negotiation Skills* module became part of the program. In addition, we introduced a new module based on a case study (transformed in a game) where multidisciplinary teams compete for a complex proposal in a real working environment. The purpose of this module is to raise awareness and prepare the sales teams for the management of complex proposals with financial, contractual, technical risk analysis and contract execution.

Major improvements of the System in 2014

- Introduction of 6 KPIs in the project management area to enable monitoring key financial parameters in the execution of contracts. These KPIs are visible in the PMO portal contract list with the aim of increasing the sensitivity to the contract execution performance.
- Update of projects classification table (the level of risk associated with projects requiring approval of the Executive Committee is lower).
- The analysis of financial sensitivity was added to the risk management process of commercial proposals.
- The PMO portal has undergone significant improvements in the availability of financial information from contracts that include information providing from the internal procurement area to detailed financial information about project implementation.
- The level of alerts produced by the PMO portal improved as well as the information relating to the controlled access to available information.
- In order to increase the prevention of risks during a contract execution, the list of participation in the Steering Committee was revised in order to enable, in a timely manner, to address risks and problems related to human resources in complex export contracts.
- In order to improve the base of knowledge in the group on experience acquired during the preparation and development of projects, we initiated, in 2014, a project that will enable the users to query internal databases using natural language on issues and questions related to business and risks in the various countries where the group operates.

In order to improve continuously the risk management knowledge and practices, the risk and contracts management team has given continuous training at all levels in the risk management area. A large workshop is organized each year with the participation of a large number of project managers, CEO, COO and CRO to discuss the group's objectives and share experience between project managers. At each event, different contracts from four different countries are selected to submit the learned lessons.

Most important issues of risk management at Efacec

Risks/Opportunities	Material themes
Economic and strategic	
The analysis of identified economic and strategic risks as well as the definition and monitoring of the progress of mitigation plans are carried out by the governing bodies of the company - EC and Business Unit Directors - in the following areas: Strategic Planning Cycle- Budget ; Performance meetings (management control) of the Business Units and Market Units; Activities of Committees and other teams set up to monitor risks and specific opportunities of cross-application.	Business Model; Commitments for 2015; Activities Optimization.
Technological innovation and markets	
Risks and opportunities associated to technological innovation and business portfolio are identified and treated within the Strategic Planning and, throughout the year, by the Corporate Areas, Business Units and Market Units and within the scope of activities developed by Technology Cross Committees and Markets Cross Committees , based on the following processes: Technological surveillance; Technological cooperation; R&D management monitoring and skills / knowledge management. The activities carried out in these areas aim to ensure the best adaptation of business models, of different processes of the company and of organization and allocation of R&D structures according to existing and new projects to be developed.	Business Portfolio Optimization of Activities; Innovation Management and R&D.
Projects	
The risks and opportunities associated to project management (from the commercial phase until the project completion), have high priority and deserve special attention of the Risk and Contract management team. This monitoring is done through the implementation of periodic management reports and analysis of opportunities. The most critical projects are submitted to a number of key controls, which occur at specific points of their process.	Business Portfolio
Value Chain (VC)	
The processes of the value chain of products and services (including supplies) are subject to continuous analysis, identifying practices and preventive controls able to prevent their interruption (whether due to risks or operational context). The control plans have their origin at the design stage (development processes of products and services) or at the database analysis that record occurrences. In some specific sectors, the product development includes reliability studies (RAMS). In case of environment and safety risks, the respective baseline standards are implemented which foresee analysis and risk assessments. In case of crisis situations, emergency plans are defined, simulation exercises carried out and emergency teams defined. The main industrial premises of Efacec have medical structures and private fire service.	Business Model; Optimization of Activities; Environmental Impact of Activities; Human Resources Management.
Information System (IS)	
Information systems are particularly important for the Business Continuity. This area uses the following specific methodologies: each service is subject to analysis and risk assessment identifying the requirements of accessibility, availability, confidentiality and integrity ; for each critical event, the respective threats and consequences are identified (include disaster situations, external attacks and operational risks); the threat probability and the impact of the event are the basis for assigning a score of criticality; a plan of prevention, response and control risks, including the installation of redundancy in systems, the purchase of equipment and protection software, the change of practices and employee training are also defined.	Optimization of Activities
Finance	
There are several financial risks associated with the activities of Efacec. Among them: market risks (foreign exchange, price, interest rate, cash flow, fair value); credit risk; and liquidity risk. Managing these risks focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the company; Efacec uses different financial instruments to minimize the risks associated with its operations and business. Policies regarding financial risks are described in detail in the accounts analysis of this Annual Report.	Top Performances; Economic and Financial Situation.
Human Resources (HR)	
Efacec defines preventive processes to mitigate the risks and opportunities associated with the availability and adequacy of human resources, whose operational management is shared between Business Units, Market Units and Corporate Management. Some examples of these processes are: Recruitment and Selection, Reception and Integration; Performance Management (focused on skills); Training and Development; Mobility Management; Talent Management, Retention / Loyalty (for instance: career opportunities management; Corporate Volunteering, Conciliation Work / Life outside the company etc.).	Innovation and R&D; People management; Relationship with Society.
Image and reputation	
The image and internal and external reputation of the company are monitored in the media and different social information platforms. The Directorate for Communication and Sustainability of the company carries out the management of associated risks working closely with the CEO and with the EC, mainly through: Management of relationship with stakeholders; Management of platforms and internal and external communication means; Identification of presence opportunities, image construction. Choosing the most appropriate communication channels; Control of information contents and information flow outside the company; Study and application of graphic and industrial design.	Business model; Corporate statements; Relationship with stakeholders; Relationship with Society.
Irregular practices and compliance with regulations	
Ethical codes implemented at Efacec guide the activities of its employees and identify their values and corporate principles. Corporate ethics is described by the Sustainability Policy, with the employees 'personal ethics requirements identified in the Staff Code of Conduct and Ethics. Among the values defined, there is the core value of Integrity and Honesty. The Legal Department has the responsibility to keep under review the new legislation published and internally trigger the necessary changes. At the same time, and in specific situations, Efacec uses external consulting services. The various audits that take place throughout the year at Efacec are key tools to verify and demonstrate compliance with legislation and other internal and external regulations. They may be conducted by third parties or by Efacec internal services.	Corporate statements; Relationship with the stakeholder; Management revision and control; Relationship with society.

Legend: EC - Executive Committee | BU - Business Units | MU - Market Units | R&D - Research, Development and Innovation

Corporate Statements

Mission

Develop infrastructures of energy, mobility and environment, for a sustainable world:

- Establishing long-term partnerships;
- With high technological content;
- Ensuring agility and flexibility;
- Attracting and developing talent worldwide;
- Providing a consistent return to all stakeholders.

Vision

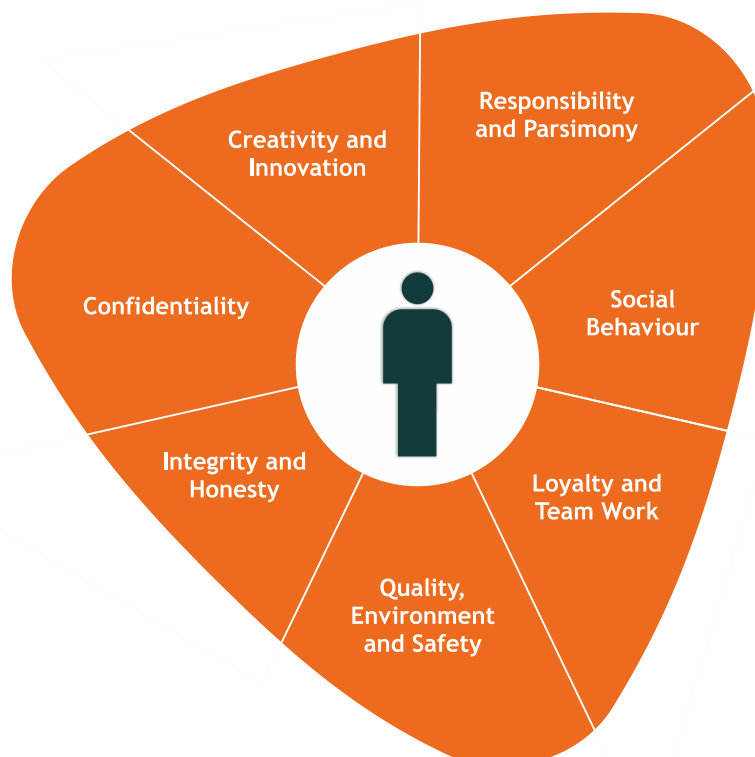
To be the preferred partner in achieving worldwide innovative and customized solutions for energy, mobility and environment.

Code of Conduct and Personal Ethics

Efacec employees undertake themselves to respect the values contained in its Code of Conduct and Personal Ethics.

These values fall within a set of principles and practices to be followed in relationships with the stakeholders of the company.

Efacec Sustainability policy focuses on the systematic improvement of the reliability and efficiency of all processes developed by the company aiming to meet the expectations of its stakeholders, having as principle, the balanced management of economic, environmental and social sustainability.



Sustainability Policy

Values	Principles
Economic	
Ethics, Integrity and Transparency	<ul style="list-style-type: none"> • Align with the best corporate governance practices • Establish ethical relations of partnerships, mutual benefit and citizenship with the different stakeholders • Reject any kind of corruption (including bribery and extortion) within Efacec activities • Seek accuracy and integrity of all information about the products and services provided to partners, respecting the privacy of their information
Safety and Prevention	<ul style="list-style-type: none"> • Continuously improve business performance, through a global approach • Achieve high levels of profitability to ensure Efacec sustained growth • Act in a preventive way, managing risks, avoiding the possibility of operation collapse and planning emergency and business continuity
Innovation and Quality	<ul style="list-style-type: none"> • Anticipate, meet and exceed the needs and expectations of customers/ markets, creating value and developing innovative, integrative, differentiated and sustained solutions, using preferably own technology • Promote a culture of creativity, entrepreneurship and excellence, striving to achieve high levels of profitability and maintaining responsiveness to requests and unforeseen situations • Participate in the development of networking skills, contributing to the creation of competitive technological environments with feedback for the organization
Respect for regulations	<ul style="list-style-type: none"> • Ensure and even exceed compliance with legal and other requirements applicable to Efacec on safety, health, environment, labour relations and to the development and sales of systems, products and services
Environment	
Environmental solutions	<ul style="list-style-type: none"> • Develop environmental solutions useful to the society and use ecodesign technologies
Environmental protection	<ul style="list-style-type: none"> • Prevent pollution by adopting methodologies and processes for efficient use of resources in the various areas of activity, enabling to minimize negative environmental impacts (minimizing emissions, waste generation, energy and water consumption) • Require suppliers and partners compliance with environmental regulations
Social	
Balance Work - Life	<ul style="list-style-type: none"> • Set conciliatory labour schedules and calendars with employees' personal and family needs • Create appropriate areas to rest • Assign benefits that impact the personal life of employees and promote healthy use of free time • Promote employees' participation in community projects • Participate in the cultural development of employees
Continuous learning and Team Work	<ul style="list-style-type: none"> • Provide good working conditions, a motivating, open and innovative environment developing programs which provide autonomy and a growing involvement of employees in operational decisions and development of new solutions • Promote the development of personal and professional skills ensuring the sharing of knowledge generated within the organization • Promote, among employees, mutual respect, confidence, professionalism and team work
Safety and Health	<ul style="list-style-type: none"> • Provide good working conditions eliminating or minimizing occupational hazards enabling to reach high levels of safety and welfare • Minimize or even eliminate potential risks to the environment and safety in communities or populations eventually exposed to the activities of Efacec
Human Rights	<ul style="list-style-type: none"> • Use fair rewarding processes, profit sharing, recognition of employees and accept any complaints without any kind of retaliation • Reject any discriminatory practices, child labour, psychological persecution, forced labour and accept the freedom of association; ensure the employees with the right to privacy, reputation and freedom (economic, social and cultural) • Respect local cultures and values, requiring partners respect of human rights
Social Promotion	<ul style="list-style-type: none"> • Seek to support communities key social, cultural and technological initiatives, based on the potential and strength of the proposals, and based on the credibility and proximity of the institutions • Within the business context and whenever possible, prefer solutions that develop the communities where Efacec is inserted, in particular with regard to the selection of suppliers and recruitment of new employees

Business Model

Efacec Power Solutions is a sub-holding of the Efacec group, present in about 65 countries on five continents; at the end of 2014 it had over 2400 employees and a turnover of about 468 M€.

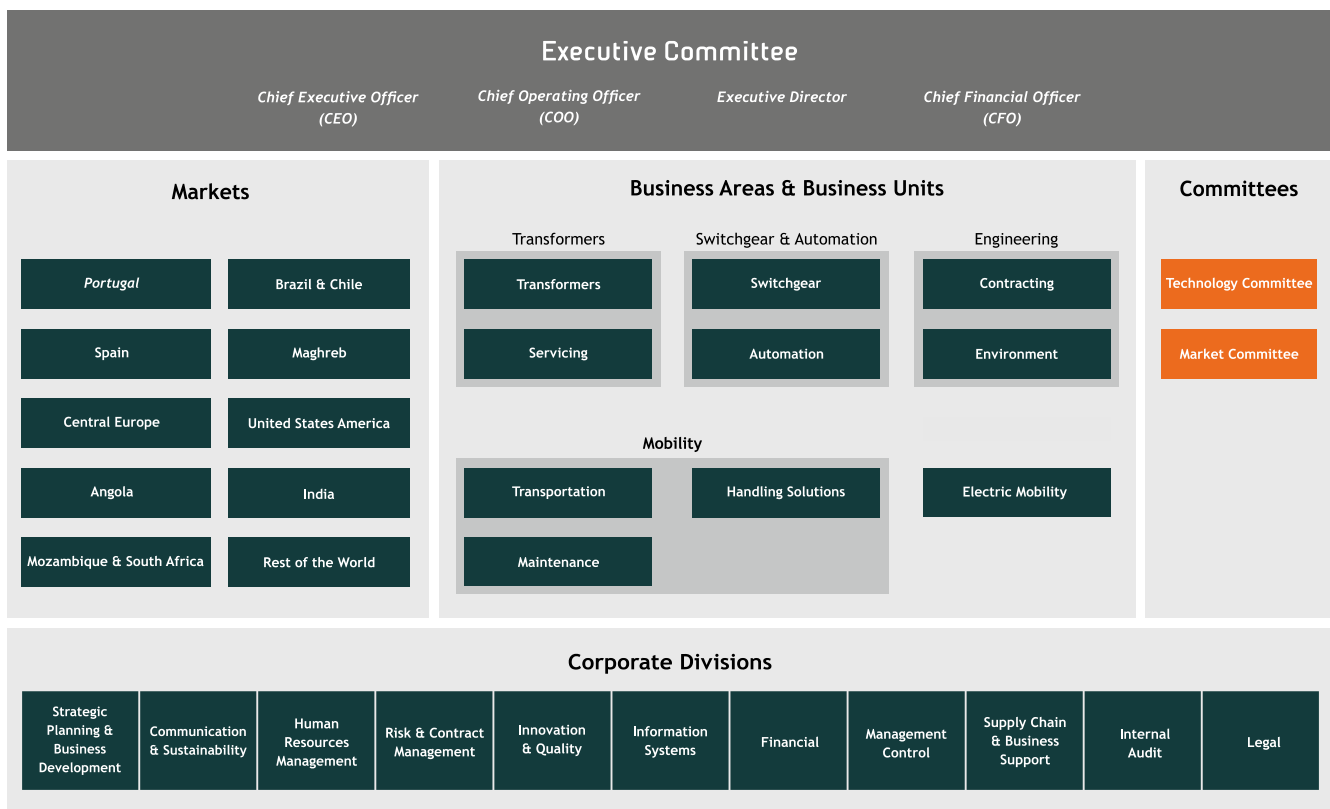
Efacec's portfolio is organized through the coherent grouping of skills of entities designated as Business Units (BU), which are the main organizational entity of the group; they aim to achieve the strategic development of each of the industrial activities (product) or projects (systems). Such Business Units are grouped into legally independent companies that can host one or more of these units.

In the countries offering great business development potential (involving a diversity of Efacec businesses), the company's presence is organized through one or more legal firms established in these countries which form the so-called Strategic Markets, or Efacec Markets giving rise to the existence of Market Units (MU).

The Business Units are autonomous structures of technological development, operations and business development. The planning of the strategic development of each BU, with regard to its international presence in target countries, occurs in close coordination with the Market Units in order to enable them to adjust their structure and organization to the priorities established by the Business Units. The Market Units reflect the evolution of the development of the Efacec presence in international geographies and are structures for the development of business and/ or operations.

The commercial coverage and development of activities in Efacec markets covering more than one country follow the dynamics of business opportunities, focusing either on countries where the company is present through companies and teams established there, or on neighbouring countries considered with greater business potential for Efacec. Currently, examples of such situation, with permanent presence in Central Europe Business market are: Austria, the Czech Republic and Romania, but also without permanent physical presence, Bulgaria, Slovakia, Greece, Poland and Ukraine. Similarly, the major countries currently covered by the Maghreb Market Unit are Algeria and Morocco, with permanent presence, but also Libya and Tunisia, these without physical permanent presence.

With regard to usual markets of the Rest of the World, we note the specific coverage, at this stage, of the following countries: in Latin America: Colombia, Mexico, Paraguay, Peru, Dominican Republic and Venezuela; in the Middle East: Saudi Arabia, the United Arab Emirates, Oman and Qatar; in the Eurasian area: Kazakhstan and Russia; and Africa: Cape Verde and Sudan.



Efacec Corporate Management has, as priority task, to guarantee levels of service and efficiency that decisively support the development of business. In September, further to the creation of Efacec Serviços Corporativos (which includes all of the group support areas), and having in mind the development of a logic of international shared services centre, the Executive Committee made several organizational changes.

Corporate Management	Responsibilities
Strategic Planning and Business development	<ul style="list-style-type: none"> • Coordination of the Group's Strategic Planning Exercise • Coordination of project analysis, strategic redefinition and identification of opportunities • Support to strategic planning processes of the Business Units
Communication and Sustainability	<ul style="list-style-type: none"> • Implementation of Group Communication policies and strategies • Brand management, group's reputation management and preparation of elements for external and internal communication • Management of platforms and media • Industrial design support to Business Units • Implementation of Group policies and sustainability strategies
Human Resource Management	<ul style="list-style-type: none"> • Implementation of human resources policies and strategies • Coordination of procedures for performance/development management • Coordination of Efacec Academy and all training activities • Management of labour relations and health support services
Risk management and Contracts	<ul style="list-style-type: none"> • Implementation of Group Risk Management policies and strategies • Development of Risk Management methodologies for contracts and support to implementation in the Business Units • Assessment and monitoring of risks arising from large contracts and development of proposals for their mitigation
Innovation and Quality	<ul style="list-style-type: none"> • Implementation of policies and strategies for Innovation, Research and Development (R&D) and Quality, Environment and Safety (QES) management, including the implementation of applicable reference standards • Coordination of the development of management system and QES teams of Business Units • Coordination of relationships between entities of the National Scientific and Technological system and QES entities • Standards delivery
Information Systems	<ul style="list-style-type: none"> • Implementation of policies and strategies of the Group Information and Communication Systems • Management of Information and Communication systems infrastructures, with special focus on information safety and business continuity • Development of computer applications to support business processes • Support to Information and Communication Systems Users
Finance	<ul style="list-style-type: none"> • Implementation of policies and strategies of financial management of the group, with particular focus on financing and analysis of the financial risk policies, as well as working capital and investment management • Implementation of good accounting and financial practices through the application of international accounting standards and tax compliance • Management of processes relating to community funds • Support Business Units in order to achieve operational and financial objectives
Management Control	<ul style="list-style-type: none"> • Coordination of the Group financial budget • Control of the companies activities with potential financial and economic impact • Issue of management information reports
Administrative	<ul style="list-style-type: none"> • Implementation of policies and strategies for the Group procurement • Management of condominiums, assets, licenses, office supplies, expedient and infrastructures maintenance • Management of the relationships between Efacec and MDados purchasing central and of contracts for the provision of cleaning, security, canteens, mobile communications, cars, travels and related services • Preparation and implementation of insurance proposals
Internal Audit	<ul style="list-style-type: none"> • Verification of compliance and suitability of business processes and information systems compared to requirements and established procedures • Participation in the correct identification of corporate risks and implementation of remedy actions • Independent advice service to governing bodies and other sectors of Efacec
Legal	<ul style="list-style-type: none"> • Legal support services to governing bodies and other sectors of Efacec • Coordination of Efacec relationships with law firms • Identification of the initiatives to be taken upon changes in legislation and legal context

Technology Committee

The Committee of Technology continued to prove to be an important promoting factor of Efacec technological competitiveness. In fulfilling its mission, it intensified its role as a forum for reflection on trends of market technological evolution and, consequently, of promoter of Efacec new technological capabilities, using and encouraging synergies and articulation of technological capabilities of the different company units.

As examples of the Technology Committee activity, we point out the issue of *Normative Guidelines for Command Centres*, the new features that are being introduced in *Reclosers for Power Distribution Networks*, the concern with technology trends in the context of smart grids, and the issue of a project for *Monitoring and Diagnosis* equipment of these networks, namely power transformers.

In 2014, the framework, responsibilities and constitution of the Committee of Technology was redefined taking into account, on one hand, the organizational changes that occurred at Efacec, and on the other hand, a greater focus on Efacec Units with more significant R & D & I activity. The Committee of Technology presently leads several working groups about selected technological issues, and promotes the development of *PEDT's - Strategic Plans of Technological Development* of Efacec units with more IDI relevant activity.

In early 2015, the Technology Committee organized and held a meeting/debate about *Smart Electric Energy*, divided into four sessions: *Renewable*, *Storage*, *Networks Management* and *Energy Efficiency*. The event aimed to promote a meeting of scientific and technological nature between Efacec and people and/or highly competent and prestigious institutions.

The Markets Committee's main objectives are to analyse the dynamics of development of Efacec current markets, particularly taking into account the reasons that led to their establishment and the distribution of responsibilities between the local component and the Business Units involved.



Technology Committee Mission

- To be a forum for reflection about Efacec technological competitiveness and analyse the market technology trends;
- Promote projects involving several Business Units enhancing the technological diversity of the company as a differentiating factor and of value creation;
- Joint competences and responsibilities in technology between the different Efacec units, and between these and the institutions of the national scientific and technological system;
- Promote technological synergies between Efacec business units.

Organization Cabinet

The Efacec Organization Cabinet developed its activity focusing, in 2014, on the following aspects:

- Definition of corporate rules and concepts in order to support the organization management (business, marketing and legal) in all national and international entities, registering new companies, divisions, cost centres, product lines, market segments, purchasing series and categories and cost components.
- Management of matrix for the delegation of power approval.
- Preparation of official organizational charts, representing the management organization and promoting the standardization of hierarchical levels and functions.

Internal Auditing

Efacec assumes the corporate Internal Audit function as an independent and objective activity designed to add value to the organization, focused on improving its operations and achieving its objectives. Internal Audit reports directly to the Group Executive Committee namely through the CEO.

It is based on a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control processes and corporate governance. Reported points are discussed with the auditees, recommendations being made towards their resolution/improvement. The recommendations are subject to response from the heads of the audited areas, including actions and deadlines for their implementation, where applicable.

In 2014, Internal Audit checked 12 business processes of Efacec Power Solutions, a new computer system being now implemented.

Management System

Management System Certification	
Companies	Management System Certification Standards
Efacec Energia, Máquinas e Equipamentos Eléctricos, S. A. <i>Power Transformers Business Unit</i>	ISO 9001, ISO 14001, OSHAS 18001
Efacec Energia, Máquinas e Equipamentos Eléctricos, S. A. <i>Distribution Transformers Business Unit</i>	
Efacec Energia, Máquinas e Equipamentos Eléctricos, S. A. <i>Servicing Business Unit</i>	
Efacec Energia, Máquinas e Equipamentos Eléctricos, S. A. <i>Switchgear Business Unit</i>	ISO 9001, ISO 14001, OSHAS 18001, NP 4457
Efacec Energia, Máquinas e Equipamentos Eléctricos, S. A. <i>Automation Business Unit</i>	ISO 9001, ISO 14001, OSHAS 18001
Efacec Engenharia e Sistemas, S.A. <i>Contracting Business Unit</i>	
Efacec Engenharia e Sistemas, S.A. <i>Environment Business Unit</i>	
Efacec Engenharia e Sistemas, S.A. <i>Transportation Business Unit</i>	ISO 9001, ISO 14001, OSHAS 18001, NP 4457, IRIS
Efacec Electric Mobility, S.A. <i>Electric Mobility Business Unit</i>	ISO 9001, ISO 14001, OSHAS 18001, NP 4457
Efacec Central Europe Limited S.R.L <i>Environment and Automations Business Units</i>	ISO 9001, ISO 14001, OSHAS 18001
Efacec Contracting Central Europe, GMBH <i>Engineering and Renewable Business Units</i>	ISO 9001
Efacec Praha <i>Logistics and Renewable Business Units</i>	

Standards used for the Management Systems Certification:

- ISO 9001 (Quality)
- ISO 14001 (Environment)
- OSHAS 18001 (Safety and Health at Work)
- NP 4457 (Research, Development and Innovation)
- IRIS (Quality - specific requirements for European railways industries)
- NP 4492 (Quality - specific requirements to provide maintenance services)
- NP 4413 (Requirements for fire extinguishers maintenance)

Made of modules that have been the basis of successive certifications in the areas of Quality, Environment, Safety and Innovation, the Efacec Management System is certified by accredited external entities.

The Efacec Management System is also supported by software applications developed to increase its performance. The SigefaQES is the system that ensures the document management and the management of events (incidents). In 2014, new features were added; they automatically connect the results of audits and customer satisfaction with the events management and respective action plans. On the other hand, Efacec uses external services to audit, annually, its legal compliance. The distribution system of standards and other regulations has itself also been continuously improved. Finally, significant improvements in performance monitoring procedures have been achieved.

Relationship with Stakeholders

The understanding of Efacec activities by its stakeholders and the value they confer upon it, are evaluated quantitatively and qualitatively through two-way communication processes. The analysis of stakeholders' expectations leads to the identification of Materials Themes that are the subject of special attention in this report.

Communication and review of relationships with stakeholders			
Methods of Assessment	Forms of Assessment	Expectations	Responses/ Material themes
Society and all interested parts			
<ul style="list-style-type: none"> Efacec Portal/ general email Participation in public recognition processes Presence in society events (communications, roundtables etc.) Communication with community institutions Participation in publications Participation in associative movements 	<ul style="list-style-type: none"> Analyses disclosed in the Annual Reports (Management, Accounts and Sustainability) Application of Reports for public recognition Management of support and sponsorship proposals Analysis of Positions and Public Policies Reporting and analysis of Efacec holding abroad 	<ul style="list-style-type: none"> Sharing of knowledge Support to initiatives of companies/ community 	<ul style="list-style-type: none"> Relationships with the society
Customers			
<ul style="list-style-type: none"> Customers Satisfaction Survey Specific communications of business support Communications of proposals development and contracts performance Trade fairs and attendance of commercial and technological events Customers audits 	<ul style="list-style-type: none"> Analysis of customer satisfaction Continuous analysis of information from customers resulting from visits, facilities and services Systematic analysis of customers complaints Analysis of results of customers audits Analysis and response to questionnaires and other qualification requirements for supplying 	<ul style="list-style-type: none"> Quality of product/service/ solutions Innovation of product/ service/solution Credibility and image of the organization Adoption and implementation of citizenship values and other aspects of sustainability Compliance with regulations 	<ul style="list-style-type: none"> Business Portfolio Activities Optimisation Innovation and R&D management Environment impact of activities
Staff			
<ul style="list-style-type: none"> EfaProgress (performance and development management) EfaVoice (employees' satisfaction management) One-off meetings, planned meetings and meeting of knowledge sharing Questionnaire for satisfaction survey of internal customers Meetings of employees together with family members Colombo programme (management of creative ideas) 	<ul style="list-style-type: none"> Analysis of performance, career, mobility and training needs Analysis of employees' satisfaction Evaluation of training and development Evaluation of internal customers Evaluation of meetings and other initiatives Colombo programme review 	<ul style="list-style-type: none"> Wellness (pride, occupation compensation equity and environment) Socialization Personal development Reconciliation work/family Best support services 	<ul style="list-style-type: none"> People management
Suppliers and Partners			
<ul style="list-style-type: none"> Suppliers management process Projects with partners Business projects (works) 	<ul style="list-style-type: none"> Assessment and recognition of suppliers Analysis of project management 	<ul style="list-style-type: none"> Ethical relationships Fair evaluation of partners 	<ul style="list-style-type: none"> Corporate statements Optimization of activities
Shareholders			
<ul style="list-style-type: none"> Indications for Board of Directors and Executive Committee meetings Meetings and events with the joint participation of shareholders and Efacec senior staff 	<ul style="list-style-type: none"> Analysis/ reporting of the Board of Directors meetings Analysis/ reporting of senior staff meetings Analysis/ reporting of the Executive Committee 	<ul style="list-style-type: none"> Business growth Activities profitability Group Sustainability 	<ul style="list-style-type: none"> Business Portfolio Optimization of activities Risk management Internal Audit

Management Revision and Control

In 2014, Efacec continued improving its work of information management, in order to ensure alignment with its strategic objectives and business plan execution. In addition, existing tools to monitor the performance of various business units were developed, determining in due time any eventual deviations from what was planned.

The year 2014 was also characterized by commitment towards procedures standardization and support to local structures at the Market Units level and respective subsidiaries.

The growing development of the external market importance in Efacec turnover caused a major challenge in 2014 as well as the need for constant improvement of processes in order to minimize risk factors.

In 2014, focus was on the strengthening of the resources and management control methods and on the monthly report review of the Group in order to monitor and respond to new challenges and to the new reality of Business Units and Market Units.

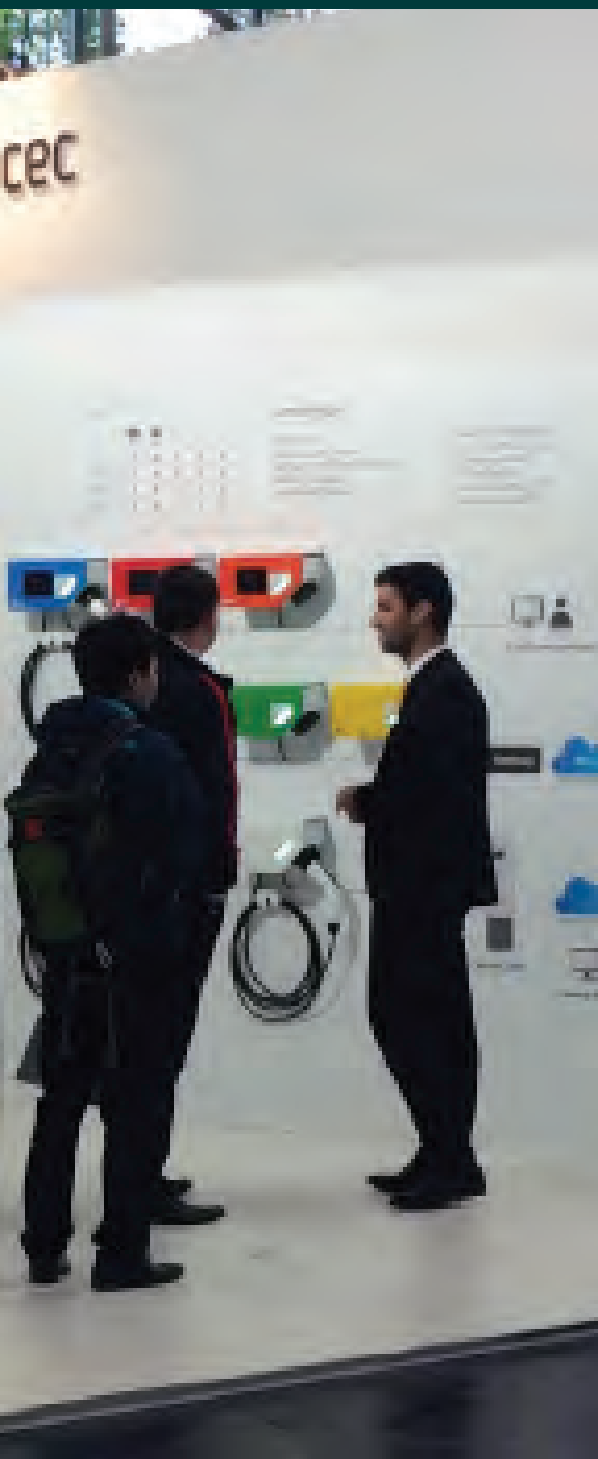
Commitments for 2015

Component	Prospect	Initiative
Economic	External	<ul style="list-style-type: none"> • Complete the adaptation of business model around the core activity. • Extend the presence of Efacec in the international market of electric mobility.
	Internal	<ul style="list-style-type: none"> • Review and develop Corporative Statements (Code of Ethics and Management Policies). • Proceed with the PMO portal development. • Proceed with the expansion of the management systems certification. • Proceed with the development of the supplier management systems (efasst and GlobalArt). • Proceed with the eflight project. • Implement audit module in SigefaQAS.
Environment	External	<ul style="list-style-type: none"> • Proceed with the QT1project (low level transformers). • Extend the supply of Greenfix equipments. • Proceed with the SmartC2Net project (reliable solutions that enable smart grids operation in heterogeneous communication infrastructures). • Proceed with the HbioS project (build a full-scale unit with a capacity to treat 140 m³/h of biogas). • Conclude the IPSILON project (light rail trains management system).
	Internal	<ul style="list-style-type: none"> • Proceed with the cycle-of-life studies for transformers to be supplied in Europe. • Proceed with the focus on waste reduction and recovery.
Social	External	<ul style="list-style-type: none"> • Participate actively in the programs: Junior Achievement, Porto de Futuro and Volunteering Program of Jose de Mello Group. • Keep the effort in efaAjudar. • Proceed with the development of relationship with schools and universities.
	Internal	<ul style="list-style-type: none"> • Proceed with the development of efaVoice. • Proceed with the international extension of efaProgress. • Proceed with the accident rates (between 5-20% according to QES plan). • Proceed with the focus on <i>Projects Management</i>. • Proceed with the guarantee of social services.



eCarTec 2014 - Munich

The presentation, at this event, of the latest product of Efacec DC range, the QC24S, a 24 kW equipment with about 50 kg, was considered a success. Much appreciated by visitors for its technological sophistication, modern, distinctive and appealing design, its small size and price competitiveness, the QC24S was recognized by car manufacturers, customers and competitors as a disruption factor in the electric mobility market.



Focusing on Economic Sustainability

By participating in business events and technological fairs held in different countries worldwide, Efacec has been strengthening its brand, being closer from its customers and winning partners in different dimensions.

In 2014, the society attended relevant events and exhibitions, from which we point out, among others, the presence at *AMPER* (Brno), *IEEE PES T&D* (Chicago), *Groothandel & Logistiek* (Eindhoven), *CeMAT* (Hannover), *Filda* (Luanda), *Facim* (Maputo), *CIGRÉ* (Paris), *Innotrans* (Berlin), *Taropak* (Poznan), *IWA World Water Congress & Exhibition* (Lisboa), *eCarTec* (Munich), *Logistics* (Madrid) and *Solar Energy* (Birmingham).

To be highlighted our participation at the Hannover fair, one of the largest and major events in the field of industry worldwide, where over 180.000 visitors from 100 countries were able to know the most recent technological developments exposed to public by around 5.000 exhibitors.

Efacec exhibited its competence portfolio at the *Industrial Supply Trade Show* and presented, at the *Mobiliteca* fair, the complete range of products and solutions it provides in the field of electric mobility, with special emphasis on new equipment for domestic and public electric charging.

Among other relevant events, the *Expo 2017 Astana*, which will take place in 2017 in the capital of Kazakhstan, and will be attended by over one hundred countries; it will have the presence of Efacec, which, in the context of a Portuguese state visit to that country, namely from its Executive Chairman, signed several business contracts.

Transformers

Switchgear and Automation

Transformers

Provides products and solutions for power generation, transmission and distribution.

Power Transformers

- Shell Transformers
1500 MVA; 525 kV (BIL 1675 kV)
- Core Transformers
350 MVA; 400 kV (BIL 1425 kV)
- Core or Shell Mobile Substations
60 MVA; 245 kV (BIL 1050kV)

Distribution Transformers

- Three-phase dry type distribution transformers, epoxy encapsulated, 250 a 6300 kVA, up to 36 kV, commercially known as Powercast
- Three phase distribution transformers, 50 - 6300 kVA, up to 36 kV, hermetic, immersed in mineral oil for indoor and outdoor installation
- Mineral oil immersed transformers up to 20 MVA and 66 kV for indoor or outdoor installation, with load regulation and cooling by radiators

Servicing

It provides a wide range of services and solutions for industrial installations , hydroelectric power plants, thermoelectric power plants, mini hydroelectric power plants, cogeneration power plants, wind power farms, substations and transformer stations.

It performs inspection works, tests, diagnosis, maintenance, repair and commissioning of:

- AC and DC Motors
- MV Motors
- Alternators
- Turbines up to 10 MW
- Excitation, command, control and protection systems
- Distribution Transformers
- Transformer Stations
- Power Transformers
- MV and HV Circuit Breakers
- MV and HV Disconnecting Switches
- MV Switches
- LV/MV Electric Boards
- Wind Turbines

Switchgear

It develops solutions for Power generation, transmission and distribution in high and medium voltage ranges:

High Voltage

- Horizontal and Vertical Disconnecting Switches up to 245 kV
- Pantograph Disconnecting Switches up to 420 kV and Semi Pantograph up to 550 kV
- Withdrawable Units from 36 to 72,5 kV
- SF6 Disconnecting Switches up to 36 kV

Medium Voltage

- Primary Distribution: air insulated switchgear - Normacel type up to 24 kV and QBN7 up to 36 kV, for indoor and/or outdoor, fixed or mobile installation.
- Secondary Distribution: Modular Switchgear - Normafix type up to 36 kV and Modular and Compact - Fluofix GC up to 36 kV
- SF6 insulated Compact Outdoor switchgear - Fluofix GC type .T, 12 kV
- Vacuum Circuit Breakers - Divac type up to 36 kV
- Vacuum aerial reclosers - REVAC type, up to 36 kV
- MV outdoor Circuit Breakers 15/27 kV
- Compact Substations - Pucbet, Pucinox and MAS MSB
- Mobile substations up 36 kV; 1600 kVA

Servicing

- Renovation / Rehabilitation of High and Medium Voltage equipment and systems
- High and Medium Voltage Equipment Commissioning
- After sale Maintenance and Assistance

Automation

Power Generation, Transmission and Distribution

- Smart grids solutions
- Network management systems (SCADA/DMS/EMS/OMS)
- Smart metering solutions
- Telecontrol and operations management solutions
- Automation, protection and control systems for substations
- Automation of renewable power plants
- Operation conditions monitoring and infrastructures management
- Distribution automation
- Protection relays

Transport Systems

- Railways electrification networks management systems
- Infrastructures technical supervision and operation
- Automation, protection and control solutions for substations
- Electric vehicles charging infrastructures management

Cities, Industry and Utilities

- Electric vehicles charging infrastructures management
- Smart metering solutions
- Street lighting management systems
- Telecontrol and operation management solutions
- Automation, protection and control solutions for substations
- Protection relays

Business Portfolio

Engineering

Contracting

It mainly includes turnkey systems with base project, detailed projects, procurement, erection and testing. The solutions developed are supported by intensive activities in R&D.

Power Transmission and Distribution networks

- Substations
- Electrical network

Power Plants

- Hydroelectric and mini hydroelectric power plants

Renewables

- Waves
- Wind
- Solar Photovoltaic

Environment

Water Treatment

- Water Treatment Plants
- Domestic or Industrial Wastewater Treatment Plants
- Water intake and pumping stations
- Treatment systems operation and maintenance
- Telemanagement and systems automation

Air Treatment

- Industrial Dedusting
- Materials Mechanical and Pneumatic Transport
- Energy efficiency
- Ventilation of Tunnels
- Air Conditioning for Hospitals and Public Buildings

Solid Waste Treatment

- Simple Mechanical and Automated Solid Waste Treatment
- Mechanical and Biological treatment through Anaerobic Digestion and Aerobic Composting
- Organic Valorisation through Anaerobic Digestion and Aerobic Composting
- Preparation of Refused Derived Fuel (RDF)
- Recovery of Biogas Energy providing from Anaerobic Digestion and Landfills
- Gas field and landfill sealing

Telemanagement Systems

- Water and sanitary networks
- Irrigation networks
- Networks in the field of waste

Industrial Systems

- Petroleum and gas
- Pulp and paper
- Cement
- Steel Industries

Thermoelectric Power Plants

- Conventional power plants
- Combined Cycle and Cogeneration Biomass
- Power plants for industrial units: Petroleum, Cement, Pulp and Paper Renovations
- Electric and control systems
- Technical studies
- Training

Mobility

Transport

Its strategic targets are Light Rail Systems, Heavy Metros and Road Transport.

For these segments, we can provide:

- Operating Support Systems for Light Rail Systems and Buses;
- Signalling systems for Light Rail Systems and Low traffic Railway lines, including safety-automated solutions for level-crossings;
- Operation, control and command integrated platforms;
- Traction substations and power infrastructures;
- Public Information Systems;
- Communication Systems;
- Safety integrated solutions, including Smart video surveillance;
- Turnkey solutions for electromechanical systems, including all skills already referred.

Electric Mobility

Electric Mobility

It dedicates its activity to the Development, Engineering and Production of Electronic Power Systems.

Electric Mobility

- Electric Vehicles charging solutions and management systems of these infrastructures including integration into the electric network.
- Power and traction systems for electric vehicles

Power Systems

- AC and DC power systems for different sectors , namely, Telecommunications, Energy, Transport, Industry, Services and Renewable energies.
- Converters for renewable energies
- Electronic Converters for renewable energies: solar, waves, energy storage and other forms of renewable energy
- Turnkey solutions for solar photovoltaic plants

Electric Traction

- Traction Rectifiers and Braking Energy Recovery Systems

Space projects

- Electronic equipment to be used in Space projects

Transformers

The domestic market remained , in 2014, one of the major transformers markets, namely with orders from REN-Redes Energéticas Nacionais for Shell and Core types transformers and for Douro Sul wind power farm, with orders of the same Shell and Core types transformers and distribution transformers.



The UK assumed itself, once again, as the main Efacec market of the distribution transformers activity, Efacec having presently in this market nine multi-year contracts with Utilities such as Scottish and Southern, Western Power Distribution, UK Power Networks, Scottish Power, Electricity Northwest and Northern Powergrid. The Scottish and Southern, the customer with the highest volume of orders in this area, has awarded Efacec hundreds of distribution transformers and shell and core types power transformers. These orders were made under the agreements framework established in 2014.

With Sonelgaz as final client and in order to equip transmission substations of that Algerian utility, Efacec has signed supply contracts with Matelec, a Lebanese contractor and Efacec partner for already many years, relating to fifteen single phase units, and with a new partner, the Spanish TSK contractor, a contract for the supply of six single phase units, all of them 100 MVA 400/220 kV.

With the new positioning of its activity in the Saudi market and the local support of Bandariyah International Company, the new representative on that market, it was possible to obtain new orders for 132 kV transformers and mobile units. These devices will be installed on the Saudi Electricity Company network.



Efacec signed a contract with the Austrian company Andritz Hydro for the supply of various power transformers for the Lauca hydroelectric power plant/ Angola, seven of which are 371 MVA shift phase Shell transformers and one unit is a core type 72 MVA transformer.

Fortum Distribution, one of the four major Swedish utilities awarded Efacec, for the first time, the supply of a 25 MVA, 126.5/21.5-10.75 kV mobile substation. This order has the particularity to be 100% financed by Svenska Kraftnät, which is the owner of the Swedish transmission network.

At the same time, the company received orders for different mobile substations for the international market, from which we highlight the order of three 35 MVA-132 kV units for the Argentine utility EDESUR, the order of a 60 MVA-230 kV unit for the American company PSEG and the order of one 30 MVA-138 kV unit for ICE - Instituto de Electricidade da Costa Rica, the supplier of electricity and telecommunications services of this country.

EDESUR, the electric utility responsible for the trading and distribution of electricity at Buenos Aires launched an international call for bids, in May 2014, for the acquisition of three mobile substations.

The special requirement of EDESUR for this award was to obtain the guarantee from the supplier that these three mobile substations would be delivered in a very short time, with the challenging objective of putting them into service in early December, in time for the Christmas season, the time of the year with the greatest peak of electricity consumption.

In order to ensure compliance with the delivery and commissioning, just after testing at Efacec, and at customer's request, the equipment was transported to Buenos Aires, by air, as by sea it would have taken about one month and a half.

Using special Antonov 124 aircrafts, the world's second largest cargo planes, each substation was loaded and transported in just 24 hours from the airport Sá Carneiro to their destination.

With typical delivery times of twelve months, the challenge was unusual. We managed to set specifications, develop engineering solutions, manufacture and deliver mobile substations in just six months!

For this project, each mobile substation is composed of three modules in three vehicles, with a total weight of 90 tonnes and a length of about 40 meters. Currently Efacec Energia is one of the world's largest manufacturers of mobile substations and able to provide the most complex solutions for the most demanding customers.

EDESUR, which is part of the Italian group ENEL, serves over 2.3 million customers and a population of about 6.2 million, in an area of 3,309 km².



Servicing



Based on a policy of renovation and preventive and predictive maintenance of its substations, REN - Redes Energéticas Nacionais awarded to Efacec the transfer of a three phase 63 MVA, 150/63/10 kV transformer manufactured by Efacec, between the Substations of Chaves and Estremoz and the great rehabilitation of two other three phase transformers of Carriche (Lisbon) and Riba de Ave substations.

EDP Produção awarded to Efacec the rehabilitation of different transformers in seven hydroelectric power plants and in three mini hydroelectric power plants, which belong to Pebble. The order for power transformers of 40 MVA to 80 MVA with 6 to 15 kV primary voltage and 60 and 220 kV secondary voltage was carried out under the framework agreement concluded in 2012 between Efacec and EDP.

Within the “Sinergie” contract agreed in 2012 between EDP Distribuição and Efacec and in order to respond to the active policy of EDP regarding the preventive maintenance of its equipment, Efacec carried out the rehabilitation of seven transformers, four on site (S. Martinho do Campo, Loulé and Lagoa) and the remaining ones at the factory (Venda do Pinheiro and Porto) and the rehabilitation of six control boxes, with complete replacement of

electric components and change in voltage to 110 V DC. Still within the scope of this agreement, Efacec provided the maintenance, upgrade or rehabilitation of about three hundred distribution transformers.

PEGOP/Tejo Energia ordered to Efacec the works, on site, of a transformer interruption and repair, including overall maintenance of the installation, main and auxiliary transformers testing and phase replacement.

Following a lightning strike that caused the explosion of the regulator of an Areva 12 MVA 63/20 kV transformer, installed in a wind farm, WHS awarded Efacec the repair of that equipment, with new winding and new voltage regulator. The repair was carried out using Efacec technology, specific for this purpose, which ensures a greater protection of the regulator, especially when exposed to atmospheric discharges that are very common in wind power farms.

Still in the field of rotating machines (motors and alternators), we highlight different maintenance works awarded to Efacec by CIMPOR, EDP-Distribuição, Jordão Costa, PEBBLE HYDRO, PEGOP, Siderurgia Nacional and Valor Sul, to which we should add the alternator assembly works carried out by Efacec at Ribeiradio and Ermida power plants.

Consolidating the relationships existing with Efacec and opening good prospects for 2015, the Spanish REE - Red Electrica de España, has awarded Efacec the reconditioning of three 150MVA 400kV autotransformers and two 200 MVA-400kV, for the substations of La Plana and Soto Ribera respectively.

Also in the Spanish market, Endesa awarded Efacec the rewinding of Group I shell transformer of the Prada-Materiel Electrique Hydroelectric 41.5 MVA - 220/11 kV power plant

In the same manner, Endesa awarded Efacec the revision of Group II main transformers and auxiliary transformers of Carboneras thermoelectric plant and of group III of Teruel thermoelectric power plant. This order comes as sequence of the order awarded to Servicing.

GALP Energia awarded Efacec several important orders for the repair of rotating machines. We highlight the work carried out at the Sines refinery, which included the repair of a flameproof motor, Efacec manufactured, with supply of new magnetic plates, winding, rotor cage and came, the rehabilitation, in workshop, of a transformer, the mechanical recovery of motor manufactured by Siemens and the maintenance of eighty transformer stations.





Noteworthy are the orders of ENE - Empresa Nacional de Electricidade de Angola for the implementation of new equipment at Gove hydroelectric power plant and for the revamping of this same power plant as well as that of Luquixe hydroelectric power plant. Furthermore, there is the order for the partial winding of Group II alternator stator 4500 kVA, 6000 V of Biópio Power Plant and the major revamping work that included the auxiliary services board, the low voltage general board and feeding lines of the plant.

These orders have reinforced the excellent relations that company has maintained with Efacec in the Spanish market, namely in hydroelectric and thermoelectric power generation, where the company is also responsible for the maintenance and other works at As Pontes and Compostilla.

Still in Spain, Iberdrola awarded to Efacec the rewinding of a 20 MVA, 132/20 kV transformer (IMEFY manufactured) of the Aeronautic Park substation, at Albacete.

After an increasing number of important queries from Iberdrola Generacion Hidraulica, two significant orders were placed in November, for rotating machines in Spain, the rehabilitation of the GEE alternator - 95 MVA - 15 kV of Group 2 of the Conso Hydroelectric Power Plant and the manufacture of ten polar coils for the alternator rotor of Group 1 BBC - 135 MW - 13,8 kV - 600 rpm for the Villarino Hydroelectric power plant.

Angola was also an important market for the Efacec Servicing activity as the company was awarded different orders for that country.

The Angolan company EDEL - Empresa de Distribuição de Electricidade at Luanda awarded to Efacec the revamping contract of the switching station PS31, in the old part of the capital of the country. The work consisted in replacing the current medium voltage switchgear by a Normacel 24 kV unit, equipped with protection relays and battery charger system produced by Efacec, an intervention on the 60 kV capacitors banks and the maintenance of Maianga, Golfe, Cuca and Ngola Kiluange substations.

Efacec still received an important order from HCB - Hidroeléctrica de Cahora Bassa to supply three additional spare winding for the power plant main transformers. This order occurred within the transformer maintenance contract signed at the end of 2012 between Efacec and HCB. Between 2012 and 2014, Efacec already rehabilitated eight single-phase 160 MVA 16/230kV GSU's transformers with complete winding replacement; the rehabilitation of one additional transformer is foreseen for 2015.



In the USA, Luminant awarded the transfer of a GSU GE, 825 MVA, 345/22,7kV transformer to another plant, in Texas, at 300 miles (around 483 km) from the departure point.

Still in the American market, FPL-Florida Power & Light ordered to Efacec the repair of a shell GSU JST 515 transformer; this is the first work in an OEM unit undertaken at the factory and with barge transport.

The transformer was transported from Fort Meyers (Florida) to Effingham (Georgia) due to internal hot points. The four months repair included the reengineering of the magnetic circuit area and resulted in a considerable reduction of no load losses (7%).

Switchgear

National medium voltage leader, Efacec carried out, once again in 2014, various supplies for a significant number of installers. To be highlighted, due to their importance, the supply of dozens of transformer stations to strengthen the power of LIDL stores in Portugal. Also relevant to be mentioned are supplies of these same products for the second phase of the expansion of Continental Mabor plant at Lousada and for REN - Redes Energéticas Nacionais, to be installed at Trajouce Photovoltaic Park.



During the last financial year Efacec increased its market share as provider of cubicles and equipment for EDP Distribuição; supplies for EDP Produção were also important, particularly for Ermida, Ribeiradio and Salamonde power plants.

Furthermore, the main mining industries of the country are powered by equipment manufactured by Efacec, as result of direct awards of Almina and Somincor.

Internationally, Efacec Argentina consolidated its growth already evidenced in 2013. Edenor and Edesur, the two electricity distributors of Buenos Aires, along with Edemsa, distributor of electricity in the Mendoza province, stood out among the companies with the highest orders volume of **NORMACEL** and **NORMAFIX** cells range. With regard to Edesur, the **NORMACEL** cells referred equipped the first three substations of different 132/13,2 kV - 35 MVA mobile substations that company had awarded to Efacec Energia, a relevant project for the technological image of Efacec in this country.



We still mention, in the domestic market, the supply, installation and commissioning of switching and transformer stations equipped with **NORMAFIX** and **FLUOFIX** switchgear, 24 and 36 kV range for the French group Neoen, through its subsidiary Gensun for installation in three photovoltaic parks built in the region of Coruche (2 MVA), Cabrela (12 MVA) and Seixal (8 MVA).

In cooperation with the Portugal Unit and through the Chilean Enersis Group, Efacec Argentina received the first orders of **FLUOFIX** cells and high voltage disconnecting switches for Edelnor and Codensa, the electric utilities in Peru and Colombia.

In 2014 with the expansion of the activity in areas such as automation and equipment reconditioning services, with special emphasis among the major Spanish contractors, mainly for export projects,

both of medium and high voltage products as automation, Efacec Equipos Eléctricos maintained its annual growth of twenty percent, especially in the autonomous communities of Catalonia and Valencia.

In 2014, Efacec still ensured the full control of the manufacture and assembly of **SwitchKIT®** and **Standard Assembled Kits (Saks)**, which are the basis for the final assembly of the entire product range of Efacec Switchgear activity, in the the new company Efacec Switchgear India Pvt. Ltd.

In the Angolan market, Efacec has consolidated some important customers, especially for the Angolan government, with the provision of primary distribution equipment for the new Presidential Palace in Luanda. Still to be mentioned, many supplies for the oil company Sonangol, and primary range equipment for the Luanda refinery and for EDEL.

Coca-Cola SABCO Mozambique awarded Efacec the supply and installation of medium voltage infrastructures for its new plant, under construction in the region of Matola, densely populated and the largest industrial zone of Mozambique. Called Coca-Cola New Bottling Plant, the new plant, scheduled to open in 2016, will be the most modern Coca-Cola plant ever built in Africa. The supply will be ensured by Efacec factories in Portugal and Mozambique and will include medium voltage switchgear, MV/LV transformers and power supplies.

AL-NOOR Company for Electrical Services LTD.in Iraq awarded Efacec the supply of primary distribution equipment for Tikrit South, Al-Habaniya e Dyial Substations. With a presence already

Automation

consolidated in countries such as Lebanon and Saudi Arabia and under expansion for other Middle East countries, this first order from AL-NOOR appears in consequence of the signing, in 2013, of a Memorandum of Understanding between Efacec and this company.

Efacec established a commercial and industrial partnership with Magnetron, the largest Colombian distribution transformers manufacturer while having already obtained, in parallel, the necessary approval of its medium voltage plants. It is the first manufacturer of medium voltage cells to achieve RETIE 2013 certification and this approval is in line with the growing importance of this market for the Efacec switchgear activity. Although this partnership is recent, the first supplies of cells for this market have already begun.

Efacec was present in several exhibitions, which includes the presence in the *Trade Exhibition Power Kazakhstan* held between 28 and 30 October 2014, in Almaty, Kazakhstan. The stand exhibited the **NORMACEL** cell, equipped with DIVAC vacuum breaker, TPU S220 multifunction protection relay and solar energy solutions.



Consolidating the partnership which began in 2011 with SunEdison the largest solar developer in the world, Efacec strengthened its presence in the European market, with the provision of equipment and services for photovoltaic plants. The installed power capacity during the year 2014 was over 100 MW, with great relevance for the UK.

In 2014, Efacec confirmed its position as the leading provider of the EDP Smart Grids program, by receiving an order from EDP Distribuição for the supply of two thousand transformers controllers (DTC) based on the **G Smart** controller and seven hundred failure detectors based on unit **G Fault**.



Efacec also installed solutions based on the CLP 500SAS platform at Arroja, Mercado, Vale Serrão and Reboleira EDP Produção substations as well as at REN Frade substation.

These solutions use the UC 500 processing central unit, Control Units Serie 500 and protection units Serie TPU 420 or units from third parties.



With confirmed presence in the Angolan market, Efacec supplies advanced management and supervisory systems for energy transmission and distribution networks of ENE, Empresa Nacional de Electricidade de Angola and of EDEL Empresa de Distribuição de Electricidade, important Angolan utilities.

These companies awarded to Efacec, in 2014, SCADA systems supplies based on advanced management platform ScateX+ for control centers as well as automation, control and protection systems for the main substations of the Angolan electric systems.

Also in Southern Africa, Efacec was awarded the order of substations automation system (SAS) for Matambo 220 kV transmission substation, located in northern Mozambique. The solution ensures metering, protection and control and is part of the expansion project of the substation that feeds the coal industry and connects Cahora Bassa to the 220 kV network. The leader of the contract is the Saudi group NCC-National Contracting Company.



With regard to Maghreb, the **CLP 500SAS** Efacec automation platform was selected for the Chebli substation of CEEG, in Algeria, a company of the SONELGAZ group, through the main contactor EIP.

In Europe, Efacec supplied new automation systems (SAS) based on the **CLP 500** platform for the Norwegian company Hafslund Nett Øst, based on a contract awarded through the Norwegian partner Nett Tjenester. The systems will be installed in the Spydeberg, Ørje and Aremark distribution substations.

The delivery, in 2014, to HEDNO, the Greek utility, of the first phase of the two SCADA/DMS systems based on **ScateX+** for the region of Attica (Athenas) and Islands was successfully performed.

Also based on **ScateX+**, Efacec equipped, through the company Meiden, the first phase of the SCADA system of the Kuala Lumpur Metro (Malaysia).

In Latin America, the company received an order for the supply of protection and control systems for three substations of the Brazilian company EDP Bandeirante for the industrial parks of Barreiro and Porto Novo.

The Romanian power transmission utility and Teghout CJSC, a company of the Armenian Group Vallex, ordered to Efacec substations command and control systems based on the **CLP 500** platform (Tihau transmission substation 220/110 kV, Vetis substation 220/110/20 kV and Kasheen substation 110/20 kV).

Efacec was chosen to supply an automation system for the Chilean transmission network operated by Transelec, within the scope of a contract for the extension of a 220 kV substation. The contract included the extension of two 220 kV lines and the solution is based on the **CLP 500SAS** platform.

Tanesco, Tanzania Electric Supply Company, awarded to Efacec two new contracts for the supply, configuration and commissioning of automation systems to be added to a previous supply for the hydroelectric power plant of New Pangani Falls, 2x34 MW in the Hale region.

One of the contracts, part of the program for the erection and rehabilitation of substations in the regions of Arusha and Dar Es Salaam, led by the Saudi group NCC, includes the command, control and protection system of three substations (Njiro 220/132/33 kV, Sokoine of 33/11 kV and Ilala of 132/33/11 kV).



Contracting



The Argentinean market was also important for the automation activity of Efacec in 2014, particularly in terms of providing automation and control systems for three mobile substations of Edesur. Still in Latin America, Efacec supplied automation systems for substations in Venezuela, Peru and Paraguay.

In 2014, Efacec launched the third version of the **Automation Studio** tool, now with support for IEC 61850 Ed.2, which is a new level to support electric power automation systems.

This engineering tool, now available in three editions *EXPRESS*, *ENGINEER*, and *PREMIUM SUITE*, is fully compatible with Windows XP Pro SP2 to Windows 8 and Windows Server.

Within the scope of medium voltage smart automation, Efacec launched the *view4grid*, a Support tool for the configuration and commissioning of smart controllers such as the **G Smart**, as well as smart meters such as the **M Box**. This application enables to carry out operations such as identification, procurement, testing and generation of configuration and firmware and is prepared for massive rollouts of smart grids technology. This solution is already used by EDP in Portugal.

In 2014, Efacec developed in the region of Batalha, together with EDP and other partners, the phase IV of the *InovGrid* project, a pilot project that includes, for the first time, all the range of *SmartPower* products. Communication solutions were installed based on technologies such as *RF-Mesh* that supports *Distribution Automation* (DA) and *Advanced Metering Infrastructures* (AMI). We particularly point out the automatic detection technologies, faults insulation and network reconfiguration after failure. The Efacec scope of supply for this project included energy meters and street lighting integration, as well as the supply of **G Smart** intelligent controllers and network switching devices.

In Portugal, Efacec concluded the turnkey erection contract of two photovoltaic plants, Salgueirinha (Palmela) and Trajouce (Cascais), both for the Solar Balance promoter. These are two projects of 4 MW each, connected to 15 kV and 10 kV EDP substations and designed for an estimated production of 15,000 MWh per year, equivalent to the consumption of more than eight thousand families. Planned to last seven months, the project included the construction and full guarantee of the solar energy improvement, with a total capacity of 8 MW. Further to the network connection, Efacec ensured the option for the operation and maintenance contracts of the facilities over twenty years.



The Consortium Efacec Engenharia e Sistemas and Andritz Hydro completed the commissioning of two groups (2 x 4,5 MVA) at Ermida Hydroelectric Power Plant and performed the first synchronization of the group (86 MVA) at Ribeiradio hydroelectric power plant. The projects are part of the contract signed with GreenVouga and include, beyond others, the supply of hydro mechanical equipment: lifting means (overhead travelling cranes and gantries), electromechanical equipment (supply of Ermida alternator and installation of Ribeiradio alternator), output voltage electrical installation (15 kV), issuing voltage (60 kV), transformers, AC power systems, command and control and other remaining auxiliary installations (safety, lighting, plugs and ventilation).

In southern Africa, Efacec signed a new contract for the rehabilitation and repowering of the Luachimo Angolan dam. The agreement was signed with NIARA POWER, subcontractor of the Chinese engineering and construction company Gezhouba Group, (CGGC), one of the largest and most important global companies in the civil construction area and in particular in the construction of dams. Foreseen to last thirty-seven months the project includes the rehabilitation of the existing dam equipment and erection of a new hydroelectric power plant.

With as ultimate customer the Angolan utility ENE - Empresa Nacional de Electricidade, Efacec in Angola completed, by the end of the first half, new important projects. We highlight the

commissioning of Kikuxi - 60/30 kV-20 MVA and Catete - 60/30 kV-20 MVA (Km44 SS) mobile substations. The new Controlled Shunt Reactor of Kuito substation was also commissioned as well as the new Controlled Shunt Reactor, Ukrainian manufactured (ZTR), supplied by Telectrinf.



In Mozambique Efacec commissioned the new transformer bay of Infulene substation at Maputo, an event marked by the presence of the most senior executives from Electricidade de Moçambique. The project, an additional to the base contract ENC151 / 2008-LOT2 already successfully performed, included not only the supply, installation, testing and commissioning of a new 250 MVA 275/66/11 kV transformer bay, vital for EDM (which supplies power to more than 50% of the Maputo city), but also its integration into the National Control Centre.



In the Maghreb region Efacec concluded the commissioning of the new Messerghine 220/60 kV, Tissemsilt 220/60 kV, Sidi Kada 60/30 kV, Thniet El Had 60/30 kV and Batna Est 60/10 kV substations. The contracts signed with GRTE (Sonelgaz-Algeria), include, in addition to these new substations, performed through turnkey contracts, several expansions and renovations also already completed or nearing assembly and testing completion.

The ceremony to sign the contract for the Jvari 500/220kV substation erection project occurred in April in Tbilisi, Georgia. This is the first lot of the Jvari Khorga interconnection project. The financing of the substation is guaranteed by the European Bank for Reconstruction and Development (EBRD), in conjunction with the Kreditanstalt für Wiederaufbau (KfW) and EC Neighborhood Investment Facility (NIF).

In South America Efacec obtained in Chile the award of the turnkey construction contract of the San Pedro Photovoltaic Parks (33 MW), for RIJN promoter. This is the first Efacec photovoltaic project in this country, one of the largest in Chile, connected to the MV Transelectrica substation. The infrastructure will be equipped with polycrystalline modules and 1-axis trackers. The projected estimated production of around 60,000 MWh per year is equivalent to the consumption of more than thirty thousand families. The construction began in October 2014 and the park interconnection should occur in the first quarter of 2015.



Environment

Tecnovia awarded Efacec the pumping and filtration stations for the works of EDIA, for the irrigation blocks of Barony, Alvito and Sado. Also for EDIA, as Ramalho Rosa-Cobetar designated subcontractor, Efacec won public tenders for the block of Beja and Vale do Gaio hydraulic circuit, assuming the responsibility for all electromechanical and electrical works.

Efacec Engenharia e Sistemas in Consortium with Graviner won the contract for the design and construction of Vale da Pedra Water Treatment Plants rehabilitation, one of the major installation for drinking water distribution to Lisbon. At the same time Águas do Mondego also awarded Efacec the design and construction of Semide waste water treatment plant.

In the field of air treatment, we point out an order from Polysius for 160 dedusting filters for the cement industry.

With regard to water telemanagement systems, we received important orders from Mira and Águas do Noroeste. Still for Águas do Noroeste Efacec won an order for the operation and maintenance of Ave Waste Water Treatment Plant.

At the end of 2014, Efacec signed a new contract for the engineering work, procurement, improvement and tests to be performed during the shutdown of the Luanda refinery scheduled for 2015. It also signed a contract with SONAREL Refinaria de Luanda that integrates the equipment of the electrical control and instrumentation areas.



In Mozambique, Efacec concluded the commissioning of a fuel power plant for the Inhambane Dam repowering.

The project consisted in the supply, installation, testing and commissioning of two reciprocating electric motors for continuous service and with a capacity of power generation totalling about 5 MW.

At Malta, Efacec is currently erecting a biological and mechanical Treatment Center, the Malta North Waste Treatment Facility, with treatment capacity of 162,000 tons / year. This important project was awarded, through an international public tender that took place during 2013, to a consortium led by Efacec and which includes BTA International GmbH and Vassallo Builders Ltd. With its completion scheduled in 2016, the project includes the sorting and mechanical pre-treatment, biological treatment by anaerobic digestion as well as composting and production of recyclable, CDR and recovery and treatment of biogas, with production of electrical and thermal energy, ventilation and exhausting system, bio filter and electrical installations, command and control.



Transportation

For Águas do Noroeste, Efacec achieved the turnkey order for the implementation of all communication infrastructures (including towers, optic fiber, radio for backbone and access, switches, power systems) included in the first phase of Vale do Ave communications network.

Based on the success achieved with the implementation of Efacec XSafe SIL-4 solution for automation of REFER level crossings, a new contract was signed for the project, supply, installation, commissioning and maintenance of twelve additional automatic level crossings.



At Covilha, we completed the construction of the new high-voltage substation that will supply power to the entire complex of the largest data center of Portugal Telecom. For this project, beyond the substation above mentioned, Efacec supplied the entire medium voltage network as well as the uninterruptible power solution (UPS).

In the area of telecommunications solutions, we highlight the award of a new order from MCEL, mobile operator in Mozambique, for the turnkey supply of over twenty ARL radio connections with high performance and reliability to replace the current connections made via satellite.



In Angola, it was possible to achieve a significant contract of specialized services for the implementation/ upgrading of over two hundred mobile telecommunications sites for Ericsson.

At Dublin Light Rail system (LUAS) the Dundrum substation entered into service, allowing the strengthening of the power supply to the lines already operating in this transport system. Also in Dublin and further to the signing of the contract to carry out all electromechanical systems of the Cross City new line, the works in the field of energy to one of the sections foreseen for this project began. For the same line, and as a corollary of the continued investment made over the past few years in the development and SIL-4 certification of the new AEGIS railway signalling solution based on safety PLCs, Efacec obtained the approval for the installation of the referred signalling solution, with execution scheduled mainly in 2015.

Efacec completed the design phase of all telecommunications systems of Bergen light rail system. It should be noted that the scope of this project includes the implementation of a new command centre, which will cover all existing lines. Also for this project, the customer awarded Efacec a new solution to optimize operations in the machinery and workshop area, commonly referred to as Depot Management System, an application that uses advanced operational optimization algorithms.

At Cadiz Light Rail system and after overcoming the various obstacles regarding the financing of the project by the final customer, we proceeded to the powering of traction substations; so it was then possible to perform the first trips on the new vehicles.

In Algeria, with the approval of the executive projects of Mustapha and Boukhalfa substations, we concluded the first phase of the contract for the supply of traction power to Thenia/Tizi Ouzou Line. This was followed by the Mustapha substation civil works, still under progress; the final customer ANESRIF successfully commissioned the main equipment, namely GIS boards and 10 MVA Efacec power transformers, already supplied, which will provide traction power to the catenary line.



Still in the field of operation assistance systems, we highlight the achievement of the overall design of the integrated system for Rio de Janeiro (Brazil) light rail system and the supply of the first embedded systems to be installed in vehicles.



Efacec implemented the substitution of the operation assistance system and passengers information on the lines of the first phase of Nottingham, UK. Light rail system. The network currently in operation uses two types of vehicles, both supervised by the Efacec system; the entry into service of two new lines of this modern transportation system has been planned to occur in the first quarter of 2015.

Electric Mobility



Within the *Schaufenster Elektromobilität* research project, funded by the German federal government, Germany has given an important step in the future of European electric mobility, by equipping, in May, the first section of the motorway with Electric Vehicle charging infrastructure (EV). Within the *Schaufenster-Projekt*es projects that integrates another larger project of electric mobility on the connection between Bavaria and Saxony, Siemens, E.ON and BMW installed nine Efacec DC fast charging stations and the infrastructures necessary for their operation (A9 motorway linking Munich, via Nuremberg to Leipzig).

Efacec signed, in April, with the Allego-Alliander Mobility Systems, a two years framework contract for the supply of normal and fast charging solutions for the markets of the Netherlands, Belgium and Germany. Alliander Mobility Systems, an Allainder NV group company, one of the power distribution operators in the Netherlands, with great presence in Belgium and Germany, is dedicated exclusively to the implementation of public and private electric vehicles charging infrastructures.



In 2014, we delivered the BERM radiation monitor to be integrated in Bepi Colombo probe that will go on an ESA mission to the Mercury planet. New orders were also achieved within the JUICE mission that will explore Jupiter's moons.

Efacec installed in Hawaii the first fast charger for electric vehicles compatible with CHAdeMO and CCS standards, with capacity to load a wide range of vehicles such as the Nissan Leaf, the Mitsubishi-iMiEV, the BMW i3, the Chevrolet Spark, the Volkswagen e-Golf among others. Efacec was chosen by Charge Bliss, Inc. as the supplier of the first equipment integrating the project for the erection of an extended fast charging network in order to achieve the complete coverage of the island. With a successful first supply, Efacec is presently positioned as preferred supplier for future supplies.



Efacec has been participating in the *Green Highway* project integrating the European Interreg Sweden-Norway programme, through a partnership between three municipalities: Sundsvall, Östersund and Trondheim. Financed by the European Regional Development Fund and supported by partners and investors of the region, this partnership covers 450 km in three regions and two countries from Sundsvall in Sweden to Trondheim in Norway. The project aims to create a highway free of fossil fuels and at the same time demonstrate that investments in green technology boost the economy and contribute to a reduced environmental impact and therefore to a sustainable growth and may allow the creation of emission-free destinations, more attractive for residents and tourists.

Electric Mobility participated again in the biggest European fair of electric mobility, the *eCarTec 2014*, held in the German city of Munich, between 21 and 23 October. In this 6th edition, Efacec presented its complete range of solutions - domestic and public (DC and AC) for a variety of applications, showing its distinctive supply capacity and deep knowledge of the electric mobility market.



Efacec participated in the 10th Latin American Fair of Electric Vehicle held in São Paulo, Brazil, from 4 to 6 September at the invitation of RENAULT-NISSAN alliance. Being the sole manufacturer of charging equipment at the event, Efacec exposed fast and slow chargers, one of them under the important partnership established between Efacec and CPFL - Companhia Paulista de Força e Luz. The local presence and the good service provided by Efacec guarantee its positioning as preferred partner of these prestigious brands, while, in parallel, it maintains important business contacts with Mitsubishi Motors do Brasil, which already purchased Efacec chargers to meet all its needs being under testing, in Japan, a unit with the aim of creating a future partnership. Efacec already installed in Brazil about 100 electric chargers for taxis, electrical utilities, commercial areas and residential condominiums.

Efacec participated at the *Gaia Design Meeting Industria* demonstrating its QC45 charger, an equipment that is compatible with CCS standard used by the prestigious German brand. Sponsored by the National Association of Designers (AND), the event was held at Corpus Christi Gaia lounge between 18 and 20 September, with an exhibition and seminars where speakers from different branches of industry and institutions discussed the importance of Design in communicating a Brand and the added value it represents for them.



Activities Optimization

Customer Satisfaction Management

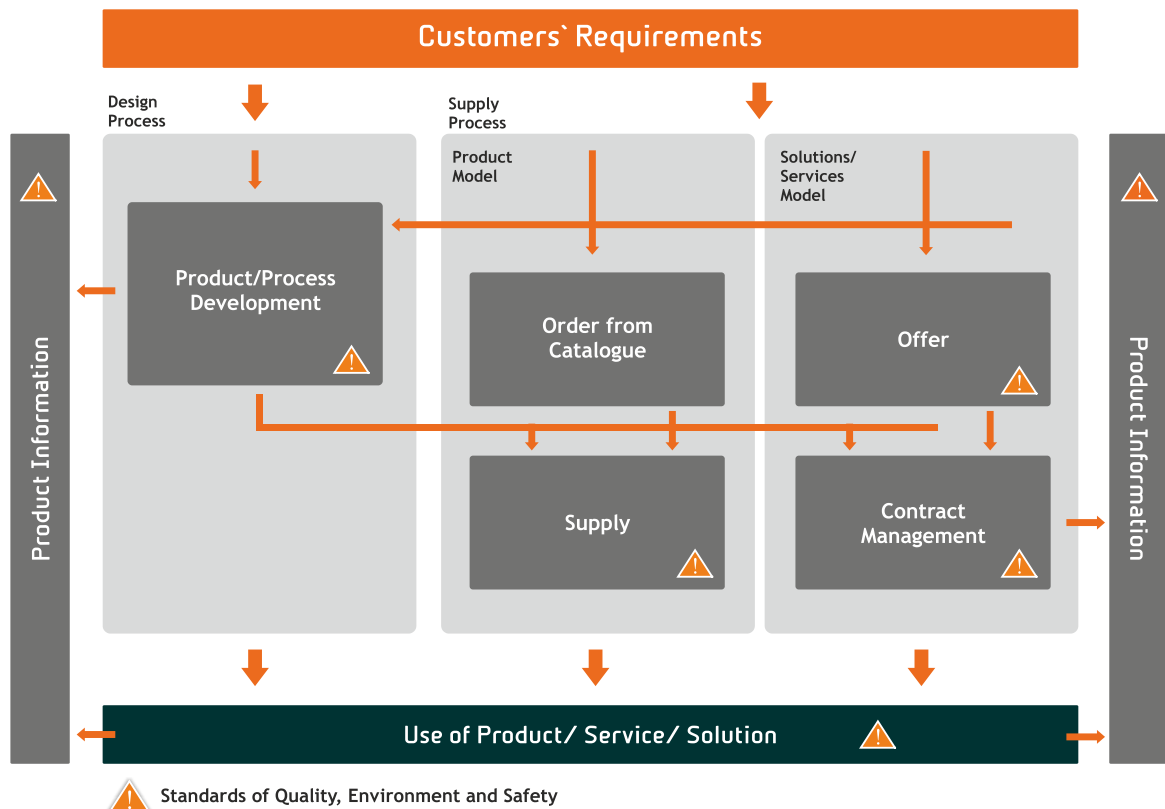
Efacec analyzes, in an integrated way, the various elements for assessing its customers, considering the information obtained from questionnaires, reference letters, qualification audits and complaints.

Noteworthy to be referred, among the different instruments used, is the system of annual questionnaires of Customer Satisfaction, developed in 2010, adopted by all Efacec companies and already covering the markets of Portugal, Spain, Central Europe, USA, India and Brazil.

The results obtained are analyzed and the causes of dissatisfaction identified, checked and eliminated through improvement actions.

At the same time, Efacec has developed actions to turn all the documentation, which accompany products, services and solutions more sophisticated; this is done in close collaboration with various areas of the company, integrating relevant information and critical topics of quality, environment and safety and ensuring a highly reliable result for the customers.

Customers' Satisfaction Annual Questionnaire Results trend			
	2012	2013	2014
Questionnaires sent	863	512	508
Rate of answers (received/sent) (%)	36%	39%	43%
Customer Satisfaction Index (CSI) (%)	95%	97%	94%
Performance (%)	82%	85%	82%



Suppliers Management

Efacec Suppliers are key partners in its value chain and essential links for the complete satisfaction of its stakeholders.

The management of relationship with suppliers is a clear objective of the overall company policy, which prefer the development of partnerships based on ethics, transparency and trust.

Reinforcing these objectives in 2014, a reorganization of the Administrative Corporate Management, Purchasing and Logistics took place, aiming at incorporating cost reduction goals and improvement in Efacec working capital. New global purchasing and procurement procedures, improving the definitions of the processes of acquisition of materials, equipment and services, were established.

In 2014, we continued the implementation and improvement of **efasst**, the procurement strategic management platform created to support Efacec Supplier Relationship Management Policy and allow greater sharing of information between the company's business units.

efasst has already a large range of users amounting to over 750 employees and approximately 3150 suppliers. In 2014, its electronic trading module became available in all business units of Portugal, at Efacec Contracting Central Europe, Efacec Chile, Efacec Argentina and Efacec India. Numerous training sessions were held and we highlight four workshops with suppliers in Portugal, Argentina and India.

The proliferation of the **GlobalArt** application at Efacec, an application that enables the standardization of articles between the different business units and helps achieving a more rigorous analysis of procurement and consultation of commercial conditions of each good or service purchased, was also subject reworked in 2014.



2015 will be a year of consolidation of processes and strategy outlined to date. The planned actions are:

- Continue the implementation and improvement of **efasst** and **GlobalArt** software.
- Promote the active participation of suppliers in the constant improvement and development of local suppliers in the Efacec strategic markets.
- Issue Procurement ratio periodically.
- Develop skills and knowledge of human resources to achieve specialization of negotiation procedures.
- Evolve towards a cross organisational model for procurement procedures management.
- Launch Procurement Intranet and Supplier Handbook.

Efalight Programme

Efalight includes the main optimization means to use Efacec resources. Its current priorities focus on items related to human resources, immediate opportunities, organization, procurement strategy, processes and tools.

Among other projects for effective reduction of operating costs, in 2014, a new car purchase grid to be used in situations of fleet renewal was defined, in line with José de Mello Group's policy; the application of this policy resulted in significant savings. In parallel, we implemented the replacement of rent-a-car short vehicles rentals by renting modality.


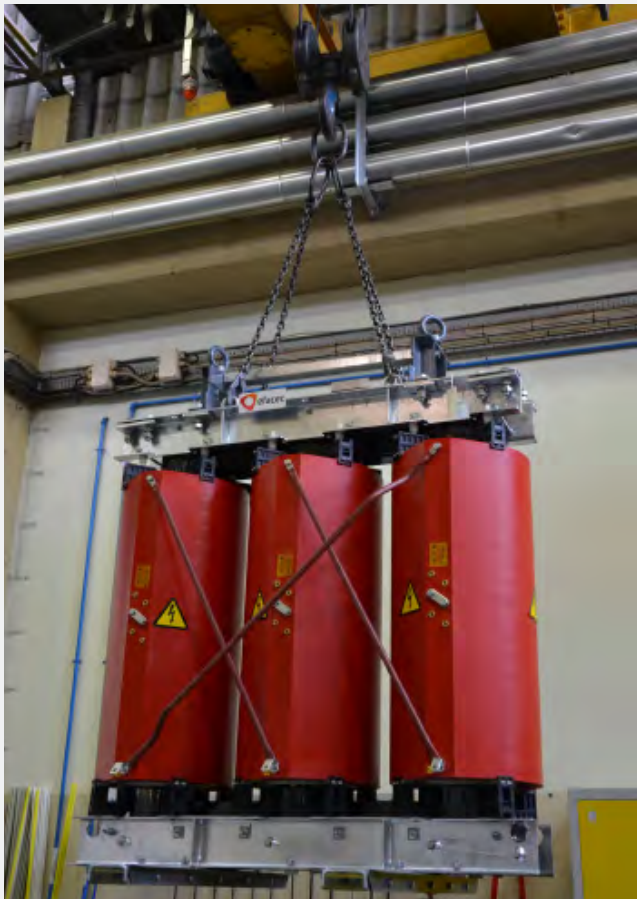

In the new markets where the presence of Efacec has been growing, the use of only one car renting supplier has been encouraged to benefit from the contractual conditions negotiated centrally by the fleet management.

In order to improve the interface with the fleet management and control of the car renting process, a new application for car used in service has also be implemented. The application allows the management of existing vehicles, optimizing their use, in order to reduce the need for short-term rental to rent-a-car companies.

This feature is included in a tool integrated with ERP, enabling improvement in monitoring and reporting of costs associated with the company's service vehicles.

Improvement of Production Processes

In 2014, Efaced Energia implemented several improvements in its production processes with significant impact on the productivity and safety of operations.

Project and description	
<p>HOS Final CT The Final Hot Oil Spray project of the Core transformers manufacture line was completed. The systems enables a final flow of about 45m³/h.</p> 	<p>Insulating Kits CT Efaced Power Transformers bet on improvements in insulating, reducing waste, optimizing handling processes and moving process steps upstream.</p>
	<p>DIE Portal (Department of Industrial Engineering) The DIE portal continues to grow significantly with the implementation of new features. It is used in the factories of Arroeteia and Effingham.</p>
	<p>Transformer Stations welded construction Painting operations were significantly improved with the installation of a new camera and the purchase of digital coating thickness gauges.</p>
	<p>CNC post processors Adoption of Autodesk CAM software and internal development of post-processing software (responsible for generating CNC codes).</p>
<p>Transformer Stations Pickling The pickling installation was improved in order to have means to monitor the environmental conditions. The new system, with PLC controlled air dryer and operating within a closed circuit, allows obtaining the required environmental conditions.</p>	<p>Powercast DT Improvements were implemented in the production of the Powercast type transformers, such as the expansion of cleaning and grinding chambers, change of cleaning products of the leaking chamber and installation of a table for gaskets cutting.</p>
<p>Normalization of hooks Suspension hooks used for the painting of pieces were standardized and characterized in terms of mechanical strength, offering now security guarantees.</p>	
<p>Transport of DT coils Eliminated the risks associated with the transport of coils based on mechanical friction. Two new lifting devices were designed.</p>	
<p>Shell transformers Protections Involved changes related to the exit zone of Shell transformers pancakes coil leads. This reduced waste and improved quality.</p> 	

Information Systems

Focused on improving the support to be given to the various business units of Efacec Power Solutions, the Corporate Directorate of Information Systems materialized several updates and/or renovations, either in terms of applicable systems or in terms of technical infrastructure. In the first ones, a number of projects were carried out at the ERP level, CRM and still in several other web-based applications.

Although in 2014, new ERP international rollouts were not carried out, the activity in this area was very intense as a result of the Efacec reorganization, which called for more than ten projects around the ERP.

The migration from CRM to MS Dynamics 2013 platform began in 2014 and the efast system (Efacec Strategic Sourcing tools) undergone a number of improvements that have led to the disclosure, throughout the year, of eleven minor releases intended to optimize that tool, in terms of its usability or in terms of its performance.

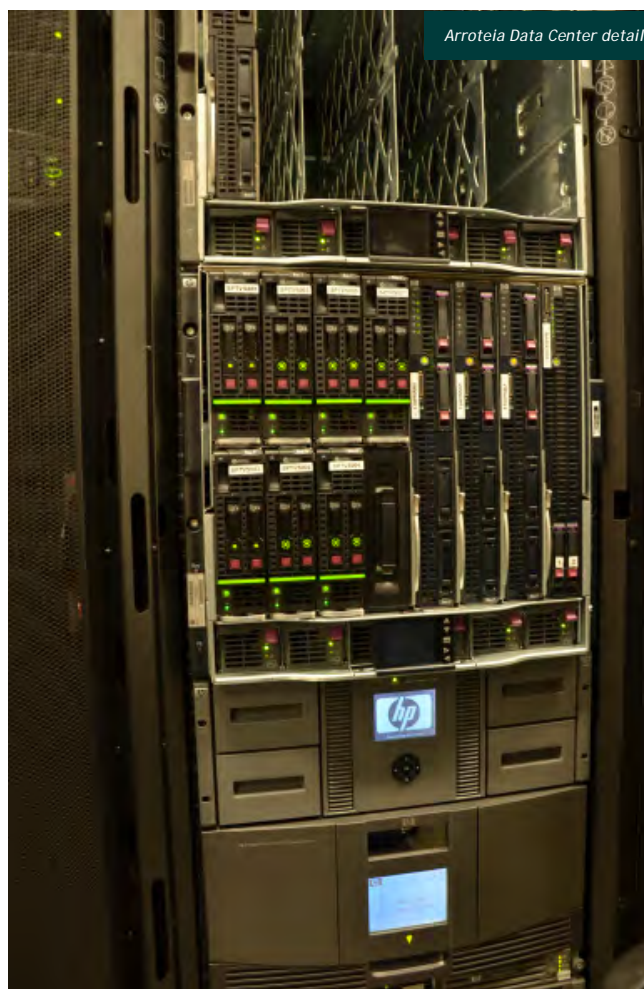
The use of the Share Place environment was strongly boosted, having been the subject of several improvements. As a result of this stimulation its use increased significantly, having generated a duplication of the quantity of documents managed (currently over 2.2 million).

The PMO portal for project management has now new features; three new releases of that tool were delivered during the year.

Continuing the strategy of reducing risk of information systems failure, the virtualization of the ERP environment (BaaN LN) was concluded, a change that resulted in a significant increase of tolerance to failure of the main system in the operational management of Efacec.

In 2014, we continued the strategy of consolidating servers, having advanced towards the virtualization of multiple servers at end-of life, reaching a virtualization rate of about ninety-five percent. This increased use of virtual servers also required an increase of responsiveness of storage environments; so SAS drives with SSD cache (400GB) were installed thus improving the response time of the disk operations with significant impact, in particular in the ERP environment now virtualized.

Significant improvements were done at the Maia Data Center, the secondary centre to recover situations in case of disasters, such as the replacement of the storage controller and memory reinforcement of complex virtual servers. In case of disaster at the primary data center, this change provides better conditions to accommodate critical systems in order to guarantee business continuity.



The process of conventional telephone system replacement was completed in 2014 with the substitution of the telephone central office at Maia. Phone calls are now one hundred percent VOIP with about 2000 IP phones installed at the national level. The use of audio conference was also made available to all users who have now the possibility to create virtual conference rooms immediately and without the help of a technical team member.

With regard to data communications, it is noted that the Johannesburg offices began to be linked to the group's network, thus facilitating internal access to corporate applications and access to VOIP communications network.



Gilberto Santos, Winner of the Best Idea Award - 2nd half and Smart Award

Best idea 2013 | OCR2 testing kit

The equipment simulates the operation of the cutting device, enabling the testing of all EDP equipment remote system.

This equipment is very useful to check any faults, allowing for testing and defects detecting independently, at a reduced cost, enabling also the work of more than one team at the same time and in different geographical areas.



Focusing on Innovation and Sustainability of the Planet

The Colombo program that integrates the different practices of innovation management within Efacec and that is open to all company employees, managed, in 2014, more than two hundred ideas, providing from 61 employees of Efacec Power Solutions. The annual ceremony of Awards 2013 took place with the participation, among other guests, of the winners and their supervisors and the Executive Committee of the company.

By highlighting the importance of the involvement of the entire organization in these projects and initiatives promoting the reflection and irreverence of employees when facing difficulties and challenges, João Bento, Efacec CEO, said “innovation is the creation of value in a changing environment”.

Best Idea Award 1st half 2013

Standard wood packaging | Joel Rocha, Automation

Best Idea Award 2nd half 2013 and Smart Award

OCR2 Testing kit | Gilberto Santos, Switchgear

Ranking Awards

1st. half

Leonel Veiga, Transformers | 5 adopted ideas | 4 points

2nd. half

Pedro Encarnação, Switchgear | 10 adopted ideas | 9,5 points



Innovation Management

As part of the Jose de Mello Group Innovation Committee's activity, a training initiative on RDI Audits was held at Efacec Arroiteia Premises.

The session took place within the scope of work of the *Innovation Skills Committee* aiming at developing the skills necessary for auditors of NP 4457 and NP 4458 standards and users of COTEC diagnostic tools.

In 2014 Efacec participated again in EDPartners Awards, an initiative promoted by EDP, winning, for the second time, a finalist status in the Innovation category. The application presented the project: Commissioning Advanced Tool for Smart Grids.

Noteworthy in 2014 is the *Meeting of Good Practice and Knowledge Sharing*, held under the practice of RDI Workshops of previous years addressed to the participants of Electric Mobility and Transport Business Units which hold a joint certification in *Research, Development and Innovation Management System* according to Standard NP4457. The themes in reflection, based on the daily activity, addressed different experiences resulting from actual projects management, dealing with topics such as charging equipment of electric vehicles, the role of competitive intelligence, the assessment of technological maturity, sustainability in space or software quality.

Efacec obtained, in 2014, a new patent application relating to a technology that solves the problems associated with the incorporation of fast chargers for electric vehicles on the walls

of buildings. The charger comprises at least one AC/DC high frequency converter (placed inside), a cooling system with inlet/outlet channels placed on the back, a wireless network interface and a central processing unit. The drive does not include any messages and commands display, and instead, has the possibility to switch a mobile computing device to a console of the charging unit, which sends commands through wireless communication. This technology is useful for DC fast charging of private users, fleets, companies, condominium, garages, and car dealers or in public places.

Research, Development and Products Innovation

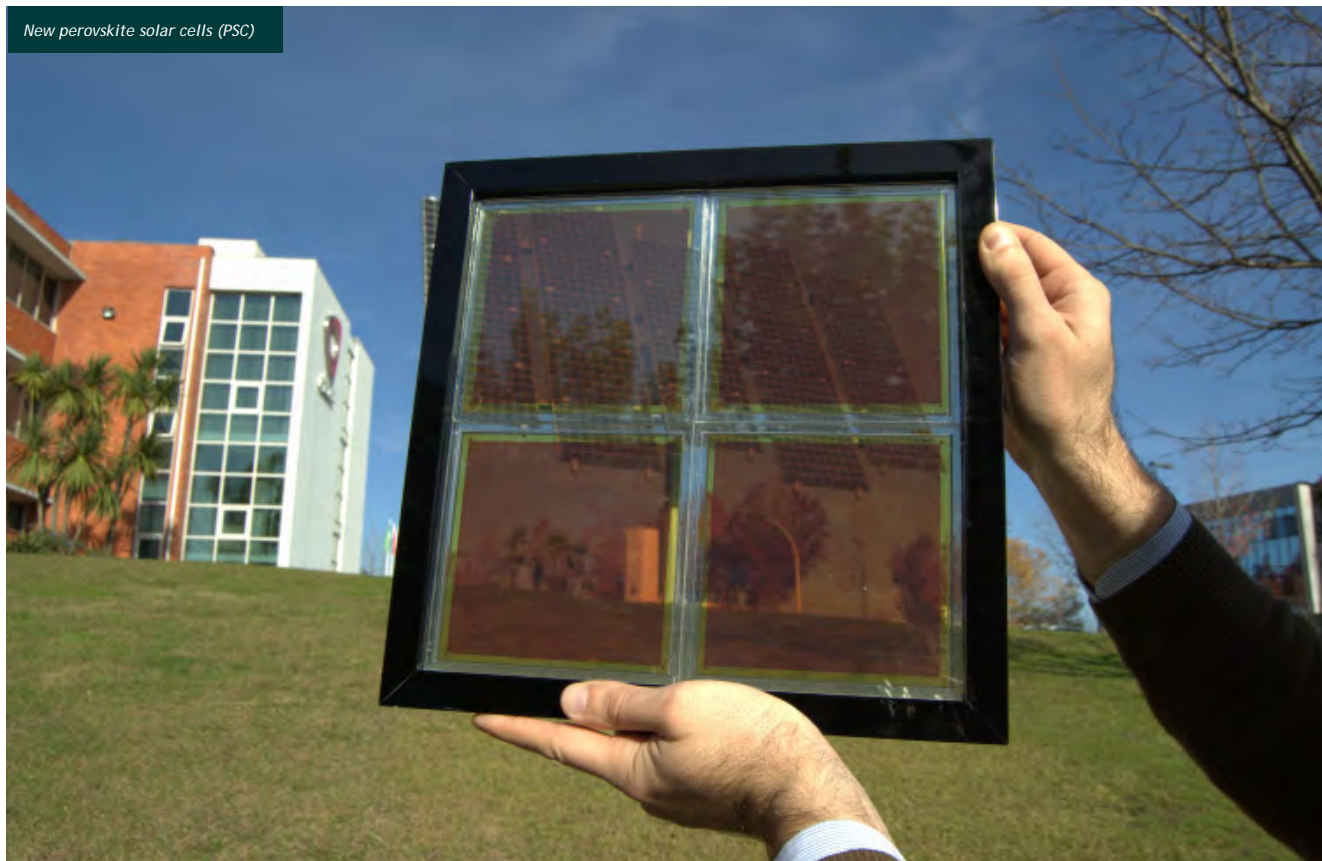
Focused on creating value through Innovation, basic principle of its main corporate statements, Efacec invests significantly in *Research, Development and Innovation activities* (RDI) of its products, services and solutions, with a significant part of its turnover indirectly derived from this investment.

The development of products, services and green solutions, with significant impact of CO2 emissions reduction and citizens quality of life improvement, are a continuous priority of the Company.

Project		Progress in 2014	
Transformers			
Shell CTC This project aims to research and develop technologies in shell type transformers introducing the CTC.		Renovation of the experimental installation; CFD analysis to validate future features to be incorporated in FluSHELL tool, which will be developed in 2015.	
EFACEC QT1 New range of low noise Efacec transformers.		In 2014, we continued the survey of the state of the art, as well as the specification and design of the experimental installation.	
TRF Technology - CORE and LDT Implementation of different improvements.		Several improvements were implemented at magnetic circuits, coils and connections levels.	
TRF Technology - SHELL Implementation of different improvements.		We implemented several improvements in the production process and rationalization of insulating components, groups forming, winding and connections.	
TRF Technology - DT Implementation of different improvements.		We implemented several process improvements, namely in calculation, design, manufacture and distribution transformers immersed with aluminium conductors certification.	
Switchgear			
SAK (Standard Assembly Kit) creation Reorganization of the management structure for products definitions with the definition of a common part (SAK).		In 2014, we concluded the organization of SAK articles.	
QBN7.i/ QBN7.BTi Development of 36 kV withdrawable single bus bar and transfer boards designed for use in demanding climates.		The assembly of 3 mobile switchgear with QBN7.i cells was initiated; they will be delivered in 2015.	
QBN7 Upgrade to 40 kA Development of a MV 36 kV withdrawable switchgear for a 40 kA short circuit current.		We obtained the certification of the DIVAC3640D class E1 circuit breaker. Testing of the STC-40 kA-3s cell was also carried out.	
Greenfix Development of switchgear for secondary distribution without using SF6.		24 kV Greenfix prototypes were assembled and type tests carried out in in house laboratory, reaching the goals set out in the NSRF application. In 2015, tests for certification by external laboratory will be carried out and the development of 36 kV Greenfix range will begin.	
Recloser Development of an outdoor pole mounted circuit breaker for 27 kV.		27 kV Recloser (REVAC) prototypes were assembled and type tests carried out in in house laboratory. The assembly of units for the EDP pilot project already began. Certification testing in external laboratory (CESI) and beginning of the development of the 38 kV Recloser (REVAC) range are planned to occur in January 2015.	
Homologation of Normacel12 at EDP Approval of a MV withdrawable board of 12 kV (BIL = 95 kV).		The approval process of Normacel12 cells at EDP was successfully completed.	
Revamping The objective is to provide the replacement of circuit breakers with old cutting technologies (oil and SF6) by vacuum circuit breakers in old Efacec and competitors' electric boards.		The first Revamping units of vacuum circuit breakers (Divac) of Alstom DNF5 and DNF7 project cells originally equipped with SF6 circuit breakers were developed and supplied to EDP. We also developed and supplied to Angola 7 Revamping units of vacuum circuit breakers (Divac) for ABB cells.	
Normacel 17,5 kV 4000 A For projects in the field of Industry and Power Generation (Thermoelectric power plants).		Developed and built the first prototype, which is already in phase of in house laboratory testing. This product has been requested by Iraq , Saudi Arabia, Angola and Venezuela.	
Normacel12 kV 25 kA and 31,5 kA for Kahramaa - QATAR Very demanding resistance requirements at Internal Arc level.		Orders for prototypes assembly were already launched. In 2015, tests will be carried out in-in house laboratory and units will be sent for approval at Kahramaa. In case of order, a long process of certification tests will follow for this client; this will also take place in 2015.	
SF6 Telecontrol Aerial Switch IATS - EDF IATS - GNUF		IATS approval process in the EDF laboratory is under progress. Completion is scheduled for the 1st quarter of 2015. Next year, the IATS approval process at Union Fenosa (GNUF) will also begin.	
Automation			
OUTSIDE The project aims at developing an integrated system of incident management (OMS - Outage Management System) allowing for a more safe and effective operation of the electricity grid.		The activities of development, integration and testing of basic and essential modules package of SW OMS - Outage Management System, which has become an integral part of the portfolio of SCADA/DMS Scatex+ were completed.	
LV Monitor It aims to research and develop a set of advanced features to monitor and control low voltage electricity distribution networks according to the concept of smart grids.		The contribution of Fraunhofer focused on the development of a customer calls simulator, including the partial simulating of an IVR (Interactive Voice Response), enabling the configuration of multiple simulation settings to support performance testing of the system.	

3PHASE The aim of the project is to investigate and develop new applications in the area of SCADA/DMS systems for three-phase unbalanced power grids.	The activities undertaken in 2014 focused mainly on the preliminary studies, state of the art and development of technical specifications. The development of the 3PHASE modules also began, maintaining the objective to complete the project by June 2015. As part of the diffusion and promotion of results, a paper on the project was submitted and approved at CIRED 2015.
E-Balance The aim of the project is to research and develop holistic and flexible solutions to improve the energy efficiency of existing and future communities, in a logic of Smart Cities.	In 2014, we prepared technical specifications and completed the definition of the cases of project use. The design of the system architecture (energy and communications management) was also completed. A socio-behavioural study as well as the definition of a business model and market were also completed. The demonstrators definition at Batalha, Portugal and at Bronsbergen, Netherlands and the development of prototypes were also initiated.
SmartC2net Project funded by the 7th Framework Programme, led by FTW (Austria) and involving partners from Denmark, Italy, Germany and Portugal. It aims to develop advanced solutions for the electricity network management.	Within the scope of its researching activity, Efacec provides various equipment, namely the MConverge, CLP500, GSmart and Mbox. The features developed will be incorporated in this equipment.
SuSTAINABLE Project funded by the 7 th Framework Programme, led by EDP Distribuição involving partners from Portugal, Germany, UK, Greece and Spain. It aims to develop advanced solutions to manage the electricity network that enhance the integration of renewable sources.	Within the scope of its researching activity, Efacec provides various equipment, namely the CLP500, GSmart and Mbox. The features developed will be incorporated in this equipment. They will be installed on the electricity grid of Evora.
Contracting	
SolarSel and WindSc The WINDSC project in the area of DSC's (Dye Sensitized Cells), the responsibility of the consortium formed by "Efacec Engenharia e Sistema" (leader), FEUP, CIN and CUF-Químicos Industriais supported by FEDER - Fundo Europeu de Desenvolvimento Regional under the Operational Programme for Competitiveness Factors, benefiting from NSRF (National Strategic Reference Framework). Its aim is to increase the range of DSC modules based on ETCO technology and glass sealing, in order to obtain a long-term sealing and a decreased resistance of glass substrate.	A self-sealing process by means of a laser vision and automatic system was implemented. The adaptation of the sealing oven to allow the larger cells sealing has been completed and the different types of welding are being optimized. Tasks relating to the assembly and optimization of ETCO technology are still under development, including holes sealing and carbon counter electrode, in order to obtain surfaces with a transparent electrical conductivity two orders of magnitude greater than the current state of the art, overcoming the efficiency of the current cells. A sputtering machine was purchased in order to already allow achieving high tungsten deposition rates with the desired thickness by optimizing the TCO film. The modelling and construction of the DC-DC converter for network connection were successfully completed.
EFASOLAR PV Hybrid System Project to develop hybrid solutions with photovoltaic and diesel groups.	Study of the economic viability based primarily on fuel costs, construction costs of solar PV plant and radiation of location where the EFASOLAR PV Hybrid system will operate. Preparation of EFASOLAR PV Hybrid solution presentation.

New perovskite solar cells (PSC)



HbioS Aims at developing an efficient technology for biogas desulphurization based on biotechnological processes.	Studies, laboratory testing and tests at pilot scale were carried out successfully. Based on these results, we are currently building a full-scale unit with a capacity to treat 140 m³/h of biogas.
OBiT It is a new deodorizing technology; its represents an alternative to conventional systems, with advantages at economic and sustainability levels.	Work began on disclosure and commercial approach to introduce the OBiT technology, particularly regarding conversion of chemical deodorizing systems into biological ones.
LFotobio Efficient and competitive technological solution in the area of treatment of leachate from landfills.	In March 2014, the European Patent Application No. 14161588.0 - Method of Treating Leachate, Phototreatment Reactors and Respective Use was registered at EPO. Simultaneously with the R & D studies carried out by FEUP, an unit at full scale was being built, which will become operational in 2015.

Transportation

PROSINAL Development of an innovative rail signalling solution using SIL4 intrinsically safe industrial automatons with application in Light Rail Systems and Secondary railway lines.	The development and formal validation of the new AEGIS rail signalling solution for secondary railway lines is completed and the certification process SIL-4 with TÜV SÜD is in progress. It is expected that during the 1st half of 2015, the license is issued and the installation performed at Tâmega Station, on the "Minho" Line.
EFAPAS New sound solution for public information of metro-rail solutions.	Implemented and installed the solution for the Nottingham Metro (United Kingdom). Developed the necessary customizations for future installation at Bergen Metro (Norway).
CTC-AEGIS Platform for Centralized Traffic Control (CTC), oriented to the operation of metro-rail signalling systems.	Conclusion of the solution to be used in Light Rail Systems and development of new features needed for applications in Railways Lines.
One.Stop.Transport Digital platform to share information for urban mobility services.	The project was successfully completed in 2014.
IPSILON Project funded by the NSRF, covering four main technology areas: - Operational Command Centres; - Signalling for Light Rail Systems; - Management and Operation of Critical Infrastructures; - Operational Management of Load Railways Lines.	The development of the IPSILON project continued in 2014; it involves four technology areas and six sub-projects. Unlike originally planned, the project will run until June 2015.
Nottingham Project TimeKeeper solution (turnkey)	Installed at the Nottingham Metro and developed to support operation and regulation of Light Rail Systems, we highlight the AVLS applications, public information, consultation, recording and monitoring of voice calls.
Service Interface for Real Time Information (SIRI) Standard for exchange of information between public information systems.	Developed the first version of the SIRI solution installed at the Nottingham Metro, allowing the exchange of the Timekeeper information platform with two other external entities (Transport Operators). In 2015, the development of a 2nd version, more complete and with higher performance with applicability in the Bergen (Norway) light rail system is foreseen.
Project Bergen- EFARAIL Integration of TimeKeeper, INOSS and SCATE-X Plus solutions.	Completed the design phase of the EFARAIL solution. We expect to conclude, in the first half of 2015, the development and completion of their acceptance tests.
Depot Management System (DMS) Solution for Depots Operational Management and Control (PMO).	Solution design completed and development started. This new solution has, as its first Customer, the metro of Bergen (Norway).
OnVIF New INOSS solution for tele surveillance with OnVIF standard support and with emphasis on multi-operability.	The solution was developed and installed. The first installation of this new solution was also carried out through the migration of the video surveillance solution/ LUAS project (Dublin).
Port Single Window /Logistics Single Window (JUP/ JUL - Janela Única Portuária/ Janela Única Logística) Interface for data exchanging between the Train Office and Interfast platforms.	The solution was developed and installed for the client CP Carga and at seaports. Initiated the technological update of the Train Office to achieve an architecture orientated to services and use of web-services.

Electric Mobility

NxVerter Modular power conversion system to be used in a platform able to promote the integration of renewable energies more efficiently and support innovative features of stability for the electricity grid.	During 2014, significant progress were registered in the course of the project, related with the simulation and testing of different conversion topologies and semiconductor of various technologies, resulting in their broad characterization and consequent analysis of their potential applicability in the project. The development and manufacture of the prototype for certification began during the same period.
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Environmental Impact of Activities

Environmental management of Products

In 2014, a new methodology and spreadsheet for assessing the life cycle of transformers were developed. Next year we intend to implement this methodology to all models to be erected in the European Economic Area. This is a requirement defined in Directive 2009/125/EC (related to the creation of a framework to set ecodesign requirements for products related to energy consumption).

Another important environmental aspect of Efacec Power Solutions is that the Servicing Unit reprocesses a lot of equipment of its portfolio and from other sources, thus recovering much of the original materials.

In 2014, we should still highlight the progress of the Switchgear Revamping project, which aims to provide the replacement of circuit breakers with old cutting technologies (oil and SF6) by vacuum circuit breakers in old electric boards manufactured by Efacec and competitors. Under this project, we developed and supplied to EDP the first Revamping units of vacuum circuit breakers (Divac) of Alstom cells DNF5 and DNF7, which were originally equipped with SF6 circuit breakers. We have also developed and supplied to Angola 7 Revamping units of vacuum circuit breakers (Divac) of ABB cells.

Type of equipment	% of recovered mass (typical)	N. of equipment processed
Power Transformers	50	272
Distribution Transformers	60	581
Rotating Machines	60	429
Medium Voltage Switchgear	90	807
High Voltage Switchgear	80	115



Energy, Water and Wastewater Management

Efacec has a constant concern with the energy needs in buildings. Thus, it systematically searches for more efficient and sustainable solutions to reduce the energy consumption of buildings to a minimum. In 2014, this concern was more strongly reflected in the renovation of building 08 (Financial Areas).

To renovate this building the following solutions were used:

Constructive appearance

Application of a more efficient insulation, in order to reduce the energy losses of the building, also reducing the need for heating/cooling inside.

Availability of natural light in buildings, this solution being also applied to office spaces. This solution reduces the need for artificial lighting.

Lighting

Implementation of more efficient LED lighting, complemented with dimming systems, depending on the existing natural light.

Ventilation and Air Conditioning

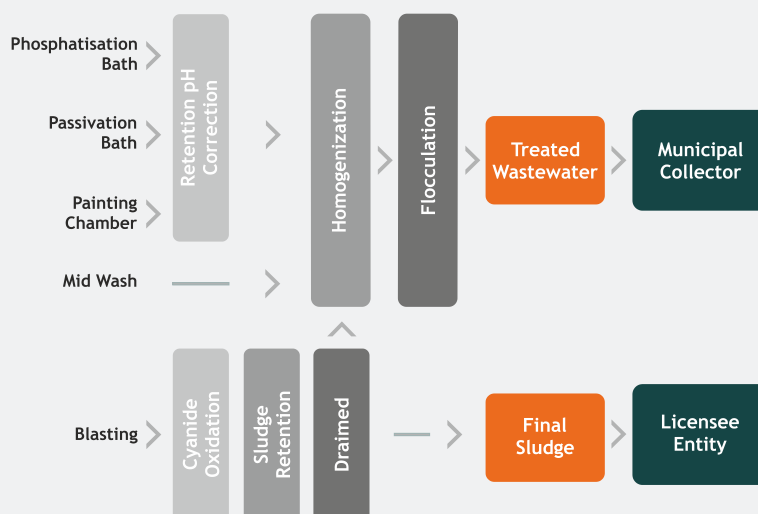
Use of equipment with energy recovery, improving the thermal energy existing in the exhausted air and using it in new air.

As part of its engagement policy with the environment, Efacec aims at boosting the use of electric vehicles in its fleet. So, by the end of 2014, the Fleet Management put two electric vehicles at the disposal of the Board Directors, at the geographic premises of Arroiteia/Maia and Lisbon.

We implemented an important process change in the Servicing Business Unit. The calibration press refrigerating circuit and stator coil alternators polymerization were changed to a closed circuit, drastically reducing the water consumption.

Facilities for industrial water treatment at Arroteia premises

Waste water providing from industrial installation of these premises (the sole Efacec premises with industrial effluents in the country), are treated by a plant existing in the company (WWTP) and transferred to the municipal collector of Matosinhos. The analytical and procedural control of the wastewater treatment plant includes a set of laboratory tests in order to achieve the best performance. The parameters and frequency of analysis are defined through contract with the municipal services of Matosinhos. The analysis of the results is done by comparing the results obtained and the parametric limit values set by legislation and reported to the municipal services regulatory entity of water distribution and waste water collection and treatment of the municipality of Matosinhos.



Management of other Gas Emissions and Waste

Efacec has performed many improvements on the chimneys at Arroteia facilities, the main industrial premises of Efacec. Because of these investments, the monitoring of gases has shown good results, which are reflected in the decrease of their measurement frequency.

Regarding CFCs controls (substances with harmful effects on the ozone layer), Efacec does not consume any of these substances in its production processes. As such substances are used in refrigeration, Efacec maintains a complete inventory of the quantities used in its facilities and ensures that all interventions are made by qualified persons. This information is provided to the Portuguese Environment Agency in accordance with the legislation in force.

Efacec uses SF₆ in some of its products (Medium Voltage switchgear) and is subject to the care required for handling this greenhouse gas and to the applicable regulations. Thus, the gas handling is done by certified technicians and is registered in order to declare the information required by the Portuguese Environment Agency. The use of SF₆ at Efacec is less than a ton and therefore does not require any special procedures for its importation by non-EU countries. In relation to its customers, Efacec uses a specific label to inform them of the presence of gas and its effects when released.

In recent years, Efacec has made an effort to reduce the waste of its activities and increase the rate of recovery. The combined effect of this effort along with the decrease of some of its activities has resulted in a significant reduction in solid waste.

In 2014, Efacec contracted a sole service to manage all the waste providing from its industrial premises of Arroteia and Maia. We expect, with this change, to achieve a more efficient treatment of waste.



Volunteer Day 2014 "Herdade da Mata" (Mata farmstead)



Focus on People and Society

Community and solidarity initiatives are strongly promoted by Efacec, with the clear involvement and commitment of its employees.

Most of the projects are part of the corporate program **efaAjudar**, which began in 2012, gathering various aspects of solidarity, from the collection of non-perishable food to clothes and toys. The program foresees donations at any time of the year.

Main actions in 2014

- Many supports given to the Frei Gil Work, a partner institution under the **Corporate Volunteer Program of José de Mello Group**.
- Delivery of non-perishable food and other goods, mobile phones and other electrical and computer equipment, donated to different social institutions by Efacec and / or by its employees.
- Support given to the transport of the goods of Food Bank.
- Blood collection at Efacec premises.
- Participation in the event IGNITE Portugal to present its concept of Family-Responsible Company.

“**Ser Solidário**” (Show Solidarity) is one of the corporate programs, which is common to all companies of the José de Mello Group, where Efacec participates and that annually gives financial donations to eligible institutions chosen by the employees of the José de Mello Group.

In 2014, about one hundred and fifty Efacec employees participated in the program through the monthly donation of a financial amount. A contribution from Efacec was added to this amount.

In 2014, the financial support collected through “Ser Solidario” (Show Solidarity) was granted to “ATL da Galiza”, Frei Gil work, Angel- Associação de Síndrome de Angelman de Portugal (Angelman Syndrome Association of Portugal) and Rui Osório de Castro Foundation.

In 2014, Efacec Switchgear India Pvt Ltd was part of the companies eligible by the Companies Act for *Corporate Social Responsibility* taking the initiative to share their social obligations with two schools for mentally disabled children and with an institution for girls in the age of childhood or adolescence.

People management

Employment and Diversity

Efacec has a long history in creating and maintaining quality jobs, where values such as respect, stability, recognition and personal and professional development, encouraging entrepreneurship and innovation and the balance work - life, etc. are consistently present. Working at Efacec offers access to the range of benefits that the company makes available to each employee and which contribute to a positive and challenging work environment.

The availability of a wide range of services that facilitate the day-to-day life of employees is also another factor contributing to a very positive work environment.

On December 31, 2014, Efacec Power Solutions had 2112 employees in Portugal. Given the technological nature of the organization, the number of senior managers and directors amounted on this date, to approximately forty-six percent of the total workforce.

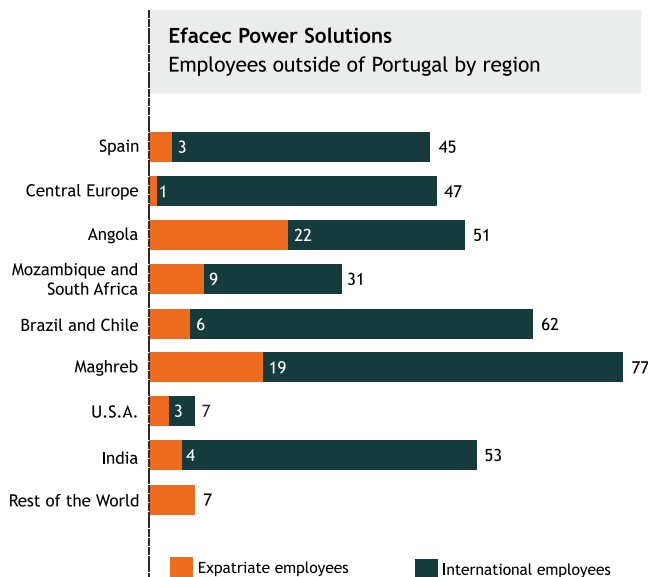
The activity of Efacec Power Solutions in Portugal is mostly concentrated at Arroteia premises, with about fifty-three percent of the employees of this company operating in these facilities.

In order to provide the activities and businesses that until early 2015 were developed by Efacec at Carnaxide as well as the teams operating there, with more modern and top quality infrastructures, Efacec moved its facilities to the Lagoas Park Business Centre, located at Oeiras, a space providing privileged access, facilities and high quality services.

Employees in Portugal in 2014					
Category	Arroteia	Maia	Oeiras	Fernando Palha	Total
Directors	78	92	37	2	209
Senior Staff	257	344	158	0	759
Managers	53	10	40	4	107
Administrative	60	31	20	3	114
Technicians	162	132	53	2	349
Production	500	38	27	9	574
General Total	1110	647	335	20	2112

In late 2014, about eighty-nine percent of Efacec Power Solutions employees in Portugal had a permanent link with the company, the remaining ones having a term contract.

In 2015, Efacec introduced a significant benefit to its employees under fixed-term contract, by extending to them the health insurance applied so far only to permanent staff. It should be noted that the remaining benefits in use at Efacec Power Solutions are common to all employees.



With regard to Human Resource management in an international context, Efacec focuses on local hiring in each market where it operates, helping in this way to boost employment and add value in these markets. The growing number of international employees and of different nationalities demonstrates this. Statistics regarding international headcount include all employees with links to international subsidiaries.

In addition to the monitoring carried out in Portugal, Efacec regularly monitors the management of human resources in these subsidiaries, intending, with this centralized coordination, to carry out the analysis and review of policies and practices in use, but always reconciling the implementation of global corporate policies with specific needs related to the particular reality of each market.

Non-discrimination on gender continues to deserve continued monitoring and effort of the company as Efacec operates in sectors with male gender predominance and in different countries of the world where care regarding non-discrimination are not even social concern and/or political concern.

To contradict this reality, Efacec applies in these markets/countries the same criteria and human resource management processes (eg. recruitment, selection, appraisal, development, participation, etc.) used in Portugal and therefore totally ignore the potential sources of discrimination, such as race, age, gender, sexual orientation or religion, among others.

Efacec Power Solutions age range of employees in Portugal (2014)			
Age range	Women	Men	Grand Total
< 30 Years	40	282	322
30 - 39 Years	124	650	774
40 - 49 Years	74	470	544
= > 50 Years	65	407	472
Total	303	1809	2112

Efacec Power Solutions employees distribution in Portugal by genre (2014)		
Category	Nº of Women	% of Women
Directors	24	11%
Senior Staff	175	23%
Managers	0	0%
Administrative	67	59%
Technicians	22	6%
Production	15	3%
Total	303	14%

Efacec Power Solutions average wages in Portugal (2014)		
Category	Women	Men
Directors	4.197 €	4.354 €
Senior Staff	1.822 €	1.936 €
Managers	-	1.182 €
Administrative	1.150 €	1.199 €
Technicians	1.102 €	1.144 €
Production	807 €	839 €
Total Average	1.759 €	1.631 €

Human Resource Process Management

Efacec implemented, in 2014, a new contact channel for employees, the easyRH, a platform of services whose main objective is to support employees in forwarding requests for information and others concerning their situation and professional activity in the company.

With the use of this channel, we expect that the contact of the employees with the Human Resource Department will be easier and more expedite, seeking to provide them a closer, fast and efficient service.

Competence Development

efaProgress, a fundamental process in the identification of training needs at Efacec, incorporated, in 2014, new HRM dimensions. Through this process, employees, supervisors and managers have the opportunity to define and monitor individual training plans for each employee. The needs identified are then analysed and translated into concrete actions, by Efacec Academy, managing training and development at Efacec.



Searching, through the continuous development of its employees, to achieve the company strategic objectives, Efacec Academy activities are certified by DGERT.

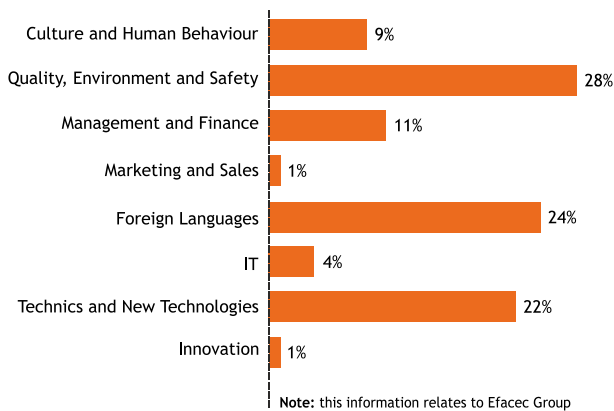
Efacec Academy Priorities

Efacec annual training plans are developed in view of the following objectives:

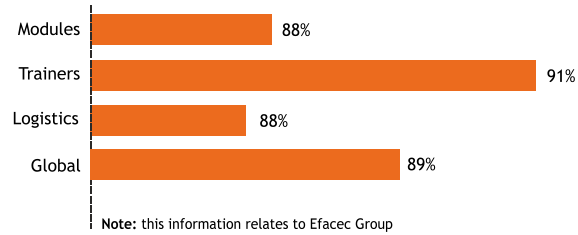
- Initiate and support change processes at Efacec;
- Sustaining Management and Career Development with appropriate learning, maximizing the return on investment (ROI) of Training;
- Promote common Culture and Values in the different business areas and geographies, encouraging a sense of loyalty and belonging to the company;
- Promote learning and continuous improvement allowing the organization to remain competitive;
- Contribute to the retention of key employees.

In 2014, Efacec Power Solutions provided about forty thousand hours of training to its employees and students-workers in different fields, with emphasis for *Projects Management*, namely through the actions *Code of Public Procurement and Complex Proposals* (a competition between four multidisciplinary teams). Actions such as *Directing Customer Projects* and *MasterClass* with one of the leading consultants in Portugal in project management took also place.

Efacec
Distribution of training contents (2014)



Efacec
Assessment of Training Sessions (2014)



The Hosting Procedure and Employees' Integration considered a fundamental practice of the company Human Resources Management, was again revised, adding now a Sustainability structural module.

New Employees Inducement Contents of the Sustainability Module

1. Welfare
2. Sustainable Development / Social Responsibility
3. 3Ps Model
4. Climate/Demographic Facts
5. Millennium Goals
6. Energy and Emissions
 - Smart networks
 - Smart cities
 - Mobility
 - Buildings
7. SD project at Efacec
 - Application of Model 3Ps
 - Economic/environmental/social strategies
 - Code of ethics
 - Management/Sustainability Report
 - SD Public recognition





Transformers Battery - Winner of the 2nd Efacec Photography Competition

Internal Communication

Internal communication at Efacec, an activity coordinated corporately by the Communications and Sustainability Management, is a key support to information coordination, promotion and diffusion top-down and bottom-up, favouring equal opportunities to access information to all employees.

The dimension of support given to the different transversal projects that take place in the company during the year is preponderant. In 2014, the above-mentioned programs Colombo, which is the responsibility of Innovation Management and efaProgress, easyRH and efamove (internal mobility of human resources policy), the responsibility of Human Resources Management, were particularly promoted.

In a period marked by the crisis and the serious difficulties experienced by families in general, boosting efaAjudar, the solidarity support program, promoted by the Communication and Sustainability Directorate, was also particularly important.

We promoted the 2nd. Efacec Internal Photography Competition and the corporate intranet suffered numerous improvements and adjustments already reflecting several organizational changes occurred at Efacec Power Solutions as well as in numerous internal communications documents produced in 2014.

In February the 14th. Edition of the Program “Get to know José de Mello Group” took place; attended by eight employees of Efacec Power Solutions, it deserved the excellent level of satisfaction of ninety-two percent.

Safety and Health

Efacec maintained Safety and Health as key corporate priorities, achieving once again in 2014, numerous projects and activities, continuously monitored.

At Arroteia industrial premises, where the most important operations of Efacec Power Solutions are implemented, important improvements have been carried out:

- Application of an alert system of maximum level in the alternators washing chamber pit. Information about the necessity to drain the tank is given in advance.
- Adequacy to DL 50/2005 of Micafil MP189 purifier, applying a general cut with lockout-tagout and an emergency button with blocking possibility, handover of all commands to 24V and identification of all commands and indicators.
- The transport pallets of magnetic circuits were modified, having now closed eyelets and holes for plate strapping.
- Based on mechanical tests, the transport pallets of magnetic circuits were categorized and the maximum admissible load was affixed.
- We equipped with dynamometers the bridges handling magnetic plates.
- The stacker transport pallets were modified, now having closed eyelets and holes for strapping the plate, avoiding slipping and accidents during transport.
- We acquired more holders, calculated to store properly the magnetic plate rolls.

Work- Life Balance

In order to get a continuous improvement in work-life balance, Efacec relies first of all on the valuable participation of ADEFACEC and CCDEL, the Efacec employees associations whose mission is to promote the welfare, socio-cultural development and the best use of free time by employees and their families. Throughout 2014 various cultural, sports, entertainment and other social welfare activities were therefore boosted.

The associations benefit from installations provided by Efacec and from the use of various other facilities. At the same time, to carry out their activities, the associations establish protocols and other forms of cooperation with external entities, with autonomous action, defining their own programs and establishing their own partnerships.



Participation of ADEFACEC / VC Metalomecânica Athletic Team at the 1st edition of "Combat child poverty - a concern of all of us"

Kind of Initiatives and Activities

Sport Activities

ADEFACEC carries out regularly Athletic, Sport Fishing, Mountain Biking and Mountain Climbing competitions.

Cultural Visits and Walks

Each month, a large number of Efacec employees participate in walks and cultural visits organized by Adefacec.

These initiatives are promoted for employees, their families and friends.

Cultural Events Promotion

ADEFACEC regularly promotes the participation of employees in cultural events, obtaining special conditions for the purchase of the tickets for the most important performances of Music, Ballet and Dance and Theatre.

Aimed at children

ADEFACEC organizes special weekends and holiday camps for its employees' children. It also organizes the annual Christmas party and grants school merit awards.

Other Initiatives

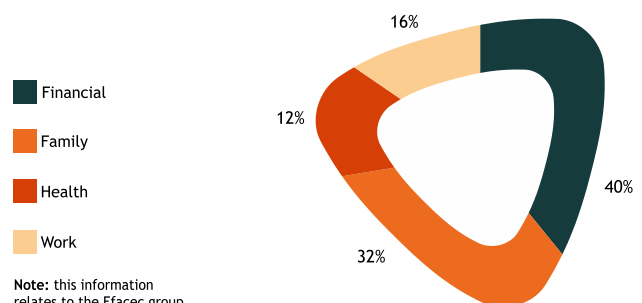
ADEFACEC regularly attends citizenship movements as sponsor and logistical organizer.

It promotes and sells regional and creative products.

In 2014, Efacec Power Solutions continued to provide in its premises personalized Social Services and carried out over fifteen hundred social advice sessions to the employees of the Efacec group, including those of Power Solutions, which represents an increase of seven percent higher when compared with former year.

As in previous years, it appears that the main problems identified by employees are related to finance, health as well as many others affecting the family.

Efacec
Nature of the problems identified
by the Social Services (2014)



Note: this information relates to the Efacec group

Relationship with Society

Volunteer Programs

Efacec sees Corporate Volunteering as an activity with key and growing importance.

Activities carried out within this program were again, in 2014, highly dynamic involving several employees of the company.

At Efacec Power Solutions, the main activities were performed within the scope of **Jose de Mello Volunteer Program (VP-JMG)**, **Porto of Future Program** and through direct collaboration with the program **Junior Achievement Portugal (JAP)**.

In May, Efacec Power Solutions participated in the IN 2 Excellence program, a training course for schools directors associated to the Porto of Future program.

Efacec also participated actively in the organization of the *VP-JMG Volunteering Day 2013*, which took place in June, at “Herdade da Mata”, under the motto “*Team Spirit*” and that was attended by a large number of volunteers from the various platforms of that Group.

Volunteering Activities in 2014			
Institution-Partnership	Activity	No. of Volunteers	Number of hours (aprox.)
Junior Achievement Portugal	<ul style="list-style-type: none">• “Braço Direito” (Right Arm) Program• The Family• The Community• Economy for Success• Innovation Challenge• The company	13	100
“Coração Amarelo” Porto	Elderly Support	1	60
Frei Gil Work	School support and events organization	7	200



“For those who are undecided in joining volunteering, I say do not hesitate.”

*Amélia Fonseca,
Efacec volunteer
at Frei Gil Work*

Public Presence

Efacec received, on 11 April, in its technological Maia premises, the visit of the Minister of the Environment, Land Planning and Energy, Jorge Moreira da Silva, as part of a day dedicated to green growth and environmental, economic and business benefit resulting from the commitment to electric mobility. Anticipating the inevitable growth of electric mobility on an international scale, the Minister highlighted the role of Efacec in this area, anticipating the creation of a Portuguese cluster involving companies and research centres to induce growth, employment and sustainable development, positioning the country as an exporter of technologically advanced solutions and replacing import of fossil fuels.

The Secretary of State for Foreign Affairs and Cooperation, Luis Campos Ferreira, visited Efacec within a day dedicated to Portuguese companies with headquarters in the North of the country that stand out for directing the greatest part of their business to international markets. The visit covered the areas of Electronic Power Systems, Automation and Electric Mobility, enabling the delegation to get a wider knowledge of Efacec technology that contribute decisively for the performance of national exports with high added value incorporation.

In January, Efacec participated in a Trade Mission to the United Arab Emirates, organized by AIP and by the “Parceria Portuguesa para a

Água” (the Water Portuguese Partnership), with the presence of the Minister of the Environment, Land Planning and Energy, Eng. Jorge Moreira da Silva. The visit allowed the presence in three major events: the World Future Energy Summit 2014, the International Water Summit 2014 and the EcoWaste 2014.

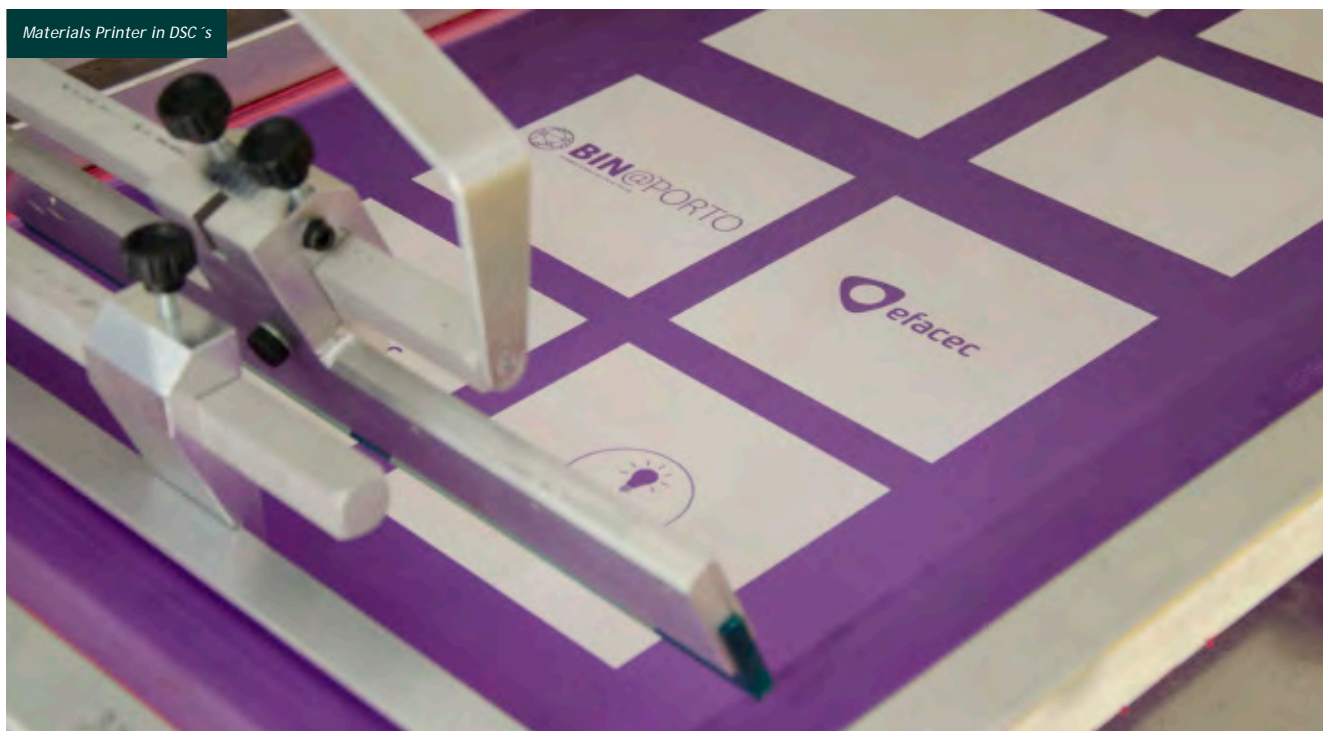
In October, Professor João Bento, Efacec CEO, participated in the 4th. Conference of EnergyIN - Competitiveness Pole and Energy Technology, which was organized in partnership with FLAD - Fundação Luso-Americana para o Desenvolvimento (Luso-American Foundation for Development). At the conference, Prof. João Bento participated in the round table about *Bottlenecks and opportunities in Portugal regarding energy storage solutions*.

Prof. João Bento is one of the personalities invited to participate in the “Conselho Nacional de Inovação e Empreendedorismo” (National Council for Innovation and Entrepreneurship), an entity chaired by Prime Minister Dr. Passos Coelho. The aim of this organization is to take stock of the various instruments to support entrepreneurship and innovation.

Efacec employees Hugo Queiroz, Arlindo Marques and Joana Eliseu participated as co-authors of the book “Quality in Action”, presenting a paper with the title Efacec: Use of FMECA in Space Environment. The book was launched in April.



Visit of the Secretary of State for Foreign Affairs and Cooperation, Luis Campos Ferreira at Maia technological premises



Relationship with Universities and Schools

Efacec collaboration with universities and schools	
Partner School	Facts 2014
Faculty of Engineering University of Porto	Efacec and the Faculty of Engineering - University of Porto (FEUP) inaugurated, in January, a new laboratory for the development and increase of production scale of DSC modules (Dye Sensitized Cells - sensitized cells with dye) based on ETCO innovative technologies (Embedded Transparent Conducting Oxide) and glass sealing. This laboratory, located in the UPTEC Innovation Centre - Science and Technology Park, University of Porto, is the result of two years of research with an investment of over 1.7 M € and the involvement of several co-promoters and partners entities, from which stand out CUF-QI, Minho University and the FEUP project team.
Porto University	Efacec is one of the companies installed in the Innovation Centre of UPTEC.
Minho University	In October, Efacec participated in the Start Point initiative - Guide your Future that took place in the two campus of the University of Minho - Gualtar and Azurém.
Instituto Superior Politécnico de Tecnologias e Ciências de Angola (Polytechnic Institute of Technology and Science Angola)	Under the protocol for technical, scientific, cultural, financial cooperation and training courses that Efacec Engenharia e Sistemas and Efacec Angola (ISPTEC) signed in 2013 with the Polytechnic Institute of Technology and Sciences in Angola (ISPTEC), a lecture was held in March, at Talatona ISPTEC facilities, with the participation of Efacec, on the theme Contribution of the Luanda Refinery Combined Cycle to the Angolan Electricity Sector.

Associative Movement Support

Efacec supports intensely associative movements and other arising initiatives, being associated with fifty associations of technological nature and supporting business, integrating the governing bodies and/or decisions makers of many of these associations. The management of these relations is performed through a share and corporate form.

The company is also present in many standardization bodies and we point out that in 2014, several employees were involved in fifteen electrotechnical committees and three technical committees.

2014 was a year of profound changes for Efacec and of important challenges that we overcame.

The support of our shareholders, -José de Mello and Textile Manuel Gonçalves-, to whom we express all our appreciation, was critical to the sustainability of Efacec operations. We highlight in particular the incentive given to the reform agenda we have set and to projects developed for its implementation, particularly regarding the creation of Efacec Power Solutions, a fundamental step towards the affirmation of a new, stronger and more focused Efacec.

We equally thanks our other important stakeholders, customers, lenders, suppliers, business partners and others, for the commitment and determination with which they faced this new challenge and for repeatedly believing in the skills, credibility and implementation ability of Efacec.

To our employees, the most important EPS stakeholders, we address very sincere thanks for the commitment, enthusiasm, professionalism and dedication with which they continued to participate in the sustained development of Efacec and in overcoming the major challenges it had to face.

To the General Meeting Board and Supervisory Board we also express our appreciation and thanks for all the competence and dedication in the performance of their duties.

We still cannot fail to express, in a very particular way, our deep gratitude to the members of the Board of Directors of our holding company, Efacec Capital, who, over the last mandate, followed the development of the project and the creation of Efacec Power Solutions.

Particular thanks are dedicated to Engineer Alberto Barbosa who, in early 2015, ceased his functions as non-executive Efacec Board Director, culminating a long, rich and diversified career of thirty-eight years dedicated to the company; we emphasize the position of Executive Board Director of the holding company, held over 10 years which ended in the previous Board of Directors' mandate.

We similarly express and in a very particular way, the close support and confidence demonstrated by our funders throughout the financial year, in particular CGD, Novo Banco and Millennium BCP, for their involvement in the financial restructuring of Efacec and support given to the creation of Power Solutions

We are fully confident that 2015 will be a year of consolidation and growth for Efacec Power Solutions and are committed to repay all who supported us through a good performance, pursuing sustained excellence.

Acknowledgments



Leça do Balio, June, 19th, 2015

The Board of Directors

João Afonso Ramalho Sopas Pereira Bento **Chairman**

Rui Alexandre Pires Diniz **Vice-Chairman**

Pedro Manuel de Azeredo Ferreira Lopes **Director**

About this Report

This report aims at describing the main activities and performances of Efacec Power Solutions during the year 2014. This is an integrated report that addresses the traditional elements of a management and sustainability report.

Clarifications

1. Efacec has published reports about the whole group, whose information should not be directly compared to the present report, as this one limits much of the information to the scope of activity of Efacec Power Solutions.
2. The text most often equates Efacec and Efacec Power Solutions designation.
3. The term Efacec Power Solutions is reserved for restricted information of this company.
4. In the texts relating to business activities of Efacec Power Solutions, we only use the designation Efacec.
5. The information provided refer whenever possible to the entire Efacec Power Solutions. However, due to the current speed of the internationalization process changes, it is not always possible to provide consolidated information covering all subsidiaries of the company. Thus, notes have been added to clarify the limited scope of some information as well as explanatory notes for the calculation methodologies used.
6. Its structure, the choice of contents and the preparation of this report took into account the following principles:
 - Disclose current strategic priorities and future guidelines of Efacec Power Solutions.
 - Disclose the major business risks of Efacec Power Solutions operations.
 - Ensure accessibility and transparency of information reported.
 - Meet the expectations of Efacec Power Solutions stakeholders.
 - Identify the most relevant information.
 - Ensure adequate reliability and completeness of information.
 - Ensure consistency and comparability of information.
7. This report seeks to structure and provide information in line with the most usual recommendations of organizations sustainability, namely those resulting from GRI - Global Reporting Initiative and IIRC - International Integrated Reporting Council, which supported and facilitated the integration of the different contents. The activities of the year 2014 were thus organized under economic, environmental and social perspectives.

Annexes

Environmental Indicators

Item	Indicator	Unid.s	Scope	2014
Materials	Magnetic Sheet Consumption	Ton	Arroteia	6702
	Magnetic Sheet Recycling	%		20
	Copper Consumption	Ton		3039
	Copper Recycling	%		0
	Oil Consumption	Ton		4966
	Oil Recycling	%		0
	Plastic Pack Consumption			354
			Maia	603
	Paper Pack/Cardboard Consumption	Kg	Arroteia	1593
			Maia	520
	Wood Pack Consumption		Arroteia	156552
			Maia	0
	Pack consumption- others		Arroteia	37
			Maia	243
Energy	Thermal Energy Consumption. (natural gas) (1)		GJ	Arroteia
		Maia (5)		2793
		Carnaxide		534
		National		27213
	Thermal En. Consumpt (gasoline) (1)	National		320
	Thermal En. Consumpt (diesel) (1)	National		31641
	Electricity Consumption (2)	Arroteia		58331
		Maia (5)		17020
		Carnaxide		3561
		National		78912
	Indirect consumpt.of hydropower (3)			22884
	Indirect consumpt.of wind power (3)			8286
	Indirect consumpt of natural gas (3)			7576
	Indirect consumpt of coal (3)	National		22884
	Indirect consumpt of other non renewable (3)			12389
	Indirect consumpt. of other renewable (3)			4893
	Renewable production			1226
	Water	Water consumption - Public Distribution		m³
Maia			13824	
Carnaxide			6127	
National			36020	
Water consumption - Boreholes		Arroteia	11001	
		Maia	9112	
			20113	
Affected water sources		National	0	
Reused/recycled water			0	
Effluents	Water discharge	m²	Arroteia	22107
	Spills		Arroteia	10
Biodiversity	Protected area (or adjacent)		National	0

(1) Values calculated from the Lower Calorific Values (LCV) listed in the National Inventory of Greenhouse Gas Emission 2013-2020.

(2) Conversion factor: 1kWh=0,0036GJ.

(3) Values calculated from data published by EDP Comercial that reflect the origin of the electricity consumed and CO2 emission.

Environmental Indicators- continuation

Item	Indicator	Unid.s	Scope	2014
Emissions	Direct - use of natural gas (1)	TonCO2e	Arroteia	1352
			Maia	158
			Carnaxide	30
			National	1540
	Direct - use of gasoline (1)		National	24
	Direct - use of diesel (1)		National	2345
	Indirect - use of electricity (5)		Arroteia	548
			Maia	1599
			Carnaxide	335
			National	7415
	CO (7)		Arroteia	4328
			Maia	358
	COVs (7)		Arroteia	10699
			Maia	390
	NOx (7)	Arroteia	2426	
		Maia	396	
	SO2 (7)	Arroteia	808	
		Maia	17	
	Particles (7)	Arroteia	8098	
		Maia	61	
		Consumption of ozone-depleting substances	Arroteia	0
Waste	Eliminados Perigosos	Ton	Arroteia	84
			Maia	0
			Carnaxide	4
			National	88
	Eliminados Não-Perigosos		Arroteia	184
			Maia	0
			Carnaxide	0
			National	184
	Eliminados		Arroteia	268
			Maia	0
			Carnaxide	4
			National	272
	Valorizados Perigosos		Arroteia	313
			Maia	5
			Carnaxide	1
			National	319
	Valorizados Não Perigosos		Arroteia	1994
			Maia	103
			Carnaxide	113
			National	2210
	Valorizados		Arroteia	2307
			Maia	108
			Carnaxide	114
			National	2529

(4) Data availability depends on the frequency of monitoring arising from the values obtained and CCDR opinion. Until the next measurement the prior year amounts are kept.

(5) Values that are obtained by subtracting actual values to estimates of the Logistics Unit.

Social Indicators

Item	Indicator	Unid.s	Scope	2014
Employment (1)	Employees Permanent/Staff			1890
	Employees under fixed term contract			218
	Executive Directors		National	4
	Employees/ full time			2111
	Employees/part time			1
	Employees		Arroteia	1110
			Maia	647
			Carnaxide	335
			Others	20
		# Employees	National	2112
	International Employees (local bond)		Subsidiaries	373
Turnover (1)	Employees		Global	2485
	End of term Employees <30 years			42
	End of term Employees 30-39 years			56
	End of term Employees 40-49 years		National	12
	End of term Employees >50 years			41
	End of term Employees Men			123
	End of term Employees Women			29
			Total	152
	Employee turnover rate			3,7
Absenteeism	Absenteeism rate	%	National	3,5
Labour Relations	Unionized employees (1)			13
	Deadline for notif. Changes	Days		15
Safety	Frequency Index (2)			26
	Severity Index (3)			1039
	Incidence Rate (4)		Arroteia	51
	Duration Index (5)			20
	Frequency Index (2)			8
	Severity Index (3)			21
	Incidence Rate (4)		Maia	3
	Duration Index (5)			3
	Frequency Index (2)			0
	Severity Index (3)			0
	Incidence Rate (4)		Oeiras	0
	Duration Index (5)			0
	Frequency Index (2)			14
	Severity Index (3)			537
	Incidence Rate (4)		Others	27
	Duration Index (5)			18
	Occupational Diseases (6)			3
	Deaths	# Employees	National	0
			Global	0
	Employees represented in Safety Committees	%	National	51
	Safety Training	# H. Employees		8324

Social Indicators - Continuation

Item	Indicator	Unid.s	Scope	2014
Training	Training Sessions	# Hours	Directors	3450
			Senior Staff	16314
			Managers	987
			Administrative	1175
			Technicians	5845
			Production	4019
			National	39448
	Training Average	# H. Employees	Directors	16
			Senior Staff	18
			Managers	9
			Administrative	9
			Technicians	16
			Production	7
Human Resources	Cases of discrimination	#	Global	0
	Work with free risk operations			0
	Work with little risk operations.			0
	Work with forced risk operations			0

(1) The number of employees refers to the situation as at 31 December.

(2) Frequency rate = n.º with sick leave / (n.º of men hours worked) x 10⁶.

(3) Severity Rate = n.º of days (working days) lost / n.º of men hours worked) x 10⁶.

(4) Incidence rate = n.º of accidents with sick of accidents leave / (average number of employees) x 10³.

(5) Duration rate = n.º of days (working days) lost / n.º of accidents.

(6) This indicator shows the number of cases actually confirmed by the National Protection Centre against Occupational Hazard (CNPRP) in the respective year.

Other Indicators

Item	Indicator	Unid.s	Scope	2014
Positions and Public Policies	Positions and policies in media	#	Global	16
Anti-Competitive Behaviour	Legal proceedings			0
Complaints of Non-conformity of Products, Services and Solutions	Relating to safety requirements		National	0
	Relating to labelling or marketing information			0
	Relating to customers 'private information			0

Personal details of the Board of Directors

João Afonso Ramalho Sopas Pereira Bento

Chairman of the Board of Directors

- Efacec Sistemas de Gestão, S.A.
- Efacec Electric Mobility, S.A.
- Efacec Energia - Máquinas e Equipamentos Eléctricos, S.A.
- Efacec Engenharia e Sistemas, S.A.
- Efacec Handling Solutions S.A.
- Efacec Marketing Internacional, S.A.
- Efacec Serviços de Manutenção e Assistência, S.A
- EMPOVAR, S.A.

Member of the Board of Directors

- Efacec Capital, SGPS S.A.
- GEMP - Empreendimentos Imobiliários, S.A.
- José de Mello, SGPS, S.A.

Chairman

- COTEC Portugal - Associação Empresarial para a Inovação

Vice-Chairman

- Academia de Engenharia
- Associação Portuguesa de Energia - A.P.E.

General Meeting Chairman

- Associação Portuguesa de Gestão e Engenharia Industrial

Member of the Board of Trustees

- Fundação Luso-Brasileira

Chairman

- Efacec USA, Inc.

Director

- Efacec India Private Limited

Rui Alexandre Pires Diniz

Chairman of the Board of Directors

- Efacec Investimentos e Concessões, SGPS S.A.

Vice-Chairman of the Board of Directors

- Efacec Sistemas de Gestão, S.A.
- Efacec Electric Mobility, S.A.
- Efacec Energia - Máquinas e Equipamentos Eléctricos, S.A.
- Efacec Engenharia e Sistemas, S.A.
- Efacec Handling Solutions S.A.
- Efacec Marketing Internacional, S.A.
- Efacec Serviços de Manutenção e Assistência, S.A.

Member of the Board of Directors

- Brisa Auto-estradas de Portugal, S.A.
- Efacec - International Financing, SGPS S.A.
- Efacec Capital, SGPS S.A.
- EMPOVAR, S.A.
- José de Mello, S.G.P.S., S.A.

Board Director

- Novamente - Associação de Apoio aos Traumatizados Crâneo Encefálicos e suas famílias

Director

- Efacec Power Transformers, Inc.

Manager

- BESO, Serviços de Comodidade e Conveniência, LDA

Francisco Bernardo Sampaio de Almada-Lobo

Chairman of the Board of Directors

- Efacec International Financing, SGPS S.A.

Member of the Board of Directors

- Efacec Capital, SGPS S.A.
- Efacec Electric Mobility, S.A.
- Efacec Energia - Máquinas e Equipamentos Eléctricos, S.A.
- Efacec Engenharia e Sistemas, S.A.
- Efacec Handling Solutions S.A.
- Efacec Marketing Internacional, S.A.
- Efacec Serviços de Manutenção e Assistência, S.A.
- Efacec Sistemas de Gestão, S.A.
- EMPOVAR, S.A.
- GEMP - Empreendimentos Imobiliários, S.A.

Chairman

- Efacec ACS, INC
- Efacec Power Transformers, Inc.

Director

- Efacec USA, Inc.
- LEEEC - Liaoning Efacec Electrical Equipment, Limited
- EFACEC Malaysia Sdn. Bhd.

Manager

- PluralDomain, Lda.

Pedro Manuel de Azeredo Ferreira Lopes

Member of the Board of Directors

- Efacec Capital, SGPS S.A.
- Efacec Sistemas de Gestão, S.A.
- Efacec Energia - Máquinas e Equipamentos Eléctricos, S.A.
- Efacec Engenharia e Sistemas, S.A.
- Efacec Electric Mobility, S.A.
- Efacec Handling Solutions S.A.
- Efacec Marketing Internacional, S.A.

EFACEC Power Solutions, SGPS, S.A. and Subsidiaries

Consolidated Financial Statement as at December 31, 2014

Monetary values are expressed in Euros

	Notes	2014
Assets		
Non current assets		
Tangible Fixed Assets	6	41.740.685
Intangible Fixed Assets	7	52.230.114
Goodwill	8	151.075.060
Financial assets available for sale	9	26.132
Loans to Related Parties	27	148.408.490
Deferred Tax Assets	18	53.664.905
Total non current assets		447.145.386
Current Assets		
Assets held for sale		179.972
Inventories	12	46.475.281
Customers and Accrued Income	10	314.577.177
Loans to Related Parties	27	380.904
Debtors and Deferred Costs	11	53.403.653
Income Tax	11	3.897.031
Cash and Cash Equivalents	13	25.380.505
Total current assets		444.294.523
Total Assets		891.439.909
Equity and Liability		
Equity		
Share Capital	14	233.874.030
Reserves and accumulated income		830.956
Accumulated other comprehensive income		-90.530
Non controlled interests	21	7.006
Total Equity		234.621.462
Non Current Liabilities		
Provisions	19	7.780.118
Bank Loans	17	171.726.159
Loans from Related Entities	27	93.239.443
Suppliers	15	14.062
Deferred Income	18	15.666.488
Total non current liabilities		288.426.270
Current Liabilities		
Bank Loans	17	58.164.458
Loans from Related Entities	27	6.518.124
Suppliers	15	111.043.441
Creditors and Accruals	16	76.423.137
Deferred Income	20	116.243.017
Total Current Liabilities		368.392.177
Total Equity and Liabilities		891.439.909

Attached notes hereafter are an integral part of the Balance Sheet

The consolidation Director

The Board of Directors

EFACEC Power Solutions, SGPS, S.A. and Subsidiaries

Consolidated Income Statement by Nature for the year ended 31 December 2014

Monetary values are expressed in Euros

	Notes	2014
Sales and Services Rendered	31	19.895.286
Cost of Sales and Materials Consumed		-4.111.491
Variation in Production		-1.135.918
Third Party Supplies and Services	22.1	-9.636.349
Staff Costs		-3.689.408
Amortization and Depreciation	6-7	-159.304
Provisions and Impairment of Assets	23.2	-3.986.239
Other Operating Costs		-503.171
Other Operating Income		3.329.830
Operating Profit		3.236
Losses and Financial Costs	23.1	-610.615
Financial Gains/Income	23.1	59.674
Losses/Gains in other companies	23.2	1.353.341
Profit before Tax		805.635
Corporate Tax - Deferred	24	381.659
Corporate Tax - Current	24	-247.540
Consolidated Net Profit	25	939.754
Attributable to:		
Shareholders of Efacec Capital SGPS		939.754
Minority interests	21	0
Net profit per share		
Basic		0,16
Diluted		0,16

Attached Notes hereafter are an integral part of the Balance Sheet

The Consolidation Director

The Board of Directors

EFACEC Power Solutions, SGPS, S.A. and Subsidiaries

Consolidated Statement of Comprehensive Income for the year ended 31 December, 2104

Monetary Values are expressed in Euros

	<u>2014</u>
Consolidated Net Profit (1)	939.754
Other comprehensive income	
<i>Items reclassifiable for results:</i>	
Change in the currency exchange reserve	-90.530
Change in the fair value of derivative financial instr.	<u>0</u>
	-90.530
<i>Items not reclassifiable for results:</i>	
Variation of surplus value of fixed assets	0
Variation of passive goodwill	<u>0</u>
	0
Other comprehensive income for the year	<u>-90.530</u>
<i>Tax on Other Comprehensive Income</i>	
Change in the fair value of derivative financial instr.	0
Variation of excess valuation of fixed assets	<u>0</u>
Tax on Other Comprehensive Income	<u>0</u>
Other net comprehensive income for the year (2)	<u>-90.530</u>
Total comprehensive income for the year (1)+(2)	<u><u>849.224</u></u>
Attributable to:	
Shareholders of Efacec Capital SGPS	849.224
Minority interests	0

Attached Notes hereafter are an integral part of the Balance Sheet

The consolidation Director

The Board of Directors

EFACEC Power Solutions, SGPS, S.A. and Subsidiaries

**Consolidated Statement of Changes in Equity
for the year ended at December 31, 2014**

Monetary values are expressed in Euros

	Attributable to Shareholders					Minority Interests	Total Equity
	Share Capital	Reserves and retained Profit	Other Comprehensive Income				
			Revaluation reserves	Changes in currency exchange	Other Comprehen- sive Income		
Incorporation	19.797.255	0			0	0	19.797.255
Capital increase	214.076.775	0			0	0	214.076.775
Inclusion in consolidation		0	0		0	9.339	9.339
Comprehensive Income for the year		939.754		-90.530	-90.530	0	849.224
Others		-108.798			0	-2.333	-111.131
Balance at December 31, 2014	233.874.030	830.956	0	-90.530	-90.530	7.006	234.621.462

Attached notes hereafter are an integral part of the balance sheet

The Consolidation Director

The Board of Directors

EFACEC Power Solutions, SGPS, S.A. and Subsidiaries

Consolidated Cash Flow Statement as at 31st December 2014

Monetary Values expressed in Euros

	<i>Notas</i>	2014
OPERATING ACTIVITIES:		
Accounts receivable		14 784 817
Accounts payable		10 812 318
Paid to Staff		3 272 934
Cash Flow generated by Operations		<u>699 565</u>
Payment/ receipt of income tax		0
Other receivables / payables in respect of operating activities		<u>(1 210 712)</u>
Net inflow from Operating Activities [1]		<u>(511 146)</u>
INVESTMENT ACTIVITIES		
Revenue provided by:		
Financial Investments		3 820 000
Interests and Similar Income		1 434
		<u>3 821 434</u>
Payments in respect of:		
Financial Investments		18 572 525
Tangible Assets		94 139
		<u>18 666 664</u>
Net outflow from Investment Activities [2]		<u>(14 845 230)</u>
FINANCING ACTIVITIES		
Revenue provided by:		
Current loans		19 187 846
Increase of share capital, suppl. Capital and issue premiums		0
		<u>19 187 846</u>
Payments in respect of:		
Current loans		3 086 813
Amortization of financial leasing contracts		4 110
Interests and similar expenses		263 501
		<u>3 354 425</u>
Flows generated by Financing Activities [3]		<u>15 833 421</u>
Change in cash and cash equivalents [D]-[A]-[B]-[C]=[1]+[2]+[3]		477 046
Impact of exchange rates [A]		(37 722)
Impact of perimeter variation [B]	4.4	24 941 181
Cash and cash equivalents at the beginning of the period [C]		0
Cash and cash equivalents at the end of the period [D]	15	25 380 505

Attached Notes hereafter are an integral part of the Balance Sheet

The consolidation Director

The Board of Directors

Notes to the Consolidated Financial Statements

A. General Information

Efacec Power Solutions SGPS, SA. is a limited company established at Arroiteia, Parish of Leça do Balio, Guifões and Custóias, Municipality of Matosinhos, Portugal.

It was incorporated on August 14, 2014, having as object the management of shareholdings as an indirect form of performing economic activities. The constitution of Efacec Power Solutions is part of a restructuring process that Efacec began at the end of 2013 and which is presently concluded. The objective underlying the development of this process was to align the corporate structure of the Group with the market segments and geographies covered. Efacec Power Solutions represents by itself a group of companies, which gather all the means of production, technology and technical and human skills for the development of activities in the fields of Power Generation, Engineering Solutions and Electric Mobility. It also covers a wide network of branches and agents across 4 continents.

Efacec Group's business activities include an extensive range of products with high technological level. This diversity, with skills at production and engineering levels, enables it to provide technical solutions to a very wide range of business sectors, in domestic and foreign markets.

The Group is part of a highly competitive and globalized market, being necessary to be prepared and alert to the constant developments and changes in customer preferences and new technologies. Aware of this, the Group has adapted its organization and business structure in order to improve its response to the market needs, focusing on areas of greater added value and providing the group structures with the appropriate skills for the new challenges inherent to the market and organizations.

The Board of Directors approved these financial statements on 19 June 2015. Members of the Board of Directors who signed this report declare that, to the best of their knowledge, the information contained herein was prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union and that they give a true and fair view of the consolidated financial statement, results and cash flows of the company.

The financial information is expressed in euros, which is the functional and reporting currency of the Group entities, unless otherwise indicated.

B. Accounting policies

1. Summary of the principal accounting policies

The accounting policies used are in accordance with International Financial Reporting Standards (IFRS) in force during each financial year. They are disclosed in subsequent notes and have been consistently applied over the years by the subsidiaries of Efacec Power Solutions SGPS, S.A. Nevertheless, standards, interpretations and revisions issued by the various bodies that oversee the implementation of International Financial Reporting Standards - IASB, IASC, SIC and IFRIC, when applicable to the Group, are adopted during the period they become mandatory.

1.1 Basis of preparation

The consolidated financial statements of Efacec Power Solutions, SGPS, S.A. were prepared in accordance with International Financial Reporting Standards (IFRS) in force since January 1, 2014, as adopted by the European Union.

The consolidated financial statements have been prepared taking into account the historical cost convention, except for land, financial assets and financial liabilities, (including derivatives instruments) which are recorded at their fair value.

The preparation of financial statements in accordance with International Financial Reporting Standards requires the use of some important accounting estimates. It also requires that the Governing Bodies practice their judgment in the process applied to the accounting policies of the company. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

The standards, interpretations and revisions issued by the different bodies that oversee the implementation of International Financial Reporting Standards - IASB, IASC, SIC and IFRIC - are listed below, together with the date of application and approval by the European Union.

Description	Amendments	Date of Application
Standards applicable from 31 December 2014		
· IAS 32 – Financial instruments: presentation	Financial assets and financial liabilities offsetting	01-01-2014
· IAS 36 – Impairment of assets	Disclosures about recoverable amount of impaired assets	01-01-2014
· IAS 39 – Financial instruments: recognition and measurement	Novation of derivatives and continuation of hedge accounting	01-01-2014
· Amendments to IFRS 10, 12 and IAS 27: Investment entities	Consolidation exemption for investment entities	01-01-2014
· IFRS 10 – Consolidated financial statements	New standard – Consolidation	01-01-2014
· IFRS 11 – Joint Arrangements	New standard – Accounting of Joint Arrangements	01-01-2014
· IFRS 12 – Disclosure of interests in other entities	New standard – Disclosure of all interests in other entities	01-01-2014
· Amendments to IFRS 10, 11 and 12: Transition	Transition regimen	01-01-2014
· IAS 27 – Separate Financial Statement	Consolidation withdrawn from the scope	01-01-2014
· IAS 28 – Investments in associates and joint ventures	Application of the equity method when accounting for investment in joint ventures	01-01-2014
Standards applicable on or after 1 July 2014, not yet endorsed by the EU		
· IAS 1 – Presentation of Financial Statements	Revision of disclosures	01-01-2016
· IAS 19 – Employees' benefits	Accounting of employees or other entities contributions	01-07-2014
· IAS 16 and IAS 38 – Calculation methods of amortization/depreciation	The methods of depreciation / amortization based on income, are not allowed in the measurement of consumption of economic benefits of tangible and intangible assets	01-01-2016
· IAS 16 and IAS 41 – Agriculture: Plants that produce biological assets	Plants that produce only consumable biological assets are included in the scope of IAS 16 and measured by their fair value or by the revaluation method	01-01-2016
· IAS 27 – Separate Financial Statement	Option to measure through the equity method investment in subsidiaries, joint ventures and associates	01-01-2016

We do not estimate significant effects for the Group resulting from the adoption of these Standards.

1.2 Consolidation

1.2.1 Subsidiaries

Subsidiaries are all entities (including Special Purpose Entities) over which the Group has the power to govern the financial and operating policies generally represented by more than half of the voting rights. The existence and effect of potential voting rights, either currently exercisable or convertible, are taken into consideration when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured by the fair value of the assets given, equity instruments issued and liabilities incurred or assumed on the date of acquisition, plus all costs directly attributable to the acquisition. Identifiable assets acquired and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, regardless of the existence of any minority interest. The excess of the cost of acquisition added from the share of minority interests over the fair value of acquired net assets and liabilities, or alternatively, added from the fair value of the share of minority interests in the acquired subsidiary, in relation to the fair value of the total net assets and liabilities of the acquired subsidiary, is recorded as goodwill (note 1.5.1). If the cost of acquisition is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the Income Statement.

Transactions, balances and unrealized gains with inter-company transactions are eliminated. Unrealized losses are also eliminated, except if the transaction reveals evidence of impairment of a transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The amount concerning minority interests is included in Equity. Transactions with “minority interests” are recorded in Equity, when there is no change in the control over the Entity, meaning that goodwill or gains or losses are not recorded. When there is loss of control over the entity, any interest resulting from the entity is re-measured to the fair value, meaning that the gain or loss is recognized in the results of the financial year.

The list of subsidiaries included in the scope of consolidation is shown in Note 4, as well as the respective effects.

1.2.2 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted by using the equity method and are initially recognized at cost. The Group’s investment in associates includes the goodwill (deducted from accumulated impairment losses) identified on acquisition (see Note 1.5.1).

The Group’s share of its associates’ post-acquisition profits and losses is recognized in the Income Statement, and its share of post-acquisition movements in reserves is recognized in reserves, in contrast to the financial investment’s book value. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

If the cost of acquisition is less than the fair value of the net assets of the acquired associates, the difference is recognized directly in the Income Statement.

The goodwill identified on acquisition of associates, deducted from accumulated impairment losses, is recorded under the respective item of the Balance Sheet.

An evaluation of investments in associates is triggered whenever there are signs that the asset could be impaired. Impairment losses are recorded as costs under the same item. When impairment losses recognized in previous periods cease to exist, they are reversed, with the exception of goodwill.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of Associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

1.2.3 Joint ventures

The new accounting international standard IFRS.11 changed definitions and accounting rules of the jointly controlled investments. The standard describes these investments as joint operations (joint operations) or joint ventures (joint ventures), which are distinguished mainly by:

- Existence or not of a separate vehicle body
- Unanimity required in decision-making
- Ownership of assets / liabilities and income / costs

In 2014, the Company adopted the IFRS.11, and held a case-by-case analysis of the contracts of all entities with which it maintains interests. In the cases where the clusters were classified as joint operations, their accounts have been integrated line-by-line in proportion to the equity holding in each; where the clusters were considered joint ventures, investment is recorded at cost, according to company policy for investments in associates

1.2.4 Transactions policy between entities under joint control

There are no accounting policies set out in international standards for transactions between entities under common control, where the parent company retains control of the transferred subsidiary before and after the transactions are realized. In its absence, the management takes into account the requirements and guidelines of other standards that address similar issues, having opted for the purchase method of IFRS 3R, this legislation being fully implemented (see Note 1.2.1).

1.3 Foreign currency exchange

1.3.1 Functional currency and presentation currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Consolidated Financial Statements are presented in Euro, which is the company's functional and the Group's presentation currency.

1.3.2 Balances and Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Income Statement.

1.3.3 Group companies

The results and the financial position of all the Group's entities (none of which has the currency of a hyper-inflationary economy) which have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (I) Assets and liabilities for each presented Consolidated Financial Position Statement are translated at the closing rate on the date of the Financial Statements;
- (II) Income and expenses for each Income Statement are translated at average exchange rates; and
- (III) Resulting exchange differences are recognized in Equity under item Reserves.

1.4 Tangible Fixed Assets

Land and buildings consist primarily of factories and offices. Land is stated at fair value based on at least three-year periodic reviews, performed by independent external evaluators. Other tangible fixed assets are stated at historical cost, less depreciation, including all expenditures directly attributable to the acquisition of property.

Subsequent costs are included in the carrying amount or recognized as a separate asset, as appropriate, only when it is probable that economic benefits will flow to the company and the cost can be measured reliably. The other repairs and maintenance costs are recognized as expenses in the period they incur.

Land included in the company's assets is stated at fair value. According to the Group's accounting policies, land is subject to triennial evaluations by independent experts. Evaluations rely on using the criteria of market comparison and replacement costs. Valuations are recognized in equity, net of the related deferred tax. Devaluations, if any, are deducted from equity within the limits of the revaluation reserves existing for the same assets. Profit is recognized through the excess of that limit.

When tangible assets recorded at fair value are sold, the amount included in revaluation reserves is transferred to retained earnings.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method, through twelfths over the cost value or the re-valued amount, to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Heading	Years
Land	-
Buidings and other constructions	25 – 50
Basic Equipment	8 – 16
Transport Equipment	4 – 5
Tools and Utensils	4 – 8
Office Equipment	4 – 6

The depreciation process starts in the month following the month in which the asset is brought into operation.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the date of statement of financial position. If the carrying amount exceeds the recoverable amount of the asset, it is immediately adjusted to the estimated recoverable amount (Nota 1.6).

Gains and / or losses on disposals and write-offs are determined by the difference between their carrying amount and value of sale or write-off, being in the latter case null and included in Income for the period.

1.5. Intangible Fixed Assets

1.5.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable assets and liabilities from the subsidiary on the date of acquisition (Note 1.2), being included in the respective item of the consolidated financial statement. The goodwill resulting from the acquisition of associate companies integrates the item Financial Investments in Companies of the Group and Associates.

Goodwill is subject to impairment tests on an annual basis and is stated at cost, less accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the same.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the entity and translated at the closing rate, if its functional currency is other than the euro.

Goodwill is allocated to cash flow generating units (CGU) to perform impairment tests (Note 1.7). The recoverable amount of a CGU is determined based on the value used in calculations. These calculations use cash flow projections based on financial budgets approved by the management, covering a period of at least four years.

The Board of Directors determines the budgeted gross margin based on past performance and its expectations for market development. The weighted average growth rate used is consistent with the forecasts included in industry reports. The discount rates used are before taxes and reflect specific risks relating to the relevant segments.

1.5.2 Software

The acquisition cost of software licenses is capitalized and includes all costs incurred in acquiring and putting the software available for use. These costs are depreciated over estimated useful lives (not exceeding 5 years). Costs associated with developing or maintaining software are recognized as expenses when incurred.

Costs directly associated with the production of identifiable and unique software controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include personnel costs employed in software development and the share of relevant costs. Development costs of software recognized as assets are amortized over their estimated useful lives (not exceeding 5 years).

1.5.3 Research and Development Expenses

Expenditure on research is recognized as an expense when incurred. Costs incurred on development projects (relating to the design or test of new products and enhancements on existing products) are recognized as intangible assets when it is probable that the group will obtain economic benefits, considering its commercial and technological feasibility, and costs can be measured reliably. Other expenditures for development are recognized as expenses when incurred. Development costs previously recognized as an expense are not recognized as an asset in subsequent periods.

Development costs with a set useful life that have been capitalized are amortized from the start-up of commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding five years.

1.6 Impairment of non-financial assets, except Goodwill

Assets that have an indefinite useful life are not subject to amortization but are the object of annual impairment tests. Assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the value at which they are accounted may not be recoverable. An impairment loss is recognized for the amount of the excess of the carrying amount of the asset to its recoverable amount. The recoverable amount is the higher between the fair value of an asset less costs to sell and value in use. When determining the value in use, the estimated future cash flows are discounted using a discount rate that reflects the current market reviews and specific risk of the asset.

For carrying out impairment tests, assets are grouped at the lowest levels for which it is possible to identify separately cash flows (units generating cash flows).

1.7 Financial assets

1.7.1 Rating

The group classifies its financial assets according to the following categories: fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also classified under this category unless designated for hedging.

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified as current assets, except for maturities greater than 12 months after the closing date of the exercises, in which case these are classified as non-current assets.

(c) Financial assets held to maturity

Currently, the Group has no financial assets held to maturity.

(d) Financial assets available for sale

Financial assets available for sale are non-derivative financial assets that are either designated in this category or are not classified under any of the others. These financial assets are classified as non-current, unless the assets expire or if management intends to sell them within 12 months after the reporting date.

1.7.2 Recognition and measurement

Purchases and sales of financial assets are recognized on trade date - the date on which the group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs, unless classified at fair value through profit and loss. Financial assets at fair value through the

income assets are initially recognized at fair value and their transaction costs recorded in the income statement. Financial assets are derecognised when the rights to receive their cash flows expire, or at the time the risks and benefits of ownership are transferred. Financial assets available for sale and financial assets at fair value through the income assets are subsequently measured at fair value. Loans and receivables are subsequently measured at amortized cost using the method of effective interest rate.

Gains or losses arising from changes in fair value of 'financial assets classified under the category of fair value through profit or loss', are recorded in the Income Statement as 'Financial Costs' in the period in which they occur.

Customer's account receivables and other debtors are initially recognized at their nominal value or fair value, if different, less any impairment loss.

Customer's amounts receivable are derecognized when, substantially, transferred to another entity all the significant risks and rewards associated with the cash flows of the financial asset benefits. If the entity retains its exposure to the total variability in the present value of future net cash flows associated with the financial asset, there is not a de-recognition of the asset.

When securities classified as available for sale are sold or impaired are recorded, the cumulative value of adjustments to fair value recognized in fair value reserves is recognized in the income statement as "gains or losses in other businesses"

Interests on account of securities classified as available for sale are calculated using the effective interest method and recognized in the income statement under the headline 'Other income'. Dividends on shares available for sale are recognized in the income statement when the Group's right thereto is established.

1.7.3 Presentation by net value

Financial assets and liabilities are presented in the financial statement on a net basis when there is a legal right to compensate them for this value, as well as the intention to do so, or in the event that the compensation of the assets and liabilities is made simultaneously.

1.7.4 Impairment of financial assets

(a) Loans and receivables

The adjustment for impairment of account receivables is established when there is objective evidence that the group did not receive all amounts due according to the original terms of receivables. The adjustment amount is the difference between the displayed value and the present value estimated value of future cash flows, discounted at the effective interest rate. The adjustment value is recognized in the income statement.

(b) Assets carried at amortized cost

The Group assesses at each date of its Financial Statement whether a financial asset or group of financial assets is impaired. If financial asset or group of financial assets is impaired, impairment losses are recorded only when there is objective evidence thereof as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that such an event (or events) has an impact on the estimated future cash flows produced by the asset or group of assets that can be reliably estimated.

The criteria used by the group to determine whether there is objective evidence of an impairment loss include:

- Significant financial difficulties of the issuer or debtor;

- Breach of contract provisions, such as payment of interest or capital;
- The possibility that the borrower will file bankruptcy or financial restructuring;
- The disappearance of an active market for the financial asset in question for reasons of financial distress, or
- Observable data, indicating a measurable decrease in the estimated future cash flows from a portfolio of financial assets, having this decrease occurred after the initial recognition of those assets, but still not being attributed to individual financial assets. These data include:
 - (I) Adverse state of those portfolio debtors in meeting payments;
 - (II) National or local economic conditions that correlate with failure to pay for the assets in the portfolio;

The Group first examines whether there is evidence of impairment.

The amount of the loss is measured as the difference between the value at which the asset is measured and the current estimate of future cash flows (excluding future credit losses that have not been registered) discounted at the effective interest rate. The value to which the asset is measured is reduced, and the amount of the loss is recognized in the consolidated income statement. As a practical expedient, the Group can measure the amount of impairment based on the fair value of the instrument, using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively attributed to an event occurring after the impairment was recorded (such as improved credit *rating* of the debtor), then the previously recognized impairment is reversed in the consolidated income statement.

(c) Assets classified as available for sale

The group analyses at each date of its financial statement whether there is objective evidence that a financial asset or group of financial assets is impaired. For debt securities, the group uses the criteria described above in (a). In the case of equity instruments of other entities classified as available for sale, a significant or prolonged decline in the fair value of shares relative to their costs also constitute evidence of impairment. If such evidence exists for assets available for sale, the cumulative loss - measured as the difference between the acquisition cost and the fair value at date, less any impairment loss previously recognized through profit and loss account for the financial asset in question - is removed from equity and recognized in the consolidated income statement. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt security rated available for sale increases and the increase can be objectively attributed to an event occurring after the impairment loss was recognized in the income, then the impairment loss is reversed through the consolidated income statement.

Financial investments in Group's companies that were excluded from the consolidation and other shareholdings are stated at acquisition cost.

Financial investments in associated companies are valued by the Equity Method, as described in Note 1.2.2.

The company first examines whether there is evidence of impairment of any financial investment. If there is such evidence, the accumulated loss, calculated by the difference between the balance sheet value and the current fair value, is recognized in the income statement of the period in which the impairment is verified.

1.8 Accounting for financial instruments - derivatives and hedging

Derivatives are initially recognized at fair value at the date in which their contractual arrangements take part, and subsequently measured at fair value. The method by which the changes in fair value are recognized depends on the designation (or not) of this derivative as a hedging instrument and, in the case of so being appointed, the nature of the hedged item. The Group designates certain derivatives as: (1) hedges of the fair value of assets, liabilities or firm commitments recognized (fair value hedge), (2) hedging of a particular risk associated with an asset, liability or a highly probable transaction (hedging of cash flows).

For each transaction, and at its origin, the Group prepares documentation justifying the relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy for hedging transactions. The Group also documents either on the trade date of hedging, or on a continuous basis, its analysis of the effectiveness with which the hedging instrument offsets changes in fair value or cash flows of the hedged instruments. In accordance with IAS 39, the fair value of option Type derivatives is separated in its intrinsic value and its time value, given that only the intrinsic value of these instruments may be designated as a hedging instrument. Thus, tests of validity of the derived type option only include the intrinsic value of these instruments.

The fair value of derivatives used for hedging purposes, when they exist, is disclosed in proper Note. Movements in the hedging reserve are shown in the consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as non-current asset or liability when the remaining maturity of the hedged instrument is greater than 12 months and as a current asset or liability when it is less than 12 months. Trading derivatives are classified as current assets or liabilities.

1.8.1 Fair value hedge

Changes in fair value of derivatives that are assignable and classified as fair value hedge instruments are recognized in the income statement together with changes in the fair value of the assets or hedged liabilities attributable to the hedged risk.

If the hedging relationship ceases to meet the criteria for hedge accounting, then the adjustment to the carrying amount of the hedged item, for which is used the effective rate method, is amortized over the period extending until maturity.

1.8.2 Coverage of Cash Flows

The effective amount of the change in fair value of derivatives assignable and classified as cash flow hedges is recognized in equity. The gain or loss relating to the ineffective amount of the loss is immediately recognized in the income statement.

Amounts accumulated in equity are subsequently recognized in the income statement in the period in which the instrument affects the income statement (for example, when a transaction of a forecasted hedged sale occurs). The gain or loss on the value of interest rate swaps, to cover variable rate loans is recognized in the income statement as "Net financial costs." The gain or loss relating to the effective

amount of derivatives exchange rate is recognized in the income statement as "Net financial costs." The gain or loss relating to the effective amount of derivatives on the price of *commodities* is recognized in the income statement as "Cost of goods sold and materials used." The gain or loss on the ineffective amount is recognized in the income statement as "Net financial costs."

When a hedging instrument reaches maturity, when it is sold, or when a hedge no longer meets the requirements for hedge accounting, any cumulative gain or loss recorded in registered capital will remain that way, being recognized in the income statement when the forecast transaction also is. When the occurrence of the forecasted transaction is no longer probable, the cumulative gain or loss recorded in equity is immediately transferred to the income statement as financial income or costs.

1.8.3 Derivatives not qualified for hedging

Certain derivatives do not meet the hedging criteria. Changes in their fair value are recognized immediately in the income statement.

1.9 Inventories

Inventories are recorded at the lowest of cost between the cost and the net realizable value. The cost is calculated using the standard cost (which does not deviate significantly from the actual production cost).

The cost of finished goods and work in progress include cost of raw materials, labor, direct labor, other direct costs and overhead costs of production (based on normal operating capacity). Loan costs are excluded.

Net realizable value represents the estimated selling price in the ordinary course of business, less the variable costs of sale. The cost of inventories includes the transfer from equity of any gain or loss classified as cash flow hedging related to the purchase of raw materials.

1.10 Cash and cash equivalents

The item 'Cash and cash equivalents' includes cash, bank deposits and other short-term investments with high liquidity and with initial maturities of 3 months. Bank overdrafts are presented in the consolidated financial statement in the current liabilities, under Loans.

1.11 Share Capital

Ordinary shares are classified as equity.

The incremental costs directly attributable to the issue of new shares or options are presented in equity as a deduction, net of tax, of the tickets. Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are included in cost of acquisition as part of the purchase price.

1.12 Debts to Financial Institutions and Related Parties

Loans obtained are initially recognized at their nominal value or fair value, if different, less any loss for impairment. Loans are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the amortized value is recognized in the income statement over the period of the loan using the effective interest method.

Loans obtained are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the financial statement closing date.

Interest and other financial charges related to loans are generally recognized as expenses in accordance with the accrual accounting principle.

Interest and other financial charges on loans, which are directly related to the acquisition, construction or production of fixed assets, are capitalized as part of the cost of the asset. The capitalization begins after the start of preparation of the construction or development of the asset and stops when the asset is ready for use or when the project is suspended. Any income earned on loans, directly related to a specific investment is deducted from financial costs eligible for capitalization.

1.13 Payables to suppliers and other creditors

Payables to suppliers and other creditors are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. The suppliers' bills are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, the suppliers' bills are presented as non-current liabilities.

1.14 Income Tax and Deferred Taxes

Portuguese subsidiaries are subject to the Special Taxation Regime of Groups of Companies, applicable to groups including companies in which the shareholding is equal to or above 75%, and which meets the conditions laid out in Article 63 of the Corporate Income Tax Code. The group of companies is led by Efacec Capital SGPS, SA and brings together national companies that meet the requirements set out in CIRC.

The consolidated tax charge is determined on the basis of the arithmetic sum of taxable profits and losses as defined for each company on an individual basis.

The income tax of the group includes current and deferred tax.

Current tax is calculated based on current tax law, or substantially prevailing at the date of the financial statement in countries where the subsidiaries and associates operate and generate taxable income. The management of the Group periodically reviews its analysis in this area and recognizes provisions for probable tax contingencies for cases under review, as well as possible adjustments made by tax authorities. These provisions are recorded at the amount expected to be paid to the tax authorities.

Deferred tax is calculated using the liability method, on temporary differences between the carrying amounts of assets and liabilities and their respective tax base. However, deferred tax is not registered in case it arises from initial recognition of an asset or a liability in a transaction which does not constitute a business combination that at the time of the transaction does not affect the revenues and costs, or accounting or not taxable. Deferred tax is determined in light of rates (and laws) prevailing or substantially prevailing at reporting date and are expected to apply when performing the deferred tax asset or settlement of the deferred tax liability.

Deferred income taxes are recognized only when the existence of future taxable income is expected, under which the temporary difference can be utilized.

Assets and deferred tax liabilities are presented in the statement of financial position on a net basis when there is a legal right to offset the assets and current liabilities by deferred tax of this amount, and where assets and deferred tax liabilities relate to taxes on income levied by the same tax authority on the same taxable entity or different entities when there is an intention to settle the amounts by the net value.

Deferred taxes are classified as non-current as presented in the financial statement.

1.15 Provisions

Provisions are measured at fair value of the costs that are expected to occur in order to settle the obligation using a pre-tax rate that reflects the time value of money, as well as specific risks to the liability, as assigned by market. Provisions are not recognized for future operating losses.

The group recognizes provisions for onerous contracts when the costs to be incurred to meet the contractual obligations exceed the economic benefits estimated, contract by contract, according to estimates of the responsible staff for works / projects.

The provision for warranties is recognized when the underlying products or services are sold. The provision is made using historical information on the nature, frequency and average cost of claims.

1.16 Recognition of revenue

Revenue comprises the fair value of sales of goods and services, net of taxes and trade discounts, and after elimination of internal sales.

Revenues are recognized at fair value of the amount received or receivable for the sale of goods and services in the ordinary course of business of the group. Sales are recognized at net value of the amount of value added tax, returns and discounts and after intra-group sales have been eliminated.

The group recognizes revenue when the amount can be measured reliably, when it is probable that future economic benefits give input on the entity and when specific criteria are met for each of the group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, as well as the transaction type and its characteristics.

1.16.1 Sales

The recognition of revenue occurs when the product is delivered and accepted by the customer and when the payment of the related accounts receivable is reasonably assured. In the case of construction contracts, the Group recognizes the sale of goods when the work in progress does not suffer significant modification or customization.

1.16.2 Service Rendering

The provision of services is recognized in the accounting period in which they are rendered, by reference to the stage of completion of the on the balance sheet date. Some of the Group's transactions involve the provision of services whose conclusion cannot be reasonably estimated, particularly in the maintenance business, whose revenue is recognized once each recoverable expense is achieved.

1.16.3 Multi-year contracts

Revenues from contracts arising for periods exceeding one year are accounted for under the percentage of completion method, with reference to the costs incurred, partial delivery or another approach to the reliable estimation of the costs of completion of the work. When it is not possible to make a reliable estimate of the revenues and costs, revenues are recognized when the product is delivered to the customer. In this case, the costs incurred until delivery are recorded in 'Inventories - Products and Works in progress'.

When the amount invoiced to the customer is greater than what was determined by the percentage of completion method, deferred revenue is recognized, representing a liability to the client on the work to be performed.

Costs of contract include raw materials and direct materials, direct labour and also indirect costs distributed as specified in the contract. Sales and administrative expenses are recorded as costs as they occur. Provisions are recorded in the income statement for any foreseen losses on completing a contract within the period in which they are determined, being immediately recognized in the income statement. Changes to contracts or cost estimates and forecast costs and / or revenues and margins, resulting from the renegotiation of the conditions with customers or from internal productivity, are recognized in the income statement in the period in which they occur and taking into account the stage of completion.

Materials specific to the contract, which have not been used or installed, are shown under 'Inventories - products and work in progress'.

1.17 Leases

Leases are classified as operating leases if a significant portion of the risks and rewards of ownership is retained by the lessor. Payments for operating leases are charged to the income statement at the time of their settlement.

Leases of tangible assets, where the Group has substantially all the risks and rewards of ownership, are classified as financial leases. Financial leases are capitalized at the lease's commencement at the lowest value between the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the outstanding liability and finance charges so as to achieve a constant rate on the outstanding debt. Lease obligations, net of finance charges, are included under Suppliers. This interest is driven to financial expenses in the period of the lease so as to produce a constant periodic rate of interest on the remaining debt in each period. The tangible assets acquired through finance leases are depreciated over the shortest of the useful life of the asset or the lease term.

1.18 Grants

Grants received are recognized at their fair value when there is a reasonable possibility that the grant will be received and the Group will comply with all attached conditions.

Grants received in order to compensate the Company for investments in tangible and intangible assets are included in non-current liabilities as deferred income and are credited to the income statement proportionally to the useful live of the related assets.

Grants received to compensate its incurred costs are recorded in the income statement on a systematic basis over the periods in which the costs they are intended to compensate are recognized.

1.19 Distribution of dividends

The distribution of dividends to shareholders is recognized as a liability in the consolidated financial statements of the Group in the period in which the dividends are approved by the shareholders at the General Meeting.

1.20 Non current assets held for sale

A non-current asset (or disposal group) is a component of an entity that was either written off or classified as held-for-sale or liquidation and (a) represents a significant line of business or geographical area of operations; (b) is part of the restructuring process of a business area or geographical area of operations.

Non-current assets (or disposal groups), are classified as held-for-sale if their value is realizable through a sale transaction rather than through their continued use. This situation is deemed to arise only when: (i) the sale is highly probable and the asset is available for immediate sale in its present condition; (ii) the Group has given an undertaking to sell; and (iii) it is expected that the sale will be finalized within 12 months. In this case, non-current assets are valued at the lower of their book value or their fair value less the sale costs.

1.21 Employee benefits

1.21.1 Retirement pensions

The majority of EFACEC's employees are only covered by the social security system.

There is a closed group of former retired employee that benefits from complementary retirement or survivor's pension, which are managed by the Efacec Group. The future liability for these payments is presented in the financial statement under the item 'Provisions' (Note 21) and corresponds to the current benefits' responsibilities value defined on the balance sheet date. The assessment of responsibility is carried out annually by specialized independent entities.

Additionally, the Group pays a retirement savings plan to the members of the Board of Directors, through fixed contributions to a specialized and independent entity. The Group has no legal obligation to pay further contributions. The Group recognizes the costs of these benefits as the services are rendered by the beneficiaries. Prepaid contributions, if any, are recognized as an asset to the extent that it is possible to return in value or reduction in future payments.

In subsidiaries based abroad, employees are either covered only by local social security systems or can benefit from complementary systems, established according to the local laws and conditions.

The re-measurements (gains and losses) arising from changes in demographic and financial actuarial assumptions are recorded in Other Comprehensive Income.

A defined benefit asset is only recognized to the extent that a cash refund or a reduction in future payments is available.

1.21.2 Variable Remuneration

Variable remunerations paid to employees are recorded in the income statement for the year to which they relate, under Staff Costs.

1.22 Contingent assets and contingent liabilities

Contingent liabilities for which it is possible that an outflow of resources embodying economic benefits is only possible, are not recognized in the financial statements but disclosed in the notes, unless the possibility of the outflow of resources embodying economic benefits is remote, in which case they are not subject to disclosure. Provisions for liabilities that meet the conditions laid down in Note 1.15 are recognized.

Contingent assets are not recognized in the consolidated financial statements but are disclosed in the Notes to the financial statements when a future economic benefit is probable.

1.23 Statement of Cash Flows

The statement of cash flows is prepared in accordance with the direct method. The Group classifies assets with maturity of less than three months and for which the risk of change in value is insignificant under "Cash and cash equivalents".

The statement of cash flows is divided into operating activities, investment activities and financing activities. Operating activities include cash received from customers and payments to suppliers, staff and other payments related to operating activities.

Cash flows included in investment activities include acquisitions and disposals of investments in subsidiaries, received cash and payments resulting from the purchase and sale of tangible and intangible assets.

Financing activities include cash received and payments relating to equity and loans, including bank overdrafts. They also include payments relating to interests, dividends and finance leases.

1.24 Subsequent Events

Events subsequent to the balance sheet date that provide additional information about conditions existing on that date are reflected in the consolidated financial statements. Events subsequent to the balance sheet date, which provide information on conditions that arose after that date, are disclosed in the annex to the consolidated financial statements, if material.

2. Accounting estimates and judgments

The preparation of consolidated financial statements requires the Group's management to make judgments and estimates that affect the reported amounts of revenues, costs, assets and liabilities and disclosures at the date of the balance sheet.

These estimates are determined by the judgments of the Group's management, based on: (i) the best information and knowledge of present events and in some cases, on the reports of independent experts (ii) the actions that the Group considers it may have to take in the future. However, at the date on which the operations are carried out, the results may differ from these estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next exercises are presented below.

2.1 Impairment of Goodwill

Each year, the Group tests whether goodwill has suffered any impairment, recorded in the financial statement in accordance with the accounting policy defined in Note 1.6.1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. Those calculations require the use of estimates (Note 8).

2.2 Income recognition

The group uses the percentage of completion method in accounting for revenue from its multi-year contracts. The use of the percentage of completion method requires the formulation of estimates on the degree of construction and services performed to date, as a proportion of the total construction and the services to be performed. Management exercises judgment in determining whether the outcome of a contract can be estimated reliably. Management also makes estimates of the total cost of services, or in some cases, of the total contract costs, which are used in determining the recoverable amount of the contracts. The estimates are continually revised based on changes and information relating to each contract.

2.3 Fair value of financial assets and liabilities

To determine the fair value of a financial asset or liability where an active market exists, the market price is used. Where there is no active market, which is the case with some of the assets and liabilities of the Group, valuation techniques generally accepted in the market, based on market assumptions, are used.

The Group uses valuation techniques for unlisted financial instruments such as derivatives, financial instruments at fair value through profit or loss and assets available for sale. The valuation methods, which are used most often, are based on models of discounted cash flow and options, including, for example, interest rates, exchange rates, prices of raw materials and volatility curves.

2.4 Income taxes

The Group recognizes liabilities for additional taxes that may result from inspections undertaken by tax authorities. When the final outcome of these situations is different from those initially recorded, the differences will impact income tax and deferred taxes, during the time in which such differences are identified.

Additionally, the Group recognizes deferred tax assets on income tax losses carried forward to the extent that future taxable profits will be available.

This assessment requires the use of estimates and the future taxable profits could be different from the assessment done on each balance sheet date. The difference will impact the income tax.

2.5 Recognition of provisions

The Group periodically reviews the obligations arising from past events that should be recognized or disclosed. The subjectivity involved in determining the probability and amount of internal resources required to meet obligations may give rise to significant adjustments either due to changes in the assumptions made, or due to the future recognition of provisions previously disclosed as contingent liabilities.

Management exercises significant judgment in determining whether there is a present obligation as a result of a past event, or whether it is more likely, on the date of the consolidated financial statements, that from past events outflows of resources can occur, and whether the amount of the obligation can be reliably estimated. The Group periodically reviews the status of these processes using counselling, both internal and external. These judgements are subject to change as new information becomes available. The amount of provision may change in the future due to new developments in this particular matter.

2.6 Tangible and intangible assets

The useful life of an asset is the period during which the Group expects it to be available for use and this should be reviewed at least at the end of each financial year.

The determination of the useful lives of the assets, the amortization / depreciation method to be applied and the estimated losses resulting from the replacement of equipment before the end of its useful life due to technological obsolescence is critical in determining the amount of amortization / depreciation to be recognized in the income statement for each year.

These parameters are defined using the best knowledge of management, and taking into account the best practices adopted by similar companies in the sectors in which the Group operates.

2.7 Impairment of account receivables

The credit risk on the balance of accounts receivable is assessed on the reporting date, taking into account the knowledge of the client and its risk profile. Accounts receivable are adjusted based on the assessment made by the management of the estimated collection risks at the reporting date, which may differ from the actual risks incurred.

C. Risk Management

3. Financial risk management

3.1 Factors of financial risk

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Efacec Group's programme of risk management focuses on the unpredictability of financial markets and seeks to minimize potentially adverse effects on the financial performance of the Group. Various financial instruments are used to minimize these risks. However, the Group only uses such financial instruments only to hedge risks arising from its operations and business.

The financial risk management is carried out by a central treasury department of the Group under policies and guidelines approved by the Board of Directors. The central treasury department of the Group is responsible for identifying, assessing and hedging financial risks in close cooperation with the operating units of the Group. The Board of Directors provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, price risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity. The Board of Directors carries out a very close monitoring of such transactions.

3.1.1 Market risks

3.1.1.1 Foreign Exchange Risk

In the course of its international operations, the Group is exposed to foreign exchange rates risks, resulting from proposals submitted in foreign currency, contracts and sale of products and future cash transactions in foreign currency. In addition, as a result of its foreign subsidiaries and associates, the Group has exposure to foreign exchange rate risk due to recognized assets and liabilities and net investments in foreign operations. The main foreign exchange risk exposures of the Group were related to assets and liabilities in US dollars.

The Group has developed an internal policy related with foreign exchange rate risk hedging, which determines that the majority of contracts and orders in foreign currency are hedged through the use of short-term financial derivatives instruments. Generally, the Group prefers to use option type derivatives to hedge its exposure to foreign exchange risk, thereby limiting the negative potential of its hedging strategies. The Group's policy regarding exposure to currency risk is to hedge the most significant contracts denominated in foreign currency. The Group does not require that foreign subsidiaries and associates manage the foreign exchange risk using derivatives. In addition, the Group is not actively managing, using financial derivative instruments, its exposure to non-financial recognized assets and liabilities and net investments in foreign operations, as it does not represent a significant net exposure to other currencies.

If at the year-end the euro had strengthened or weakened by 10% against the greatest part of the currencies to which the Group is exposed, considering all other variables held constant, the consolidated results in 2014 would not have suffered material variations.

3.1.1.2 Price Risk

The company is exposed to long term and short term changes in the prices of raw materials used in its production processes, namely copper, when negotiating the purchase of raw materials according to a quoted price on the stock exchange. The Group implemented policies to manage exposure to price risk of these raw materials, namely through the use of derivative financial instruments, mainly short-term, with the aim of limiting the impact that changes in price have on consolidated net income. This Group's policy is based on the use of option type derivative financial instruments in order to limit the downside of its risk management strategy. The central treasury department of the Group contracts derivative financial instruments of the *option* type on a regular basis and according to the dynamic forecasting requirements of raw materials, namely copper.

On December 31, 2014 the Group had no option type contracts for copper.

3.1.1.3 Cash flow risks and fair value related to interest rates

The interest rate risk of the Group arises mainly from long-term loans and interest rate derivatives, since the Group has no significant long-term interest bearing assets. Loans contracted at variable interest rates, which, in 2014, were exclusively denominated in Euros, expose the Group to the risk of changes in cash flows. The Group's policy is to contract its interest bearing liabilities at variable rate. Hence, the Group is not subject to fair value risk from interest rate changes.

The Group has implemented an active interest rate risk management policy, overseeing its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily half-yearly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed nominal amounts. Additionally, the Group also contracts interest rate options (caps and collars) to limit its exposure to variable interest rates.

On the reporting date, the Group had not contracted interest rate derivatives. The Group's exposure on the same date was 230 million euros of bank loans, mainly arising from the financial restructuring operation contracted by two main subsidiaries.

Exposure to interest rate risk is monitored dynamically. In addition to the assessment of future cash flows based on forward rates, sensitivity tests to variations in the level of interest rates are carried out. The Group is essentially exposed to the interest rate of the euro curve. The sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect interest gains and losses on variable rate financial instruments;
- Changes in market interest rates only affect gains and losses in interest on financial instruments with fixed interest rates if these are recognized at fair value;
- Changes in market interest rates affect the fair value of derivative financial instruments and other financial assets and liabilities; and
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are estimated by discounting future cash flows from current net values, using the market rates at the end of the year.

For each analysis, regardless of the currency, the same changes to interest rate curves are used. The analyses are performed for the net debt, i.e., deposits and investments in financial institutions are deducted. Simulations are performed based on the debt net value and the fair value of derivative financial instruments, at reference dates and taking into account the respective change in interest rate curves.

The consolidated results for 2014 would not suffer important material changes if interest rates on loans and deposits had been 0.25% higher or lower, considering all other constant variables.

3.1.2 Credit risk

Credit risk is the risk that the counterparty that may fail to fulfil its contractual obligations related to financial instruments or contracts with customers, which may lead to the recognition of a loss. Credit risk results mainly from the Group's operating activities, specifically the risks of lending to customers, including receivables and firm commitments, and its investment and hedging activities, including derivative financial instruments and deposits with financial institutions.

Financial Institutions

Regarding financial institutions, the Group selects parties to do business based on credit ratings from independent agencies. The Group's treasury department, in accordance with the Group's policy, manages the credit risk arising from transactions with banks and financial institutions. The Group's subsidiaries have Group guidelines in respect of counterparties.

The following table summarizes, as of December 31, 2014, the credit quality of deposits, investments, other financial investments and derivative financial instruments with positive fair value by reference to external credit *ratings*:

	31.12.2014
Rating	
≥ AA-	454.471
from A- to A+	4.884.180
from BBB- to BBB+	2.184.384
from BB- to BB+	5.652.073
≤ B+	8.575.761
Without rating	3.435.676
	<u>25.186.546</u>

The ratings shown correspond to the *rating* given by Standard & Poor's. When these are not available, Moody's or Fitch's ratings are used.

Customers

With respect to customers credit risk, the Group believes that the risk that a counterparty failing to perform its contractual obligations, which could have a significant impact on its consolidated financial statements, is limited because the Group seeks to ensure that customers have strong credit profiles or adequate financing to meet their obligations with the Group. However, the central treasury department of the Group implemented a strategy aimed at reducing exposure to credit risk, namely using credit insurance and *factoring* operations without recourse. These instruments are used to hedge specific credit risks in accordance with the Group's policy. Additionally, the Group also reduces exposure to credit risk from customers by implementing, for some contracts, a policy of contractual advances, ranging from 20 % to 50 % of the expected billing amount.

The quality assessment of credit risk is performed by the Group's treasury department in accordance with the following methodology: if customers hold a *rating* of independent external credit, these ratings are used; if no external credit rating exist independently, the credit quality risk is assessed taking into account its financial position and past experience, among other factors. Individual risk limits are determined in accordance with the guidelines set by the Board of Directors. The approval of projects of high or significant risk is also a responsibility of the Board of Directors. The utilization of credit limits is regularly monitored. See Note 12 for additional disclosures about credit risk.

The following table presents an analysis of the credit quality of receivables from customers not overdue nor impaired:

	31.12.2014
New customers	15.222.962
Institutional customers	55.206.810
Other trade receivables with a history of defaults	81.363.519
Other trade receivables with no history of defaults	46.220.037
	<u>198.013.328</u>

Maximum risk

The following table shows the maximum exposure to credit risk associated to held financial assets:

		31.12.2014
Customers and accrued income	(Nota 10)	307.387.493
Other receivables	(Nota 11)	41.259.329
Loans to related parties	(Nota 27)	148.789.393
Deposits and short term investments	(Nota 13)	1.661.874
Current deposits	(Nota 13)	23.524.672
		<u>522.622.762</u>

3.1.3 Liquidity risk

Cash flow forecasting is performed by the operating entities of the Group and aggregated every year by the Group's central treasury department, when preparing the annual budget. Monitoring is the responsibility of the Group's treasury department. The forecasted cash flow is performed by the Group to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities, including credit lines and commercial paper programmes (Note 19), at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, the compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements- for example, currency restrictions and covenant compliance, namely: Cross default, Pari Passu, Negative Pledges, Debt and capital ratios, change of shareholders and others related with operational activities and with the legal, fiscal and operational obligations of the Group.

The cash surplus, held by the operating entities, over and above the balance required for working capital management, is managed locally, taking into account the instructions of the Group with respect to maturity, liquidity and counterparty. Surplus cash held by the Group is invested by choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient margin as determined by the above-mentioned forecasts.

At the date of the consolidated financial statements, the Group held cash and current deposits amounting to 23.719 thousand euros, deposits and short-term investments amounting to 1.662 thousand euros, which was expected to readily generate cash inflows able to facilitate the management of liquidity risk. Moreover, the Group had, at the closing date, unused credit facilities for 6.092 thousand euros.

The table below shows the non-derivative financial liabilities and net-settled derivative financial liabilities (the Group has no derivative financial instruments that are not settled on a net basis) grouped by relevant residual maturities. The amounts disclosed in the table are the contractual cash flows not discounted.

Amounts in foreign currencies are translated at the exchange rate of the closing date. Interest payments related to liabilities with variable interest rates, are included in the table and are calculated using the

spot interest rates available at the reporting date. Assets and liabilities that can be repaid at any time are always allocated to the shorter possible period.

	Note	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank loans		66.599.244	34.391.733	89.198.826	83.982.067
Commercial paper		4.513.755	0	0	0
Shareholders' loans	27	6.518.124	93.239.443	0	0
Suppliers	15	111.043.441	14.062	0	0
Other liabilities		32.493.797	0	0	0
Financial guarantees	29	80.921.912	0	0	0
		302.090.273	127.645.238	89.198.826	83.982.067

3.2 Capital Risk Management

The Group seeks to keep an adequate level of capital so that it not only ensures the continuity and development of its activity, but also to provide adequate returns to its shareholders and to optimize the cost of capital.

The Group may adjust the amount of dividends payable and the return of capital to shareholders or make an issue of new shares or debt in order to maintain or adjust its capital structure.

In accordance with the practices of the industry market, the balance of the capital structure is monitored based on the gearing ratio. Additionally, and in accordance with the finance facilities contracted on the reporting date, the Group is subject to the fulfilment of *covenants* relating to debt and equity ratios (see note 3.1.3. Liquidity risk). The *gearing* ratio is calculated according to the following formula: Net Debt / Total Capital. Net debt comprises total loans (including banking and related companies' current and non-current loans as shown in the statement of financial position) less cash and cash equivalents, other financial investments and current loans. The total capital consists of equity capital, as presented in the consolidated financial statements, net debt added.

The *gearing* ratio at December 31, 2014 shows the following calculation:

		31.12.2014
Debt to credit institutions	(Nota 17)	229.890.616
Debt to related parties	(Nota 27)	99.757.567
		329.648.183
(-) Cash and cash equivalents	(Nota 13)	25.380.505
(-) Loans to related parties	(Nota 27)	148.789.393
Net debt		155.478.285
Equity		234.621.462
Total Equity		390.099.747
Gearing		39,9%

3.3 Estimates of fair value

The following table presents the assets and liabilities of the Group measured at fair value, according to the following levels of fair value hierarchy established in IFRS 7:

- Level 1: the fair value of financial instruments is based on quoted prices in active liquid markets at the reference date of the statement of financial position. This level essentially includes equity and debt instruments (e.g. NYSE Euronext);
- Level 2: Fair value of financial instruments is not based on active market prices, but through the use of valuation models. The main inputs of the models used are observable in the market. This level include mainly over-the-counter derivable hired by the Group; and
- Level 3: Fair value of financial instruments is not based on active market prices, but with the use of valuation models, whose main inputs are not observable in the market.

31 December 201				
	Level 1	Level 2	Level 3	Total
Assets				
Derivatives				
Tangible assets				
Land at fair value		3.340.200		3.340.200
Assets available for sale				
Investim. in associated companies			26.132	26.132
	0	3.340.200	26.132	3.366.332
Liabilities				
Derivatives				
	0	0	0	0

For land valuation, the Market Comparison Criteria was used, using market average values per m².

3.4 Financial instruments per category

On December 2014, financial assets were classified in the following categories:

Assets as per balance sheet	Loans and receivables	Available for sale	Non financial assets	Total
31 December 2014				
Financial investments		26.132		26.132
Loans to related parties	148.789.393			148.789.393
Customers and accrued income	307.387.493		7.189.683	314.577.177
Debtors and deferred costs	41.259.329		16.041.356	57.300.684
Cash and cash equivalents	25.380.505			25.380.505
	522.816.721	26.132	23.231.039	546.073.892

Regarding financial liabilities, their breakdown per category was as follows:

Liabilities as per balance sheet	Other financial liabilities held at amortized cost	Non financial liabilities	Total
31 December 2014			
Loans	229.890.616		229.890.616
Loans from related parties	99.757.567		99.757.567
Suppliers	111.057.504		111.057.504
Other liabilities	62.043.803	14.379.334	76.423.137
	502.749.490	14.379.334	517.128.824

4. Scope of consolidation

4.1 Companies included in consolidation

We hereby present the list of companies included in the consolidation, their head offices, shares held by EFACEC Power Solutions SGPS, directly or indirectly, and the consolidation methods:

PORTUGUESE COMPANIES

Name	Head Office	% control	Date of entry	Consol. Method
EFACEC Power Solutions, SGPS, SA	Matosinhos		H14.August	FULL
EFACEC Energia, Máquinas e Equipamentos Eléctricos, SA	Matosinhos	100,00	31.Dec	FULL
EFACEC Engenharia e Sistemas, SA	Maia	100,00	31.Dec	FULL
EFACEC Electric Mobility, SA	Maia	100,00	31.Dec	FULL
EFACEC Serviços Corporativos, SA	Matosinhos	100,00	1.Oct	FULL
EFACEC Marketing Internacional, SA	Maia	100,00	1.Nov	FULL
SMA - Serv Manut Centrais Termoeléctricas, ACE	Oeiras	100,00	31.Dec	FULL
Siemens, Setal, Dégremont e Efacec - Serv Manut, ACE	Amadora	33,00	31.Dec	PRO
Efacec Omninstal, ACE	Maia	50,00	31.Dec	PRO
EME2 - Engenharia, Manutenção e Serviços, ACE	Lisboa	40,00	31.Dec	ECM
GACE - Gondomar, ACE	Porto	20,00	31.Dec	PRO
Ensul MECI-EFACEC, Cogeração do Porto, ACE	Almada	100,00	31.Dec	ECM
EFACEC Angola, Lda.	Luanda / Angola	98,33	31.Dec	FULL
EFACEC Moçambique, Lda.	Maputo / Moçambique	100,00	1.Set	FULL
EFASA (PTY) Ltd.	Bedfordview/África Sul	100,00	1.Nov	FULL
EFACEC Chile, SA	Santiago / Chile	100,00	1.Nov	FULL
EFACEC Equipos Electricos, SL	Tarragona / Espanha	100,00	1.Nov	FULL
UTE Efacec Engenharia SA y Cemesa SL	Tenerife / Espanha	90,00	31.Dec	PRO
UTE Efacec Bahía de Cádiz	Sevilha / Espanha	50,00	31.Dec	PRO
EFACEC Power Transformers Inc.	Atlanta / EUA	100,00	31.Dec	FULL
EFACEC Praha, s.r.o.	Praga / Rep.Checa	100,00	1.Sept	FULL
EFACEC Central Europe Limited SRL	Bucareste / Roménia	100,00	1.Sept	FULL
EFACEC Contracting Central Europe GmbH	Viena / Áustria	100,00	1.Nov	FULL
EFACEC Índia Pvt. Ltd.	New Delhi / Índia	100,00	1.Dec	FULL
EFACEC Algérie, EURL	Argel / Argélia	100,00	1.Nov	FULL
EFACEC Maroc, SARLAU	Casablanca / Marrocos	100,00	1.Nov	FULL

Description:

FULL– Full consolidation method;

PRO – Proportional consolidation method;

ECM– Equity consolidation method;

4.2 Business combinations

Transactions under common control

The constitution of Efacec Power Solutions was part of a restructuring process initiated by the Efacec Group at the end of 2013, in order to realign the corporate structure of the Group and aggregate market segments and target geographies.

Since its incorporation, on August 14, 2014, until the end of the year, Efacec Power Solutions SGPS aggregates an important group of companies as listed in Note 4.1. The concentration process was mainly done through capital increase in kind by its sole shareholder, Efacec Capital SGPS, and completed with some acquisitions. Through its subsidiaries, the Group has also a large network of branches installed over 4 continents

According to the policy defined in Note 1.2.4, the purchase method is used for transactions under common control. The companies that make up the portfolio of Efacec Power Solutions were assessed prior to entering the scope of consolidation, to determine the purchase price, usually by the method of discounted cash flows. Cash flow projections were used based on business plans approved by management, covering a period of five years and extrapolated with estimated growth rates based on the business development expectations.

The difference between the appraised value of the assets acquired and the respective book value was subject to a process of allocation, with identification of the following values and nature:

Fair value of assets acquired	
Difference of purchase price	202.399.471
Contracts (a)	50.140.636
Tangible assets (b)	16.100.028
Deferred tax liabilities	-14.959.473
Exchange rate differences	-43.221
Goodwill	151.075.059

- (a) The value related to contracts refers to the assessment of the order books at the date of transaction to the sphere of Efacec Power Solutions.
(b) The value related to Tangible Assets refers to the revaluation of production equipment.

The break down of indentifiable assets and *goodwill* per market is as follows:

	Contracts	Tangible assets	Goodwill
Portugal	48.493.823	16.100.028	121.805.567
Africa	1.433.391		10.515.638
Central Europe			17.119.233
Other markets	213.422		1.634.622
Total	50.140.636	16.100.028	151.075.060

Impairment Tests

At the end of the year, impairment tests are carried out for most of the assets that justify the value of goodwill; tests are performed to assess the recovery of goodwill, considering historical performance and /or business development expectations. The recoverable amount of a Cash Generating Units is calculated based on calculations of value in use.

The ratings are based on projections of cash flows based on financial budgets approved by management covering a period of five years. After this five-year period, cash flows are extrapolated using growth rates

estimated, based on the business development expectations. The method of discounted cash flows is used to update the cash flows.

The assumptions used in the impairment tests performed as at December 31, 2014 were as follow:

	Sales growth rate	EBITDA margin	Discount rate	Perpetuity growth rate
Portugal	8,7%	8,1%	12,0%	2,5% (*)
Africa	14,8%	4,8%	17,5%	3,0%
Central Europe	24,1%	4,9%	15,3%	1,1%
Other markets	0,5%	6,1%	13,5%	1,5%
New activities	34,1%	11,3%	15,6%	0,0%

(*) The growth rate results from activity projections for target markets, and is influenced by the existence of markets in clear expansion with great incidence on the turnover

Further to the tests carried out, no impairment of goodwill was recognized.

Sensitivity Analyses

Evaluations were also subject to sensitivity analyzes carried out to the main variables used, in order to test the resistance of assets recoverable to unfavorable changes in each of them. The variables were thus subject to the following impacts:

	Sales growth rate	EBITDA margin	Discount rate	Perpetuity growth rate
Changes in assumptions	-10,0%	-10,0%	+1 p.p.	-0,5/1,0 p.p.

The analysis showed that in some cases, changes in assumptions may lead to the registration of impairment. The most significant cases concern the operations in Portugal which, taken together, show greater sensitivity to margins and discount rate. The recoverable amount of the assets associated to this market, based on the respective value of use, would fall short of the value of its net assets and would lead to the registration of an impairment of 19.1 M € if EBITDA margins stay 10% below what was foreseen in projections of cash flows, or an impairment of 16.6 M € if the discount rate used to update the cash flows would be higher by 1 percentage point. Should the sales growth rate be 10% less, there would be an impairment of 3.3 M €.

In Africa markets, sensitivity tests with four variables, as mentioned above, indicate impairments between 0.9 and 2.1 M €.

In the markets of Central Europe, globally considered, evaluations have shown resistance to sensitivity tests; however, signs of impairment were detected in some UGC's, considered individually, between 0.2 and 1.3 M €.

In the particular case of New activities, there are also signs of impairment, which can reach a maximum of 2 M €. It is the case of start-ups that have, naturally, higher levels of risk.

The remaining cases did not lead to any impairment.

5. Foreign currency exchange rates

The consolidation of the Group's foreign companies, the constant values of financial statements concerning assets and liabilities and the values included in the balance sheet, were converted to Euro in keeping with the following exchange rates:

For 1 m u- E+C3:G13uro			Final Rate 2014	Average rate 2014	Final rate 2013	Average rate 2013
Armenia	Dram	AMD	563,00000	563,00000	563,00000	563,00000
Angola	Kwanza	AOA	124,82240	124,82240	124,82240	124,82240
Bulgaria	Lev	BGN	1,95580	1,95580	1,95580	1,95580
Chile	Peso	CLP	738,23360	746,66514	724,63864	724,63864
Cape Verde	Escudo	CVE	110,26500	110,26500	110,26500	110,26500
Czech Republic	Coroa	CZK	27,72800	27,66250	27,72500	27,72500
Algeria	Dinar	DZD	106,96951	107,15660	104,94223	104,94223
Georgia	Lari	GEL	2,26560	2,26560	2,26560	2,26560
India	Rupia	INR	77,16860	77,16860	77,54690	77,54690
Morocco	Dirham	MAD	10,98115	13,95675	11,05205	11,05205
Mozambique	Metical Novo	MZN	40,52928	39,70190	40,29593	40,29593
Norway	Coroa	NOK	9,04200	9,04200	9,04200	9,04200
Poland	Zloty	PLN	4,31030	4,31030	4,31030	4,31030
Paraguay	Guarani	PYG	5.632,08032	5.632,08032	5.632,08032	5.632,08032
Romenia	Novo Leu	RON	4,48470	4,43475	4,40650	4,40650
Tunisia	Dinar	TND	2,26261	2,26261	2,26261	2,26261
United States	Dólar	USD	1,21600	1,21600	1,21600	1,21600
Venezuela	Bolívar Forte	VEF	7,65119	7,65119	7,65119	7,65119
South Africa	Rand	ZAR	14,14870	14,14870	14,14870	14,14870

Since this is an incomplete financial year, the average exchange rates for results consolidation were determined, for each currency, according to the dates of acquisition of the respective foreign subsidiaries by Efacec Power Solutions.

E. Note on Financial Statement at December 31, 2014

6. Tangible fixed assets

6.1 Movements in the period

Tangible assets on December 31, 2014 and the changes in their value were as follows:

	Land and Buildings	Vehicles and Machinery	Office Equipment	Others	Total
31 December 2014					
Opening net book value	0	0	0	0	0
Exchange differences	-300	1.043	1.190	-1.291	642
Inclusions in consolidation	12.843.677	9.808.165	880.373	1.825.525	25.357.740
Allocation Value Aquisition Subsidiaries	0	15.486.903	0	613.124	16.100.028
Additions	169.172	8.280	228.964	32.822	439.237
Disposals	0	0	-185	0	-185
Depreciation	-20.533	-44.455	-25.461	-61.383	-151.831
Transfers and adjustments	-305	-1.177	3.169	-6.633	-4.946
Closing net book value	12.991.712	25.258.759	1.088.049	2.402.164	41.740.685
Cost or fair value	36.243.985	106.371.351	22.896.687	9.975.496	175.487.519
Accumulated depreciation	-23.252.272	-81.112.592	-21.808.638	-7.573.331	-133.746.834
Net book value	12.991.712	25.258.759	1.088.049	2.402.164	41.740.685

In 2014, the investment in tangible assets amounted to 439 thousand-euros. With regard to the acquisition of assets there are no significant values to highlight. The amounts invested were mainly directed to replace equipment in order to maintain the production capacity of the Group's units.

The assets were subject to revaluation within the scope of acquisitions of companies and consequent allocation of purchase values. The revaluation amounted to EUR 16.1 million (see Note 4.2).

Depreciation are done according to Note 1.4. The value of depreciation shown in the income statement considers the appropriations for depreciation of assets, usually deducted from the value of government grants recognized in the period. In this period, there was no deduction by way of grant recognition.

6.2 Tangible assets under financial lease

The heading 'Tangible assets' includes the following assets on financial lease contracts in which the Company is the tenant:

	31.12.2014
Financial leases	142.517
Accumulated depreciation	-112.495
Net book value	30.023

The liability for these contracts is presented in Liabilities under the item Suppliers and Other Creditors (Note 17), and is divided by current and non-current liabilities, depending on when the due dates of the installments are located, respectively, within a year or over a year.

Operational lease rentals are not part of the assets, and the lease cost is included in the balance sheet under the item 'External Supplies and Services'.

6.3 Assets pledged as collateral

Under the financial restructuring process which took place in February 2014, the contracting of loans meant for the subsidiary Efacec Engenharia e Sistemas, SA to set up mortgage on two properties of it owns at Maia premises, whose book value at the date of the balance sheet was 7.107 million euros

7. Intangible Assets

By the end of 2014, the balance of Intangible Assets and respective amount was as follows:

	R&D	Contracts	Others	Total
31 December 2014				
Opening net book value	0	0	0	0
Exchange differences	0	0	-11.516	-11.516
Inclusions in consolidation	1.512.883	0	450.805	1.963.687
Allocation Value Aquisition Subsidiaries	0	50.140.636	0	50.140.636
Additions	0	0	134.627	134.627
Depreciation	0	0	-7.473	-7.473
Transfers and adjustments	0	0	10.152	10.152
Closing net book value	1.512.883	50.140.636	576.595	52.230.114

The balance of Intangible Assets is decisively influenced by the valuation of customer contracts in the portfolio at year-end, as part of the acquisition of companies and the consequent allocation of the purchase values. The valuation amounted to 50.1 million euros (see Note 4.2), value to be amortized over the period of performance of the contracts.

Investment in intangible assets of the financial year amounted to 135 thousand euros and relates mainly to expenditures with research, development and innovation, which were subject to application of support and deserved approval within the scope of the National Strategic Reference Framework. In sub-heading 'Others' are included expenses on product certification and approval.

8. Goodwill

The item *goodwill* shows the following values:

	31.12.2014
Opening net book value	0
Exchange differences	-43.221
Additions	151.118.281
Closing net book value	151.075.060

Impairment Tests

All transmissions of shares took place between 14 August and 31 December 2014. At the end of the year 2014 impairment tests were performed to assets that justify the value of the goodwill. The tests results are included in Note 4.2 - Business concentrations.

9. Financial assets available for sale

Financial Investments in other entities break down as follows:

	31.12.2014
Financial assets available for sale	
Financing loans	11.132
Other	15.000
Total net investment	26.132

Financial assets available for sale include shares in unlisted companies whose fair value can not be reliably measured as there are no market prices or comparable transactions and as such, they are recognized at cost.

10. Customers and accrued income

Details of the item on December 31,2014, are as follows:

	31.12.2014
Customers - current account	190.033.528
Customers - related parties (Note 27)	8.288.643
Customers - receivables	25
Customers - bad debt	12.198.091
Accrued income - multi-year contracts (Note 31)	109.782.235
	320.302.521
Losses for impairment of accounts receivable	-12.915.028
Accounts receivable - net	307.387.493
Accrued income - not covered by IFRS 7	7.189.683
Total	314.577.177
* Non current	0
* Current	314.577.177

The fair value of account receivables does not differ from their book value.

There is no concentration of credit risk on the account receivables and other debtors, as the Group has a large number of customers, internationally dispersed and covering different market segments.

Accrued income not covered by IFRS.7 refers to the recognition of income on the income statement respecting the principle of accruals, but is not related to multi-year contracts.

Denomination

On December 31st, 2014 the amount 'receivables', including accrued income on multi-year contracts, were denominated in the following currencies:

		31.12.2014
Euro	EUR	213.557.246
American Dollar	USD	61.954.729
Moroccan Dirham	MAD	10.273.733
Chilean Peso	CLP	6.058.225
Kwanza	AOA	5.452.846
Brazilian Real	BRL	5.444.760
Algerian Dinar	DZD	5.138.039
Indian Rupee	INR	3.006.137
New Romenian Leu	RON	4.156.940
Metical	MZN	1.958.278
Pound Sterling	GBP	1.395.526
Others		1.906.063
		320.302.521

Structure of seniority – IFRS 7

On December 31, 2014, trade receivables, including accrued income in multi-year contracts, had the following seniority structure, considering the due dates of the outstanding balances:

	31.12.2014
Balances - overdue	198.013.328
Up to 90 days	45.314.842
90 to 360 days	33.535.544
More than 360 days	43.438.806
Total balance	320.302.521
Impairment	-12.915.028
	307.387.493

On December 2014, the credits already due totalled 122.283.548 euros. The value of these receivables, net of impairment, is as follows:

	31.12.2014		
	Overdues	Impairment	Net Value
Up to 90 days	45.314.842		45.314.842
90 to 360 days	33.535.544	-98.510	33.437.035
Over 360 days	43.438.806	-12.816.518	30.622.288
	122.289.193	-12.915.028	109.374.165

It is the Group's understanding that the estimated impairment losses on receivables are adequately provided for in the consolidated financial statements and reflect the real risk of loss.

Amounts included in the item Accrued Income relate to the recognition of income from projects and work in progress, whose stage of completion is greater than the invoicing (Notes 1.16 and 31).

Factoring

The Group entered, with specialized financial institutions, into factoring contracts with and without recourse, amounting to 25.127 thousand euros.

	31.12.2014
Assets transferred and derecognised from the statement of financial position	
Value of assets	15.030.625
Value transferred	<u>-13.527.563</u>
Net value	1.503.063
Assets transferred and not derecognised from the statement of financial position	
Value of assets	10.096.027
Value transferred	<u>-10.096.027</u>
Net value	0

The transferred assets fully relate to customer balances, and the non-derecognized assets have associated liabilities recorded under item Borrowings and classified as 'Other loans' (Note 17).

11. Debtors and deferred costs

The details of this item as at December 31, 2014 are as follows:

	31.12.2014
Other debtors	22.444.117
- Impairment losses	<u>-1.639.643</u>
Other debtors - net	20.804.474
Other debtors - related parties (Note 27)	<u>20.454.855</u>
Other debtors - financial assets IFRS 7	<u>41.259.329</u>
Other debtors not covered by IFRS 7	464.216
State and other public entities	13.529.752
Deferred costs	<u>2.047.388</u>
Total	<u>57.300.684</u>
* Debtors and non current deferred costs	0
* Debtors and current deferred costs	53.403.653
* Income tax	3.897.031

The item 'Other Debtors' includes several entities with several types of balances that, as a whole, are considered acceptable taking into account the Group's operating activities. In this item it is worth mentioning the Advances to suppliers with 4,2 M€ It also includes current accounts with staff, collateral accounts and other liabilities directly related to the company's business.

The values concerning related parties have included an impairment of the receivable balance of LEEEC Group associate in China, amounting to 4,575,567 euros.

The items included in the assets balance with the State and Other Public Entities had on December 31, 2014 the following breakdown:

	31.12.2014
Income Tax	3.069.143
Value added tax recoverable	6.388.638
Other taxes recoverable	4.071.972
	13.529.752

The VAT credits on the State have recurrent nature and relate mainly to activities of the Group where there is reverse charge and which are periodically subject to recovery process.

12. Inventories

	31.12.2014
Raw materials	15.285.225
Goods	2.637.793
Products and works in progress	25.453.720
Finished goods	3.935.981
Adjustements in inventories	-837.439
	46.475.281

The item Products and Works in progress includes values for on-going multi-year contracts, according to Notes 1.16 and 31.

13. Cash and cash equivalents and other financial investments

Cash and cash equivalents	31.12.2014
Cash	193.959
Current Deposits	23.524.672
Deposits and other short term cash investments	1.661.874
	(a) 25.380.505
<i>(a) As in Cash Flow Statement</i>	

There is a loan agreement that contains a financial pledge financial clause on behalf of the creditor's Bank account. At the date of closing, the balance of that account was 250 thousand euros.

The values listed in heading 'Cash and cash equivalents' at the end of 2014 were denominated in the following currencies:

		31.12.2014
Euro	European Union	13.788.609
Kwanza	Angola	2.707.872
Lev	Bulgaria	811.845
Peso	Chile	1.708.197
Crown	Czech Republic	704.509
Dinar	Algeria	761.965
Dirham	Morocos	1.381.383
New Leu	Romenia	699.373
Dollar	United States	1.527.354
Others		1.289.397
		25.380.505

14. Equity

14.1 Share Capital

The share capital of the holding Efacec Power Solutions SGPS, S.A. is fully subscribed and consists of 46.774.806 ordinary and registered shares with par value of 5 euros .

The Company has no shares of its own. The share capital is totally held by Efacec Capital SGPS, SA.

14.2 Other Accumulated Comprehensive Income

Exchange differences

Reserves of foreign currency translation reflect on exchange variations that took place in the translation of the subsidiaries' financial statement in a currency other than Euro, in the update of the net investment in subsidiaries and in the update of goodwill, and are not liable to being distributed or used to absorb damages.

15. Suppliers

The breakdown of this item, on December, 31, 2014, was as follows:

	31.12.2014
Suppliers, Current account	109.884.720
Suppliers - related parties (Note 27)	-685.506
Suppliers, pending approval invoices	1.494.217
	110.693.431
Fixed assets suppliers, Current Account	364.072
Total	111.057.504
* Non current	14.062
* Current	111.043.441

The current debt to Suppliers of raw materials and other services are almost entirely due within 90 days. With regard to Assets providers, there are some values maturing at more than one year, shown as 'Non Current.'

Maturity of outstanding amounts of Suppliers – IFRS 7

	31.12.2014
<u>Suppliers</u>	
Accounts payable to suppliers	
Payable up to 90 days	104.510.941
Payable at more than 90 days	6.182.491
Suppliers' balance	<u>110.693.431</u>
<u>Fixed Assets Suppliers</u>	
Accounts payable to suppliers	
Payable up to 90 days	326.607
Payable at more than 90 days	37.466
Fixed assets Suppliers Balance	<u>364.072</u>

Denomination

The debt to suppliers, at the end of the financial year, was called in the following currencies:

		31.12.2014
Euro	EUR	86.635.103
American Dollar	USD	14.923.235
Algerian Dinar	DZD	3.436.744
Indian Rupee	INR	4.896.962
Others		1.165.460
		<u>111.057.504</u>

16. Creditors and Accrued Costs

	31.12.2014
Advances from customers	22.813.140
Other creditors - miscellaneous	1.793.571
Other creditors - related parties (Note 27)	6.736.866
Other creditors - financial assets IFRS	<u>31.343.577</u>
Other creditors not covered by IFRS 7	206.537
State and other public entities	4.911.013
Accrued costs:	39.962.009
Accrued costs - costs with works in progress	12.739.430
Accrued costs - payable remunerations	9.261.783
Accrued costs - payable interests	4.020.658
Accrued costs - others	13.940.138
Total	<u>76.423.137</u>
* Creditors and accrued non-current costs	0
* Creditors and accrued current costs	76.423.137
* Income Tax	0

Advances from Customers have a significant importance in this item and are related to major projects, particularly in Central Europe and Latin America.

The balance of State and Other Public Entities, on December 31, 2014, breaks down as follows:

	31.12.2014
Value added tax - due	811.759
Contributions to social security	2.336.930
Personal income tax	1.759.621
Other taxes	2.704
	4.911.013

17. Amounts owed to credit institutions

This Note discloses the composition, characteristics and conditions of the bank debt registered on December 31, 2014

	31.12.2014
Non current	
Bank loans	175.800.853
Amortized cost	-4.074.695
	171.726.159
Current	
Bank overdrafts	5.575.461
Bank loans	38.944.995
Commercial paper	4.250.000
Refundable subsidies	6.330
Other loans	10.098.292
Amortized cost	-710.620
	58.164.458
Total loans	229.890.616

▪ Bank Loans

In February 2014, the subsidiaries Efacec Energia and Efacec Engenharia e Sistemas, signed jointly a loan contract worth EUR 190 million with the major domestic financial institutions, as part of a debt consolidation operation, leading to the extension of the amortization periods, to the hiring of more favorable debt payment conditions and to the substantial reduction in the number of credit lines. From this agreement, at the end of 2014, the amount of 175 million euros was still owed, an amount maturing by January 2020.

In addition to this contract, there are other short-term credit lines, usually in the form of current account, contracted in Portugal or directly by the foreign subsidiaries with local institutions, amounting to around 39 million euros, due in 2015.

▪ Commercial Paper

The amount of funding for Commercial Paper corresponds to a grouped program, in which Efacec Energia and Efacec Engenharia e Sistemas are the contracting parties. The program has a maximum value of 4,250,000 euros and a duration of three years, for emissions of between 1 and 6 months. The value used at the end of the financial year has its maturity in June 2015.

▪ Repayable Grants

This funding results from an investment contract co-financed by EU and National Funds within the scope of the POE – a programme prevailing on the date of the beginning of the investment. The outstanding amount was repaid in January 2015.

• Bank Overdrafts

Bank overdrafts include the use of current credit accounts according to limits and conditions previously negotiated with financial institutions and without defined reimbursement periods, although they are generally assumed to be of short duration. There are unvested *plafonds* traded in Portugal and several international subsidiaries, usually under a variable interest rate, with reference to a usual indexing in each country.

• Other loans

The Group also conducts pre-financing operations of specific contracts with customers and, occasionally, factoring operations with recourse. The distribution of values between current and non-current depends on the estimated cash inflows for each contract that, in turn, determine the amortization periods with the banks.

Debt maturity

The maturity of the bank debt has changed significantly with the financial restructuring operation mentioned above which allowed to benefit from more favorable conditions in the enforceability of loans.

Financing	< 1 year	1-3 years	3-5 years	> 5 years	Total
Bank overdrafts	5.575.461				5.575.461
Bank loans	38.944.995	45.800.853	50.000.000	80.000.000	214.745.848
Commercial paper	4.250.000				4.250.000
Refundable subsidies	6.330				6.330
Other loans	10.098.292				10.098.292
Amortized cost	-710.620	-2.464.155	-1.610.539		-4.785.315
Total loans	58.164.458	43.336.698	48.389.461	80.000.000	229.890.616

Effective interest rates

The effective interest rates related to debt instruments and per currency, at year-end, are the following:

Financing	AOA	DZD	EUR	INR	MZN
Bank overdrafts			6,21%	7,73%	17,50%
Current accounts	13,45%		5,04%		11,75%
Bank loans			4,81%		
Commercial paper			6,21%		
Pre-financing contracts			5,35%		
Factoring		8,50%	5,68%		

Denomination of loans

The debt contracted by the Group's companies based in Portugal is denominated in Euro. The other figures relate to financing contracted locally by international subsidiaries.

The carrying amount of the Group's loans was, on the 31st of December of 2014, denominated in the following currencies:

		31.12.2014
Euro	EUR	223.179.552
American Dollar	USD	2.095
Indian Rupee	INR	54.493
New Metical	MZN	4.992.267
Algerian Dinar	DZD	467.423
Angolan Kwanza	AOA	1.193.973
Others		813
Total		229.890.616

Unused credit lines

The Group has still lines of unused credit lines, which are as follows:

	31.12.2014
At variable rate	
- with maturity up to 1 year	5.011.788
At fixed rate	
- with maturity up to 1 year	1.080.668
	6.092.456

Guarantees

The above mentioned financing of 190 million euros, contracted jointly by the subsidiaries Efacec Energia and Efacec Engenharia e Sistemas, the following guarantees were constituted by the borrowers:

- Pledge of bank accounts of Efacec Energia, SA and Efacec Engenharia e Sistemas, SA
- Crossed guarantee between Efacec Energia, SA and Efacec Engenharia e Sistemas, SA
- Promissory Notes subscribed by Efacec Energia, SA and Efacec Engenharia e Sistemas, SA, backed by Efacec Capital SGPS, SA
- Promissory Notes subscribed by Efacec Energia, SA and Efacec Engenharia e Sistemas, SA, backed by Efacec Power Solutions, SGPS, SA
- Mortgage on real estate of Efacec Engenharia e Sistemas, SA, whose book value at the end of 2014 was € 7,107 m.

The Group also negotiated, with a credit institution, payments that are due under two contracts with customers amounting to 11.6 M € as a guarantee of repayment of a financing contract. At the end of the year, receivables from customers amounted to 10.9 M €, fully guaranteeing the amount due, which was on the same date, of 8.7 M€.

Covenants

The Group's main financing agreements contain clauses that define compliance with economic and financial ratios, as set out in the table below. The ratios are observable in the consolidated accounts of Efacec Capital SGPS, every six months, except in respect to Capex, where the value mentioned is annual.

Ratios / Indicators	Values
Financial autonomy (>)	Growing, 10% to 20%
Hedging for financial costs (>)	Growing, 0,5 to 5%
Total net debt (<)	Decreasing, 21% to 3%
CAPEX (<)	7.000.000 €

Already after the end of the annual accounts, Efacec was granted a waiver to the above defined ratios for the period ended December 31, 2014, and covering the financing contract worth 175.000 m€. The share registered in non-current liabilities, valued at amortized cost, is 165 925 m€.

There is yet another loan agreement providing for the observance of ratios of indebtedness and financial autonomy, also based on the consolidated accounts of Efacec Capital SGPS, which at the date of the financial statements, were not achieved. The value of this loan at the closing date was 8,740 m€, of which 5.790 m € were recorded in non-current liabilities.

18. Deferred Taxes

The assets and liabilities of deferred taxes were, at the date of the financial statement the following ones:

	31.12.2014
Deferred tax assets:	
- Recoverable over 12 months	53.664.905
Deferred tax liabilities:	
- Returnable over 12 months	15.666.488

18.1 Deferred tax assets

The value of the item Deferred tax assets has the following breakdown:

	Impairment losses /Fin.Invest.	Impairment losses Custom/Debtors	Tax losses	Tax benefits to be reported	Other risks and charges	Total
Charged to the income statement	0	0	194.062	0	187.597	381.659
Included in consolidation perimeter	44.388.766	368.920	215.947	7.607.192	705.753	53.286.578
Exchange differences	0	0	-3.712	0	381	-3.331
December 31, 2014	44.388.766	368.920	406.297	7.607.192	893.731	53.664.905

Deferred tax assets relating to impairment losses will be settled proportionately, as their provisions are used.

Specifically, this heading suffered an exceptional variation, providing from the subsidiary Efacec Energia, which resulted from the decision to settle its subsidiary Efacec Power Transformers, and from losses recognized with the total impairment of the participation. The asset now recorded in the amount of 44.4 million euros is eligible for deduction of tax during the 12 years following the effective liquidation of the subsidiary, under conditions determined by law. The recoverability of assets was tested by activity projections for this period, and based on the following assumptions:

Assumptions	31.12.2014
Sales growth rate (CAGR) until the 5th year	8,5%
Margins growth rate (CAGR) until the 5th year	12,5%
Growth rate after 5 years	0%
Tax rate	27,5%

Deferred tax assets on tax loss are recognized to the extent that it is probable to realize the respective tax benefit through future taxable profits.

Presently, the Group considers, that there is a reduced capacity of deduction of tax losses in the future taxable income of some subsidiaries, particularly in Efacec Moçambique. The accumulated tax losses at 31.12.2014 amount to about 6 million euros, without deferred tax assets recorded.

18.2 Deferred Taxes Liabilities

The Deferred tax liabilities provide, in a whole, of revaluations of assets made, and had the following development:

	Assets revaluation	Others	Total
Inclusion in consolidation perimeter	831.115	0	831.115
Exchange rate differences	-2.564	-3.538	-6.102
Allocation of subsidiary acquisition value (a)	0	14.959.473	14.959.473
Charged to the income statement	0	0	0
Charged to equity	-121.535	3.537	-117.998
December 31, 2014	707.015	14.959.473	15.666.488

(a) Relating to adjustments of acquisition differences, according to Note 4.2

19. Provisions for risks and charges

	Pensions	Other risks and charges	Total
Inclusion in the consolidation perimeter	520.143	6.455.824	6.975.966
Charged to income statement			
- additional provisions	0	807.572	807.572
- reversal of provisions	0	-4.728	-4.728
Exchange differences	0	1.307	1.307
December 31, 2014	520.143	7.259.975	7.780.118

Provisions for pensions

As indicated in Notes 1.21.1 e 29.2, this item has the responsibility for the payment of retirement pension supplements. The registered amount is the current amount of defined benefit liabilities, calculated by an independent entity, and reported at date of 31.12.2014.

Provisions for other risks and charges

This item includes provisions for repairs and after-sales support, penalties and negative deviations from works in progress. These conditions relate to problems under debate with customers, related to the attribution of responsibility, and are subject to continuing review by the various companies in which they occur. The provision is made or enhanced when there is a reasonable likelihood of unfavorable outcome for the company, presenting more appropriately the potential future liabilities of the Group.

The amount shown in the reversal of provisions corresponds to their use as the related costs are recognized, or other situations that no longer exist (Nota 22.2).

No contingent environmental liability exists.

20. Deferred income

	31.12.2014
Investments subsidies	1.080.350
Deferred invoicing	114.952.337
Others	210.330
	116.243.017

The item 'Investment subsidies' contains amounts received from public authorities as incentive for the Group's investments. These amounts are recorded under this heading and recognized as gains in subsequent years, according to the useful life of the assets financed.

The invoicing schedule agreed with customers is not strictly tied to the degree of completion that ends up being recognized in the works. As such, the item "Deferred income" includes invoices issued but not yet recognized in terms of the stage of completion of the respective works (Notes 1.16 and 31).

21. Minority interests

December 31, 2014, the amount of Minority Interests refers only to the component of 1.7% of capital attributable to other partners in Efacec Angola.

22. Operating costs

22.1 External Supplies and Services

During the year that ended on December 31, 2014, the main external supplies and services were as follows:

	31.12.2014
Subcontracts	6.386.195
Travelling and accommodations expenses	601.697
Transportation of goods	287.345
Rental and leasing	521.071
Maintenance and repair	102.651
Insurance	97.251
Quick wear tools and utensils	644.013
Communications	119.149
Fuel	130.949
Fees	146.617
Electricity	41.056
Advertising and marketing	28.176
Other supplies and services	530.179
	9.636.349

The item 'Subcontracts' is mainly related to operating activities of the Group companies, having a high correlation with its turnover. The degree with which the Group makes use of subcontracting and specialized works depends on the Group's business mix and segments in which they develop.

22.2 Provisions and impairment of assets

2014	Assets impairment			Provisions		
	Accounts receivable		Inventories	Guarantees to customers	Other risks and charges	Pensions
	Customers	Other debtors				
Financial position :						
Inclusion in consolidation perim.	9.760.641	6.215.210	838.766	363.562	6.092.261	520.143
Addition	3.575.056	0	0	0	807.572	0
Reversal	-391.661	0	0	0	-4.728	0
Exchange rate differences	-29.008	0	-1.327	0	1.307	0
Closing balance 31.12.2014	12.915.028	6.215.210	837.439	363.562	6.896.413	520.143

In the income statement

Provisions and impairments	3.986.239
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The previous table shows the developments in the various items of provisions and impairments and their reconciliation in the income statement. The value of operating costs includes additions and reversals, excludes impairment charges and provisions for financial investments, which affect financial results, and provisions for pensions, which affect the balance of staff costs.

The values identified as inputs in the perimeter relate to impairments and provisions accumulated in the subsidiaries at the date of their acquisition by Efacec Power Solutions.

23. Financial Costs

23.1 Financial Losses and Gains

	31.12.2014
Interests paid	-473.954
Other costs and financial losses	-136.662
Total financial losses and costs	-610.615
Interests earned	1.434
Favorable exchange rate differences	51.068
Other financial gains and income	7.172
Total financial gains and income	59.674
Financial costs - net	-550.942

23.2 Losses and Gains in Group and Associated Companies

The amount recorded here refers to the result of transactions with equity investment made in the period:

	31.12.2014
Result from Efacec Asia Pacifico disposal	125.047
Added value alienation Efacec Singapura	1.228.294
	1.353.341

24. Income Tax

In Portugal, the annual tax returns are subject to review and potential adjustment by tax authorities for a period of up to 4 years. However, if tax losses are utilized, these may be subject to review and liquidation by the tax authorities for a period of up to 10 years. In other countries where the Group operates, these periods are different and, in most cases, higher.

Tax rates on income in force in Portugal and in the countries where the main foreign subsidiaries of the Group are based for the year ended December 31, 2014, were as follows:

País	Taxa
Portugal	23%
Angola	35%
Moçambique	32%
Argélia	25%
Espanha	30%
República Checa	19%
Índia	34%

The estimated tax in the consolidated income statement is as follows:

	31.12.2014
Current Tax	247.540
Deferred Tax (Note 18)	-381.659
Tax estimate	-134.119

The estimated tax in the consolidated income statement is as follows:

	31.12.2014
Profit before tax	805.635
Nominal tax rate	24,50%
Theoretical tax	197.381
Difference in tax rate of foreign subsidiaries	-7.557
Harmonization of the tax period	-199.872
Permanent differences:	
Costs not deductible for tax purposes	3.944
Untaxed income	-300.933
Deferred tax assets not recorded	206.437
Autonomous taxation	59.419
Others	-92.937
Income tax of the year	-134.119
Effective tax rate	-16,65%

25. Earnings per share

Basic

Basic earnings per share are calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares issued during the year, excluding ordinary shares purchased by the Group.

	31.12.2014
Profit attributable to shareholders	939.754
Weighted average number of ordinary shares issued	5.758.144
Basic earnings per share (euros per share)	0,16

Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding ordinary shares to incorporate the effects of the conversion of all dilutive potential ordinary shares, if any.

26. Dividends per share

Last year, Efacec Power Solutions SGPS did not distribute any dividends to its shareholders.

F. Other Notes

27. Transactions and Balances with Related Parties

The scope of this note is the disclosure of transactions made during the year under analysis and the debt and credit balances between the Efacec Group and the entities classified as interested parties, given the influence of the existing decision. Related parties are considered to be Associated companies, Shareholders and Directors. The "Shareholders" category includes entities where shareholders hold an important position, with weight in decision-making.

In these notes, the disclosure shall apply solely to the debit and credit balances with related parties set out in the statement of financial position. Since the reporting period relates only to a fraction of the year, with entries in the gradual consolidation perimeter, the transactions are not material.

Transactions and balances between the Group's companies that, in the meantime were excluded from the consolidation process, are not disclosed.

27.1 Balance with Related Parties

The Group's assets and liabilities included in the different items of the financial statement and that concern related parties are the following:

	31.12.2014
Debts from Related Parties	
- Companies of the Group EFACEC Capital, SGPS, SA	
Current loans	380.904
Non-current loans (a)	148.408.490
Customers (Note 10)	8.107.650
Other debtors (Note 11)	19.914.443
- Shareholders	
Customers (Note 10)	180.993
Other debtors (Note 11)	540.411
	<u>177.532.891</u>
Amounts owed to Related Parties :	
- Companies of the Group EFACEC Capital, SGPS, SA	
Non-current loans (b)	93.239.443
Current loans	6.479.608
Suppliers (Note 15)	-1.248.273
Other creditors (Note 16)	6.270.081
- Shareholders	
Current loans	38.516
Suppliers (Note 15)	562.767
Other creditors (Note 16)	466.785
	<u>105.808.927</u>
a)	Mainly loans paid to the shareholder Efacec Capital SGPS, not due within one year and therefore classified as non-current
b)	. Interest bearing loan of Efacec Capital SGPS , classified as non-current, amounting to 93 M €, which takes the same conditions of repayment as that of a bank loan contracted by Efacec Capital, with maturity up to 2020

Interests of both loans are similar to those of the market.

Efacec Capital is also the main related part in current balances, debtors and creditors.

27.2 Details by entity of balance with related parties

The breakdown by entity of assets and liabilities presented above is as follows:

	31.12.2014	
	Loans	Current
Companies of the Group EFACEC Capital, SGPS, SA		
EFACEC Capital, SGPS, SA	48.741.634	12.514.849
<i>ASSETS</i>	148.463.459	18.704.960
<i>LIABILITIES</i>	-99.721.825	-6.190.111
EFACEC Handling Solutions, SA	47.292	426.529
EFACEC Serviços de Manutenção e Assistência, SA	2.051	234.027
ATM – Assistência Total em Manutenção, SA	9.038	139.567
EFACEC GP, SA	-3.294	-91.339
EFACEC Argentina, SA	0	2.553.609
EFACEC USA, Inc.	0	150.686
Liaoyang-Efacec Electrical Equipment, Co.	0	4.587.283
EFACEC Sistemas España, SL	225.057	2.604.784
Rujitza Wind, EOOD	47.724	213.735
EFACEC do Brasil, Ltda.	0	3.849.245
Others	841	404.593
	49.070.342	27.587.568
Impairment	0	-4.587.283
	49.070.342	23.000.285
Shareholders:		
EFACEC Sistemas de Gestão	-38.516	85.036
José de Mello	0	56.330
Têxtil Manuel Gonçalves	0	-444.823
Others	0	-4.690
	-38.516	-308.147

The impairment recorded in the current debt refers to the debt-Liaoyang-Efacec.

27.3 Commitments and contingencies with related parties

There are no purchase commitments or contingent liabilities with related parties.

27.4 Remuneration of the Board of Directors

In the reporting period 2014 there were no remuneration to Directors.

28. Contingencies

28.1 Contingent assets and liabilities arising from contractual disputes

We indicate below the values of contingent assets and liabilities arising from contractual disputes in which the Group is involved.

- (a) The Group has a contingent asset relating to tax benefits for net job creation in 2001, totaling about 258 thousand euros. Efacec claimed the right to the tax benefit foreseen in the following year, a request rejected by the tax authorities. This action had already favorable court decision for the Group, with confirmation and settlement by the Tax Authority still pending.
- (b) There is a case against the association of companies ACE Ensul Meci-Efacec worth 1.786 million euros, brought by the supplier Cimontubo in respect of loans granted to this entity by Ensul Meci. There is a disagreement regarding the due payment, and the payment is conditioned to the existence of final balances in the venture. Currently, the Group's share in this ACE is 100%, through its subsidiaries Efacec Energia and Efacec Engenharia e Sistemas
- (c) The Group, through its subsidiary Efacec Engenharia e Sistemas, SA, has contractual disputes related to obligations arising from supply agreements and service delivery to the company Companhia Paulista de Trens Metropolitanos in Brazil. The consortium that Efacec integrates presented a claim and negotiations are underway with the customer. At the balance sheet date, the company has an accumulated exposure to this client amounting to 7.1 million euros, comprising mainly invoiced values and value still to invoice, advances received and commitments.
- (d) Efacec has a dispute with the Hungarian supplier Raabvill kft., subcontracted to perform work under the project construction of two photovoltaic plants in Slovakia. Due to problems encountered with the installation by this supplier, Efacec withheld the payment of 416,000 euros corresponding to invoices balance recorded in the statement of financial position, which led to the complaint of Raabvill. This claim represents a maximum contingency for the Group of 952 thousand euros. However, Efacec also presented in court a claim for additional costs incurred with assistance provided under the guarantee, amounting to 1.116 million euros. However, Raabvill was insolvent, but the case is still pending from a court decision.
- (e) There is also a lawsuit presented by the company Tovisi Mozambique, Efacec sub-contractor in an engineering project in Maputo. Divergences, which occurred regarding the management of the work, led to the departure of that company, which filed an action for damages amounting to 1.943 million euros. The case is pending from a court decision, which the Group believes will be favorable.

29. Commitments

29.1 Guarantees

The Group has contingent liabilities in respect of bank guarantees and other contingencies related to its business. It is not expected that there are significant liabilities arising from contingencies.

The following table shows the volume of bank guarantees, distributed between:

- a) Bank guarantees, which mainly include guarantees issued in favor of customers to receive advances and stand-by letters of credit, and

- b) Other guarantees, especially guarantees for tenders and supply/execution guarantees.

	31.12.2014
Financial guarantees	80.921.912
Other guarantees	173.164.410
Total	<u>254.086.322</u>

Bank guarantees are almost entirely related to projects and orders in which the Group is involved, in favor of its customers.

29.2 Pensions

In the Group there are supplementary retirement pension complements according to what is described in Note 1.21.1.

The existing cases are managed by the Group and are subject to an annual assessment by specialized independent entities, the future liability being presented in the financial statement under the item 'Provisions for Pensions' (Note 19), and corresponds to the present value of liabilities for benefits defined at the date of the balance sheet. In late 2014, the group of people covered by this benefit consisted of 21 persons, and the recorded value was 520 thousand euros.

29.3 Operating lease commitments in which the Group is the tenant

The Group leases various vehicles through non-revocable lease agreements. The lease terms have various lease periods, readjustment clauses and renewal rights. On the date of the financial statement, the Group held Long Term Rentals ("*Renting*") contracts considered as an operating lease, the value of the outstanding lease amounted to approximately 2.419 mil euros,), with the following maturities:

	31.12.2014
Up to 1 year	1.077.792
1 to 5 years	1.341.405
	<u>2.419.198</u>

30. Interests in joint ventures

The Group has several interests in joint operations and joint ventures, which take the legal form of Complementary Companies Groupings (ACEs) (Note 4). These entities provide services resulting from contracts entered with customers, mainly in the business units of Contracting and Transport.

The following tables show information concerning assets, equity, income and profits of each joint venture integrated in Efacec Power Solutions accounts in 2014. The values included in these indicators correspond to the social accounts of entities expressed in Euro, before applying integration rates.

EFACEC POWER SOLUTIONS, SGPS, SA
Consolidated Financial Statements as at 31 December 2014

Joint ventures	Head offices	%	Method	Assets	Equity	Total income
Siemens, Setal, Dégremont e Efacec - Serv Manut, ACE	Amadora	33,0%	PRO	233.452	0	494.719
Efacec Omninstal, ACE	Maia	50,0%	PRO	20.048	20.048	29.361
EME2 - Engenharia, Manutenção e Serviços, ACE	Lisboa	40,0%	ECM	2.748.730	n.a.	n.a.
UTE Efacec Engenharia SA y Cemesa SL	Tenerife / Espanha	90,0%	PRO	338.976	302.090	0
GACE - Gondomar, ACE	Porto	20,0%	PRO	229.764	0	12.281
UTE Efacec Bahía de Cádiz	Sevilha / Espanha	50,0%	PRO	3.516.080	18.664	4.355.749
Ensul Meci-Efacec - Cogeração do Porto, ACE	Almada	100,0%	ECM	1.961.689	-206.500	22.546.287

Joint operations

The following amounts represent the share of the Group in the assets, liabilities and net worth of joint operations, and are included in the consolidated financial statement by integrating the ACE's. In the current year there was no impact of these entities on the Income Statement.

Joint operations	31.12.2014
Assets:	
Non current assets	4.628
Current assets	2.098.220
	<u>2.102.848</u>
Liabilities	
Non current liabilities	17.948
Current liabilities	1.793.664
	<u>1.811.612</u>
Equity	<u>291.237</u>

Joint ventures

EME2 - is a joint venture in which Efacec holds an interest of 40%, integrated in the financial statements using the equity method, as indicated in the table above. This ACE did not contribute to the result in 2014.

31. Multi-year contracts

Multi-year contracts are accounted for revenue in accordance with the percentage-of-completion method, as established in Note 1.16.3

Amounts relating to multi-year contracts as at December 31, 2014 are as follows:

	31.12.2014
Income recognized for the financial year (closed and non closed contracts)	14.855.535
Multiyear contracts not closed on December 31, 2014:	
Cumulative costs incurred to date	a) 1.445.389.382
Margins recognized to date	a) 173.426.948
Inventory in progress	13.636.298
Accrued income	109.782.235
Deferred income	114.525.781
a) Amounts not consolidated, which include values of multi-year contracts incurred in prior years as well as the year 2014 until the date of integration in Efacec Power Solution	

The reconciliation of the amount shown in the item "Income recognized in the year" concerning multi-year contracts closed or still open with the total of sales and services rendered can be shown as follows:

	31.12.2014
Income recognized relating to multi-year contracts (Note 1.16)	14.855.535
Income relating to standar manufactured products	4.482.988
Income relating to assistance and maintenance services	0
Other income	556.763
Total consolidated sales and services provided	19.895.286

Inventories related to multi-year contracts refer to costs incurred, which have not yet been used or installed. Therefore the margin resulting thereof has not yet been recognized

Accrued income represents situations in which the invoiced amount is lower than the percentage of completion method, performing an increase for the respective margin to be recognized. This represents a debit to the customer on account of the work / installation already made (Note 12 - Accrued income). When the opposite situation occurs, the amount invoiced to the customer is greater than the percentage of completion method, a deferred income is recognized representing a deferred income, to the customer representing a liability for the developed work (Note 20 – Proveitos Diferidos), whose margin is only recognized in the following years.

32. Fees paid to auditors

During the financial years 2013 and 2012, the Group contracted the services of the Statutory Auditor PricewaterhouseCoopers & Associates and respective international network, for which it paid the following fees:

	31.12.2014
Auditing:	
Audit and statutory audit	291.128
Reliability assurance services	9.929
Other services :	301.057
Tax consultancy services	64.266
Other consultancy services	0
	64.266
	365.323

H. Final Notes

33. Subsequent Events

In January 2015, Efacec Power Solutions acquired from Efacec Capital the entire shareholding of Efacec USA, Inc. for EUR 1.5 million. This company will remain on the site with a simplified structure, and with activities focused on commercial support to the group in some specific sectors of Energy.

Leça do Balio, 19 de Junho de 2015

The Consolidation Director

José Carlos Eiras Pinto de Oliveira

The Board of Directors

João Afonso Ramalho Sopas Pereira Bento

Rui Alexandre Pires Diniz

Pedro Manuel de Azeredo Ferreira Lopes

Consolidated Financial Statements Documents

2014

EFACEC Power Solutions, SGPS, SA

Financial Statement as at December 31, 2014

Monetary values are expressed in euros

	Notes	2014
Assets		
Non Current Assets		
Financial investments in Group Comp. and Associates	4	363.044.137
Financial assets available for sale	4	11.132
Loans to related entities	14	148.408.490
Total non current assets		511.463.758
Current Assets		
Customers and Accrued Income	5	16.036
Loans to related entities	14	7.177.687
Debtors and Deferred Costs	6	909.572
Cash and Cash Equivalen t	7	67.210
Total current assets		8.170.505
Total Assets		519.634.264
Equity and Liabilities		
Equity		
Capital	8	233.874.030
Reserves and retained earnings		-192.869
Other retained comprehensive income		0
Total Equity		233.681.161
Non current Liabilities		
Loans	14	268.193.838
Total non current liabilities		268.193.838
Current Liabilities		
Loans from related entities	14	50.000
Suppliers	9	209
Creditors and Accrued Costs	9	17.709.056
Total Current Liabilities		17.759.265
Total Equity and Liabilities		519.634.264

The subsequent notes are an integral part of these financial statements

The accountant

The Board of Directors

EFACEC Power Solutions, SGPS, SA

**Income Statement by Nature
for the year ended as at December 31, 2014**

Monetary values are expressed in euros

	Notes	2014
Sales and Services rendered	10	-245
Operating Profit		-245
Financial Losses and Costs	11	-312.171
Financial Income and Gains	11	119.546
Profit before Tax		-192.869
Income tax - Deferred		0
Income tax - Current		0
Net Profit	12	-192.869
Net profit per share		
Basic	12	-0,03
Diluted	12	-0,03

The subsequent notes are an integral part of these financial statements

The accountant

The Board of Directors

EFACEC Power Solutions, SGPS, SA

**Statement of Comprehensive Income
for the year ended as at December 31, 2014**

Monetary values are expressed in euros

	<u>2014</u>
Net Profit (1)	-192.869
Other Comprehensive Income for the year- net (2)	0
Total Comprehensive Income for the year (1) + (2)	<u>-192.869</u>

The subsequent notes are an integral part of these financial statements

The accountant

The Board of Directors

EFACEC Power Solutions, SGPS, SA
Statement of Changes in Equity
for the year ended December 31, 2014

Monetary values are expressed in euros

	Share Capital	Additional Paid-In Capital	Legal Reserve	Reserves and Retained Profit	Other Comprehensive Income			Total Equity
					Financ. Instrum. Reserves	Revaluation reserves	Other Compreh. Income	
Balance at 1 January , 2014	0	0	0	0	0	0	0	0
Formation of the company	19.797.255			0				19.797.255
Capital increase	214.076.775							
Comprehensive income for the period				-192.869	0	0	0	-192.869
Balance at 31 December 2014	233.874.030	0	0	-192.869	0	0	0	19.604.386

The subsequent notes are an integral part of these financial statements

The accountant

The Board of Directors

EFACEC Power Solutions, SGPS, SA

**Cash Flow Statement
for the years ended December 31, 2014**

Monetary values are expressed in euros

	2014
OPERATING ACTIVITIES:	
Accounts receivable	0
Accounts payable	98 454
Payments to employees	0
Cash flow generated from activities	(98 454)
Payment / receipt of income tax	0
Other receivables / payables relating to operating activities	(259 047)
Cash flow from operating activities [1]	(357 502)
INVESTING ACTIVITIES	
Revenue provided by:	
Financial investments	0
Grants for investments	0
Interests and similar income	0
	0
Payments relating to:	
Financial investments	111 549 321
Tangible assets	0
Intangible assets	0
	111 549 321
Cash flow from investing activities [2]	(111 549 321)
FINANCING ACTIVITIES	
Revenue provided by:	
Non-current Loans	0
Current Loans	114 573 367
Capital increases, additional paid-in capital and share premiums	0
	114 573 367
Payments relating to:	
Non-current Loans	0
Current loans	2 599 333
Amortization of financial leases	0
Interest and similar expenses	0
	2 599 333
Cash flow from financing activities [3]	111 974 033
Change in cash and cash equivalents	[D]-[C]-[B]-[A]-[E]=[1]+[2]+[3] 67 210
Impact of merger	[A] 0
Impact of perimeter variation	[E] 0
Impact of exchange difference	[B] 0
Cash and cash equivalents at the beginning of the year	[C] 0
Cash and cash equivalents at the end of the year	[D] 67 210

The subsequent notes are an integral part of these financial statements

The accountant

The Board of Directors

Notes on Financial Statements

A. General Information

Efacec Power Solutions SGPS, SA, is a limited company established at Arroiteia, Parish of Leça do Balio, Guifões and Custóias, Municipality of Matosinhos, Portugal. It was incorporated on August 14, 2014, having as object the management of shareholdings as an indirect form of performing economic activities.

The constitution of Efacec Power Solutions is part of a restructuring process that Efacec began from the end of 2013, and which continued throughout the year 2014. A Company was established as a sub-holding, gathering itself a group of companies, Portuguese and international ones, operating in the fields of Power Generation, Engineering Solutions and Electric Mobility. It also covers a wide network of branches and agents with presence in 4 continents

The capital of the company is fully owned by Efacec Capital SGPS, SA and its assets are almost entirely made up of shares, instalments and loans to its subsidiaries.

The financial statements are expressed in euros, unless indicated differently.

These financial statements were approved by the Board of Directors on June 19, 2015.

B. Summary of the main accounting policies

1. Accounting policies

The main accounting policies applied in the preparation of these consolidated financial statements are described below.

1.1 Basis of preparation

The financial statements of EFACEC Power Solutions, SGPS S.A. were prepared in accordance with International Financial Reporting Standards (IFRS) in force on January 1, 2014, as adopted by the European Union.

The financial statements have been prepared taking into account the historical cost convention, except land, for financial assets and financial liabilities which are recorded at their fair value.

The preparation of financial statements in accordance with International Financial Reporting Standards requires the use of some important accounting estimates. It also requires that the Governing Body practices its judgment in the process applied to the accounting policies of the group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.

The standards, interpretations and revisions issued by the various bodies that oversee the implementation of International Financial Reporting Standards - IASB, IASC, SIC and IFRIC - are listed below, together with the date of application, the approval by the European Union and expected impacts on the Group's consolidated financial statements.

Description	Amendments	Date of Application
Standards applicable from 31 December 2014		
· IAS 32 – Financial instruments: presentation	Financial assets and financial liabilities offsetting	01-01-2014
· IAS 36 – Impairment of assets	Disclosures about recoverable amount of impaired assets	01-01-2014
· IAS 39 – Financial instruments: recognition and measurement	Novation of derivatives and continuation of hedge accounting	01-01-2014
· Amendments to IFRS 10, 12 and IAS 27: Investment entities	Consolidation exemption for investment entities	01-01-2014
· IFRS 10 – Consolidated financial statements	New standard – Consolidation	01-01-2014
· IFRS 11 – Joint Arrangements	New standard – Accounting of Joint Arrangements	01-01-2014
· IFRS 12 – Disclosure of interests in other entities	New standard – Disclosure of all interests in other entities	01-01-2014
· Amendments to IFRS 10, 11 and 12: Transition	Transition regimen	01-01-2014
· IAS 27 – Separate Financial Statement	Consolidation withdrawn from the scope	01-01-2014
· IAS 28 – Investments in associates and joint ventures	Application of the equity method when accounting for investment in joint ventures	01-01-2014
Standards applicable on or after 1 July 2014, not yet endorsed by the EU		
· IAS 1 – Presentation of Financial Statements	Revision of disclosures	01-01-2016
· IAS 19 – Employees' benefits	Accounting of employees or other entities contributions	01-07-2014
· IAS 16 and IAS 38 – Calculation methods of amortization/depreciation	The methods of depreciation / amortization based on income, are not allowed in the measurement of consumption of economic benefits of tangible and intangible assets	01-01-2016
· IAS 16 and IAS 41 – Agriculture: Plants that produce biological assets	Plants that produce only consumable biological assets are included in the scope of IAS 16 and measured by their fair value or by the Revaluation method	01-01-2016
· IAS 27 – Separate Financial Statement	Option to measure through the equity method investment in subsidiaries, joint ventures and associates .	01-01-2016
· Amendments to IFRS 10 and IAS 28: sale and assets contribution of associates or joint ventures	Gain/loss with disposal or contribution of assets for an associate or joint venture based on 'business' definition.	01-01-2016
· Amendments to IFRS 10, 12 and IAS 28: application of the exemption to consolidate	Exemption to consolidate applied to investment entities, extendable to A parent company that does not qualify as investment entity but is a subsidiary of an investment entity.	01-01-2016
· IFRS 11 – Joint Arrangements	Accounting for the acquisition of an interest in a joint operation which is a business	01-01-2016
· Improvement to standards 2010 – 2012	Clarifications	01-07-2014
· Improvement to standards 2012 – 2014	Clarifications	01-01-2016
· IFRS 9 – Financial instruments	New standard – classification and measurement of financial instruments	01-01-2018
· IFRS 14 – Tariff adjustments	Amendment to IFRS 1 to allow the adoption of the previous regulatory policy	01-01-2016
· IFRS 15 – Revenue from contracts with customers	Revenue recognition of assets and services by applying the method of the 5 steps model	01-01-2017
Interpretations applicable on or after 1 July 2014		
· Improvement to standards 2011 – 2013	Clarifications	01-01-2015
· IFRIC 21 – Levies	New interpretation – Accounting of liabilities for taxes	17-06-2014

However, it is expected that the rules applicable to the company will not result in significant effects on the financial statements.

1.2 Financial investments and Assets available for sale

1.2.1 Classification

The company classifies its financial assets according to the following categories: fair value through profit or loss, loans and receivables and availability for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading.

A financial asset is classified in this category if acquired principally for the purpose of selling it in the short term. Derivatives are also classified under this category unless designated as hedges.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified as current assets, except for maturities greater than 12 months after the closing date of the exercise, in which case these are classified as non-current assets.

(c) Investments held to maturity

Currently, the company has no financial assets held to maturity.

(d) Financial assets available for sale

Financial assets available for sale are non-derivative financial assets that are either designated in this category or are not classified under any of the others. These financial assets are classified as non-current, unless the assets expire or if Management intends to sell them within 12 months after the reporting date.

Financial assets available for sale related to investments in equity instruments are recorded at cost when their fair value can not be reliably determined, and are presented as financial investments in group companies and associates when the company has control or significant influence over the management.

1.2.2 Recognition and measurement

The shareholdings in group and associated companies are recorded at cost added to any purchase expenses. Purchases and sales of financial assets are recognized on the trade date - the date on which the company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs, unless classified at fair value through profit and loss. Financial assets at fair value through the income assets are initially recognized at fair value and their transaction costs recorded in the income statement. Financial assets are derecognised when the rights to receive their cash flows expire, or at the time the risks and benefits of ownership are transferred. Financial assets available for sale and financial assets at fair value through the income assets are subsequently measured at fair value. Loans and receivables are subsequently measured at amortized cost using the method of effective interest rate.

Gains or losses arising from changes in fair value of 'financial assets classified under the category of fair value through profit or loss', are presented in the income statement as 'Financial Costs' in the period in which they occur.

Customer's accounts receivable and other debtors are initially recognized at their nominal value or fair value, if different, less any impairment loss.

Customer's amounts receivable are derecognized when all significant risks and rewards associated with the cash flows of the financial asset benefits are substantially transferred to another entity. If the entity retains its exposure to the total variability in the present value of future net cash flows associated with the financial asset, there is not a derecognition of the asset.

When securities classified as available for sale are sold or impaired and recorded, the cumulative value of adjustments to fair value recognized in fair value reserves is recognized in the income statement as "gains or losses in other companies".

Interests on account of securities classified as available for sale are calculated using the effective interest method and recognized in the income statement under the headline 'Other income'. Dividends on shares available for sale are recognized in the income statement when the company's right thereto is established.

1.2.3 Presentation by net value

Financial assets and liabilities are presented in the financial statement on a net basis when there is a legal duty to compensate them for this value, as well as the intention to do so, or in the event that the compensation of the assets and liabilities is done simultaneously.

1.2.4 Impairment of financial assets

(a) Loans and receivables

The adjustment for impairment of account receivables is established when there is objective evidence that the company will not receive all amounts due according to the original terms of receivables. The adjustment amount is the difference between the displayed value and the present estimated value of future cash flows, discounted at the effective interest rate. The adjustment value is recognized in the income statement.

(b) Assets carried at amortized cost

The company assesses at each date of Financial Statement whether a financial asset or group of financial assets is impaired. If a financial asset or group of financial assets is impaired, impairment losses are recorded only when there is objective evidence thereof as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that such an event (or events) has an impact on the estimated future cash flows produced by the asset or group of assets that can be reliably estimated.

The criteria used by the company to determine whether there is objective evidence of an impairment loss include:

- Significant financial difficulties of the issuer or debtor;
- Breach of contract provisions, such as payment of interest or capital;
- The possibility that the debtor will file bankruptcy or financial restructuring;
- The disappearance of an active market for the financial asset in question for reasons of financial distress, or
- Observable data, indicating a measurable decrease in the estimated future cash flows from a portfolio of financial assets, having this decrease occurred after the initial recognition of those assets, but still not being attributed to individual financial assets. These data include:
 - (i) Adverse changes in the state of compliance with payments of the debtors of this portfolio;
 - (ii) National or local economic conditions that correlate with failure to pay for the assets in the portfolio;

The company first examines whether there is evidence of impairment.

The amount of the loss is measured through the difference between the value at which the asset is measured and the current estimate of future cash flows (excluding future credit losses that have not been registered) discounted at the effective interest rate. The value to which the asset is measured is reduced, and the amount of the loss is recognized in the income statement. As a practical expedient, the company can measure the amount of impairment based on the fair value of the instrument, using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively attributed to an event occurring after the impairment was recorded (such as improved credit *rating* of the debtor), then the previously recognized impairment is reversed in the income statement.

(c) Assets classified as available for sale

- (c1) The company analyses at each date of its financial statement whether there is objective evidence that a financial asset or group of financial assets is impaired. For debt securities, the company uses the criteria described above in (a). In the case of equity instruments of other entities classified as available for sale, a significant or prolonged decline in the fair value of shares relative to their costs also constitute evidence of impairment. If such evidence exists for available for sale assets, the cumulative loss - measured as the difference between the acquisition cost and the fair value at date, less any impairment loss previously recognized through profit and loss account for the financial asset in question - is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt security classified as available for sale increases and this increase can be objectively attributed to an event occurring after the impairment loss was recognized in the income, then the impairment loss is reversed through the income statement.
- (c2) Assessment of investments in group companies and associated companies is performed when there are indications that the asset may be impaired, and recorded in the income statement eventual impairment losses.

Income from investments in group companies and associates (dividends received) are recorded in the period in which the respective distribution is proclaimed.

The company assesses at each date of financial statement whether there is objective evidence of impairment of a financial investment. If such evidence exists, the cumulative loss, measured through the difference between the value of the financial statement and the current fair value, is recognized in the income statement in the period in which the impairment occurs. An impairment loss is recognized for the amount of the excess amount of the asset over its recoverable value. The recoverable amount is the higher of the fair value of an asset less costs to sell and its value in use. In determining the value in use, the estimated future cash flows are discounted using a discount rate that reflects current market assessments and specific risk of the asset.

1.3 Accounting of financial instruments - derivatives and hedging

Derivatives are initially recognized at fair value at the date in which their contractual arrangements take part, and subsequently measured at fair value. The method by which changes in fair value are recognized depends on the designation (or not) of this derivative as a hedging instrument and, in the case of being appointed, the nature of the hedged item. The company designates certain derivatives as: (1) hedges of the fair value of assets, liabilities or firm commitments recognized (fair value hedge), (2) coverage of a particular risk associated with an asset, liability or a highly probable transaction (hedging of cash flows).

For each transaction, and at its origin, the company prepares documentation justifying the relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy for hedging transactions. The company also documents either on the trade date of coverage, or on a continuous basis, its analysis of the effectiveness with which the hedging instrument offsets changes in fair value or cash flows of the hedged cash. In accordance with IAS 39, the fair value of derivatives of option type is separated in its intrinsic value and its time value, given that only the intrinsic value of these instruments may be designated as a hedging instrument. Thus, tests of validity of the derived type option only include the intrinsic value of these instruments.

The fair value of derivatives used for hedging purposes is disclosed in Note 6. Movements in the hedging reserve are shown in the statement of changes in equity. The full fair value of a hedging derivative is classified as non-current asset or liability when the remaining maturity of the hedged

instrument is greater than 12 months and as a current asset or liability when it is less than 12 months. Trading derivatives are classified as current assets or liabilities.

1.3.1 Fair value hedging

Changes in fair value of derivatives that are designated and classified as fair value hedge instruments are recognized in the income statement together with changes in the fair value of the hedged assets or liabilities attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, then the adjustment to the carrying amount of a hedged item, for which is used the effective rate method, is amortized over the period extending until maturity

1.3.2 Cash Flow hedging

The effective amount of the change in fair value of derivatives assignable and classified as cash flow hedges is recognized in equity. The gain or loss relating to the ineffective amount of the loss is immediately recognized in the income statement.

Amounts accumulated in equity are subsequently recognized in the income statement in the period in which the instrument affects the income statement (for example, when a transaction of forecasted hedged sale occurs). The gain or loss on the value of interest rate swaps, to cover variable rate loans is recognized in the income statement as "Net financial costs." The gain or loss relating to the effective amount of derivatives exchange rate is recognized in the income statement as "Net financial costs." The gain or loss relating to the effective amount of derivatives on the price of *commodities* is recognized in the income statement as "Cost of goods sold and materials used." The gain or loss on the ineffective amount is recognized in the income statement as "Net financial costs."

When a hedging instrument reaches maturity, when it is sold, or when a hedge no longer meets the requirements for hedge accounting, any cumulative gain or loss recorded in registered capital will remain that way, being recognized in the income statement when the forecast transaction also is. When the occurrence of the forecasted transaction is no longer probable, the cumulative gain or loss recorded in equity is immediately transferred to the income statement as financial income or cost.

1.3.3 Non qualified derivatives for hedging purposes

Certain derivatives do not meet the hedging criteria. Changes in fair value are recognized immediately in the income statement.

1.4 Cash and cash equivalents

'Cash and cash equivalents' includes cash, bank deposits and other short-term highly liquid investments and with original maturities of 3 months. Bank overdrafts are presented in the statement of financial position in current liabilities, under Loans.

1.5 Share Capital

Ordinary shares are classified as equity.

The incremental costs directly attributable to the issue of new shares or options are presented in equity as a deduction, net of tax, of the tickets. Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are included in cost of acquisition as part of the purchase price.

1.6 Bank Loans – Banks and Related Entities

Loans obtained are initially recognized at their nominal value or fair value, if different, added of any transaction costs and less any impairment loss. Loans are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the amortized value is recognized in the income statement over the period of the loan using the effective interest method.

Loans obtained are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the date of the statement of financial position.

Interest and other financial charges related to loans are generally recognized as expenses in accordance with the accrual accounting principle.

Interest and other financial charges on loans, which are directly related to the acquisition, construction or production of fixed assets are capitalized as part of the cost of the asset. The capitalization begins after the preparation of the construction or development of the asset starts and stops when the asset is ready for use or when the project is suspended. Any income earned on loans, directly related to a specific investment is deducted from financial costs eligible for capitalization.

1.7 Payables to suppliers and other creditors

Payables to suppliers and other creditors are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. The vendor bills are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, the vendor bills are presented as non-current liabilities.

1.8 Income tax and deferred taxes

Income tax of legal persons (IRC) is determined based on the estimated taxable income calculated in accordance with current tax rules.

The income tax of the company includes current and deferred tax.

Current tax is calculated based on current tax law, or substantially prevailing at the date of the statement of financial position in countries where the subsidiaries and associates operate and generate taxable income. The management of the Group periodically reviews its analysis in this area and recognizes provisions for probable tax contingencies for cases under review, as well as possible adjustments made by tax authorities. These provisions are recorded at the amount expected to be paid to the tax authorities.

Deferred tax is calculated using the liability method, on temporary differences between the carrying amounts of assets and liabilities and their respective tax base. However, deferred tax is not registered in case it arises from initial recognition of an asset or a liability in a transaction which does not constitute a business combination that at the time of the transaction does not affect the revenues and costs, or accounting or not taxable. Deferred tax is determined in light of rates (and laws) prevailing or substantially prevailing at reporting date and are expected to apply when performing the deferred tax asset or settlement of the deferred tax liability.

Deferred income taxes are recognized only when the existence of future taxable income is expected, under which the temporary difference can be utilized.

Assets and deferred tax liabilities are presented in the statement of financial position on a net basis when there is a legal right to offset the assets and current liabilities by deferred tax of this amount.

Deferred taxes are classified as non-current in accordance with the financial statement.

The tax rate which formed the basis for the determination of the deferred taxes included in the Financial Statement as at December 31, 2014 is provided in the legislation for the current year – 21 % plus the maximum rate of municipal taxes, 1,5 % of taxable income.

1.9 Provisions

Provisions are measured at fair value of the costs that are expected to occur in order to settle the obligation using a pre-tax rate that reflects the time value of money, as well as specific risks to the liability, as assigned by market. Provisions are not recognized for future operating losses.

1.10 Recognition of revenue

Revenue comprises the fair value of sales of goods and services, net of taxes and trade discounts, and after elimination of internal sales.

Revenues are recognized at fair value of the amount received or receivable for the sale of goods and services in the ordinary course of business of the company. Sales are recognized at net value of the amount of value added tax, returns and discounts.

The company recognizes revenue when the amount can be measured reliably, when it is probable that future economic benefits give input on the entity and when specific criteria are met for each of the company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, as well as the transaction type and its characteristics.

Service rendered

The provision of services is recognized in the accounting period in which they are rendered, by reference to the stage of completion of the transaction at the date of closing of accounts

1.11 Distribution of dividends

The distribution of dividends to shareholders is recognized as a liability in the financial statements of the period in which the dividends are approved by the shareholders at the General Meeting.

1.12 Contingent assets and liabilities

Contingent liabilities for which it is possible that an outflow of resources embodying economic benefits will be required to settle the obligation, are not recognized in the financial statements but are disclosed in the notes, unless the possibility of the outflow of resources embodying economic benefits is remote, in which case they are not subject to disclosure. Provisions for liabilities that meet the conditions laid down in Note 1.9 are recognized.

Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements when it is probable that future economic benefits exist.

1.13 Subsequent Events

Events after the date of the balance sheet that provide additional information about conditions existing at that date are reflected in the financial statements. Events after the date of the balance sheet that provide information on conditions occurring after that date are disclosed in the notes to the financial statements, when material.

1.14 Cash Flow Statement

The cash flow statement is prepared in accordance with the direct method. The company classifies assets with maturity of less than three months and for which the risk of change in value is insignificant under "Cash and cash equivalents".

The cash flow statement is divided into operating activities, investing activities and financing activities. Operating activities include cash receipts from customers and payments to suppliers, employees and other payments related to operating activities.

Cash flow in investing activities include acquisitions and write-offs of subsidiaries, cash receipts and payments resulting from the purchase and sale of tangible and intangible assets.

Financing activities include cash receipts and cash payments to equity capital and loans, including bank overdrafts. They also include payments for interest, dividends and finance leases.

1.15 Financial Risk Management

There are no significant factors of financial risk, particularly in terms of activities exposed to foreign exchange risk, or significant credit risk concentrations. There are not used any financial instruments to hedge this risk.

2. Accounting estimates and judgments

The preparation of financial statements requires that management applies judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities and disclosures at the date of the financial statements.

These estimates are determined by the judgment of the company management, based on: (i) the best information and knowledge of present events and in some cases reports of independent experts (ii) the actions that the company considers it may develop in the future. However, at the date of completion of operations, the results may differ from estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are presented below.

2.1 Fair value of financial assets and liabilities

To determine the fair value of a financial asset or liabilities where an active market exists, the market price is used. When there is no active market, which is found in some of the assets and liabilities of the company, fair value valuation techniques are used which are generally accepted, based on market assumptions.

The Company utilizes valuation techniques for financial instruments not quoted as derivatives, financial instruments at fair value through profit or loss and assets available for sale. The evaluation methods which are used most often are based on models of discounted cash flow and options models, including, for example, interest rates, exchange rates, prices of raw materials and volatility curves.

Estimates of fair value

The following table presents the assets and liabilities of the Company measured at fair value, according to the following levels of fair value hierarchy established in IFRS 7:

- Level 1: the fair value of financial instruments is based on quoted prices in active liquid markets at the reference date of the statement of financial position. This level essentially includes equity and debt instruments (e.g. NYSE Euronext);
- Level 2: Fair value of financial instruments is not based on active market prices, but through the use of valuation models. The main inputs of the models used are observable in the market. This level include mainly over-the-counter derivatives held by the company; and
- Level 3: Fair value of financial instruments is not based on active market prices, but with the use of valuation models, whose main inputs are not observable in the market.

2.2 Income tax

The company recognizes liabilities for additional taxes that may result from review by the tax authorities. When the outcome of these situations is different from the amounts initially recorded, the differences will impact the income tax and deferred taxes in the period in which such differences are identified.

Additionally, the company recognizes deferred tax assets on losses, to the extent that future taxable profits are expected.

This evaluation requires the use of estimates and future taxable profits which differ from review held every closing date. The difference will impact the income tax.

2.3 Recognition of provisions

The Company periodically reviews the obligations arising from past events that should be recognized or disclosed. The subjectivity involved in determining the likelihood and amount of internal resources needed to meet obligations may result in significant adjustments due to changes in the assumptions made, or due to future recognition of provisions previously disclosed as contingent liabilities.

Management exercises significant judgment in determining whether a present obligation exists as a result of a past event, or whether it is likely, on the date of the financial statements, that from past events may result outflows, and if the amount of the obligation can be estimated reliably. The Company periodically reviews the status of these processes using counselling, both internal and external. These decisions are subject to change as new information becomes available. The amount of provision may change in the future due to new developments in this area in particular.

2.4 Impairment of receivables

The credit risk on receivables is valued at the closing date, taking into account the knowledge of the client and its risk profile. Accounts receivable are adjusted based on the assessment made by the management of the estimated collection risks at the reporting date, which may differ from the actual risks incurred.

C. Risk Management

3. Management of financial risk

3.1 Financial risk factors

The company's activities are exposed to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Efacec Group's program of risk management, where the company operates, focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group, being possible to use various financial instruments to minimize the risks associated with its operations.

The financial risk management is carried out by a central treasury department of the Group under policies and guidelines approved by the Board of Directors. The central treasury department of the Group is responsible for identifying, assessing and hedging the financial risks in close cooperation with the operating units of the Group. Principles for overall risk management are established by the Group, as well as policies covering specific areas, such as foreign exchange risk, price risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative and investment of surplus liquidity. The Board of Directors carries out a very close monitoring of such transactions.

3.1.1 Market risks – interest rate

The risk of the company's interest rate comes mainly from loans, since the company has no derivatives from interest rate or long-term earning assets. Loans contracted with variable interest rates, exclusively denominated in euros, expose the Group to the risk of changes in cash flows.

Exposure to interest rate risk is monitored dynamically. In addition to the assessment of future expenditures, based on forward rates, sensitivity tests to variations in the level of interest rates are carried out. The company is essentially exposed to the interest rate of the euro curve.

For each analysis, regardless of the currency, the same changes to interest rate curves are used. The analyses are performed for the net debt, i.e., deposits and investments in financial institutions are deducted. Simulations are performed based on the net value of debt and the fair value of derivative financial instruments, if any, reference dates and the respective change in interest rate curves.

On the date of the financial statement, the company had total borrowings amounting to 268 million euros, and loans granted amounting to 156 million euros, totally with related parties. If interest rates on loans and deposits had been 0.25% higher / lower, considering all other constant variables, the result of the financial year before tax would have been lower / higher by 282.000 euros, respectively. The equity capital would not have been affected. These effects are mainly due to the higher or lower interest expense on floating rate loans.

3.1.2 Liquidity risk

Cash flow forecast is performed by the company to ensure the maintenance of adequate cash to meet operational level needs, while taking into account the impact of possible additional uses of contracted amounts and not used in financing facilities, including lines of credit and commercial paper (Note 12), in order not to exceed the limits of financing facilities or debt *covenants* (where applicable). This forecast takes into account the financing plans for the company debts, compliance with internal level of balance sheet ratios objectives and, if applicable, compliance with external regulatory or legal requirements - for example, restrictions on foreign currency, and compliance debt *covenants*, including: *Cross default*,

Pari Passu , *Negative Pledges* , ratios of debt and equity , change of shareholders and other related operational activities , and the legal, fiscal and operational obligations of the company.

Cash surplus, beyond those necessary to maintain balance in the management of working capital, are managed taking into account the instructions of the Group with respect to maturity, liquidity and counterparty. Surplus cash held by the company is invested, choosing instruments with appropriate maturities or sufficient liquidity and that provide sufficient margin as determined by the above-mentioned forecasts.

At the date of the financial statements, the Company held cash and current deposits of 67 thousand euros, which were expected to readily generate capital inflows able to facilitate the management of liquidity risk. There are not negotiated credit facilities or derivative financial instruments. Financial liabilities of the company are almost exclusively with related party. There are also significant financial assets, also with related parties.

3.2 Risk capital management

The company seeks to maintain an adequate level of capital that allows it, not only to ensure continuity and development, but as well to provide adequate returns for shareholders and optimize the cost of capital.

The company may adjust the amount of dividends payable and the return of capital to shareholders or make an issue of new shares or debt in order to maintain or adjust its capital structure.

In accordance with the practices of the industry market, the balance of the capital structure is monitored based on financial leverage (*gearing*) ratio , calculated in accordance with the ratio Net Debt/Total de Capital. Net debt comprises total loans (including banking and related companies' current and non-current loans as shown in the statement of financial position) less cash and cash equivalents, other financial investments and current loans. The total capital consists of equity capital, as presented in the financial statements, plus net debt.

The *gearing* ratio on December 31, 2014 shows the following calculation:

		31.12.2014
Debt to credit institutions		0
Debt to related parties	(Nota 14)	268.243.838
		<u>268.243.838</u>
(-) Cash and cash equivalents	(Nota 7)	67.210
(-) Loans to related parties	(Nota 14)	155.586.177
		<u>112.590.451</u>
Net debt		
		233.681.161
Equity		
		<u>346.271.612</u>
Total capital		
		<u>346.271.612</u>
Gearing		33%

3.3 Financial instruments by category

On December 2014, financial assets were classified in the following categories:

Assets according to Balance Sheet	Loans and receivables	Available for sale	Non financial assets	Total
31 December 2014				
Financial investments	2.106.775	11.132		2.117.907
Loans to related entities	155.586.177			155.586.177
Trade receivables and accrued income	16.036		0	16.036
Debtors and deferred costs	909.533		39	909.572
Cash and cash equivalents	67.210			67.210
	158.685.731	11.132	39	158.696.902

Regarding financial liabilities, their breakdown by category was as follows:

Liabilities according to Balance Sheet	Other fin. Liabilities at amortized cost	Non financial liabilities	Total
31 December 2014			
Loans from related parties	268.243.838		268.243.838
Suppliers	209		209
Other liabilities	17.708.898	158	17.709.056
	285.952.945	158	285.953.103

C. Notes concerning Financial Statement at December 31 ,2014

4. Investments in equity and financial assets available for sale

4.1 Investments in group companies and associates

This item includes the value of investments, supplementary benefits and loans to subsidiaries, net of impairments. The movement of the period was as follows:

	31.12.2014
Opening value	0
Increase in holdings	168.895.918
Supplementary payments (a)	192.041.443
Financing loans	2.106.775
Closing value	363.044.137

(a) The supplementary payments follow the legal status of supplementary payments and, as such, do not bear interest.

In 2014, as part of the Efacec Group restructuring process, the Company convened shares and other investments in Group companies. A significant part of these investments resulted from three increases of capital in kind done by the shareholder. Other participations were obtained by acquisition at fair value.

The company's investment in Group companies and associated companies, none of them listed on the stock exchange, is as follows:

	31.12.2014				
	Financial participation	Additional instalments	Financing loans	% Part	Equity
Capital instrument					
EFACEC Energia, SA	31.500.000	149.739.443		100,00%	85.973.883
EFACEC Engenharia e Sistemas, SA	99.500.000	32.500.000		100,00%	64.704.302
EFACEC Electric Mobility, SA	15.000.000			100,00%	3.123.355
EFACEC Central Europe Limited SRL	7.100.000			100,00%	837.965
EFACEC Moçambique, Lda.	15.255	6.582.000		84,75%	995.821
EFACEC Praha s.r.o.	6.100.000			100,00%	1.325.218
EFACEC Marketing Internacional, SA	2.400.000	1.600.000		100,00%	2.660.115
EFACEC Índia Pvt. Ltd	3.259.878			93,18%	2.808.040
EFACEC Equipos Eléctricos, S.L.	1.250.000	1.620.000		100,00%	1.857.322
EFACEC Angola, Lda	1.407.215			98,33%	560.402
EFACEC Contracting Central Europe GmbH	1.100.000			100,00%	-4.212.959
EFACEC Chile, SA	213.570			96,92%	400.983
EFACEC Serviços Corporativos, SA	50.000			100,00%	173.098
Credits					
EFACEC Contracting Central Europe GmbH			2.106.775		
Total	168.895.918	192.041.443	2.106.775		363.044.137

The claim on Efacec Contracting has the nature of supply and bear interest at interest rate indexed to Euribor, plus the spread used in the Group's borrowings.

The companies were subject to assessments to determine the purchase price, usually by the method of discounted cash flows. Cash flow projections were used based on business plans approved by management, covering a period of five years and extrapolated at estimated growth rates based on the business development expectations.

The assumptions used in the impairment test were as follows:

Assumptions	Compound annual growth rate	Discount rate (before taxes)	Perpetuity growth rate
Portugal	5%-8%	12,0%	0%-1%
Spain	7%	13,5%	2%
Africa	15%-16%	15%-20%	1%-4%
Central Europe	5%-19%	13%-18%	1%-2%
New activities	37%	15,6%	1%

On the date of the financial statements no impairment of those assets was recognized.

4.2 Net assets available for sale

	31.12.2014			
	Value		% Part	Equity
NET-Novas Empresas e Tecnologias	11.132		0,98%	n.d.

5. Customers and accrued income

Details of this item at December 31, 2014 are demonstrated below:

	31.12.2014
Customers - Current account	0
Customers - Related parts (Note 14.2)	16.036
Receivables from customers - net	16.036
* Non current	0
* Current	16.036

The fair value of accounts receivable does not differ from their book value.

On 31 December 2014 the balance of Receivables from customers was fully denominated in euros and had no overdue amounts.

6. Other receivables and deferred costs

Details of this heading as at December 31, 2014 are as follows:

	31.12.2014
Receivables from other debtors	0
Receivables from related parties (Note 14.2)	909.533
Other debtors - Financial assets IFRS 7	909.533
Other debtors not covered by IFRS 7	0
State and other entities	39
Deferred costs	0
Total	909.572
* Other non current debtors	0
* Other current debtors	909.572
* Income Tax	0

The balance with the State and Other Public Entities, on December 31, 2014, refers to VAT to be recovered.

7. Cash and Cash equivalents

Cash and Cash equivalents	31.12.2014
Cash and current deposits	67.210
Short term cash investments	0
	67.210

8. Equity

The share capital is 233.874.030 euros, fully subscribed and paid. It consists of 46.774.806 ordinary shares, with par value of 5 euros per share.

Since the constitution and up to the end of the year, the evolution of the capital was as follows:

	31.12.2014
Incorporation of the company	19.797.255
Capital increase - Oct.14	10.076.775
Capital increase - Dec.14	204.000.000
	233.874.030

All the capital increases were done in kind through shares and securitized credits, by the shareholder Efacec Capital SGPS. Valuations of the assets for the capital increase, whose assumptions were included in Note 5, were confirmed by independent auditor, in accordance with the provisions of article 28 of the Companies Code whose assumptions were included in Note 5.1.

9. Suppliers, creditors and accrued costs

This item breaks down as follows:

Suppliers	31.12.2014
Suppliers, Current account	209
Suppliers - Related Parties (Note 14.2)	0
Total	209
* Non current	0
* Current	209

Current debts to suppliers and other creditors, are entirely due within 90 days, a situation which reflects the normal conditions negotiated with the company's suppliers.

The balance is denominated in euros.

Other creditors	31.12.2014
Other Creditors - several	0
Other Creditors - Related Parties (Note 14.2)	17.708.898
Other Creditors - Financial assets IFRS 7	17.708.898
Other Creditors not covered by IFRS 7	0
State and other public entities	158
Accrued costs	0
Total	17.709.056
* Other non current creditors	0
* Other current creditors	17.709.056
* Income Tax	0

The balance with Related Parties includes mainly the amount of 16 M € for additional instalment to be provided at Efacec Energia in the first quarter of 2015, as decided by the General Meeting of December 31, 2014.

The debt balance with the State and Other Public Entities, on December 31, 2014, referred to Income Tax to be paid to the State.

D. Notes to the Income Statement on December 31, 2014

10. External Supplies and Services

During the periods ended December 31, 2014 the main supplies and services were as follows:

	31.12.2014
Specialized work	170
Travels and accommodation expenses	75
	<u>245</u>

11. Financial Costs

Financial costs - net	31.12.2014
Interests paid	-290.475
Other financial costs and losses	-21.695
Total financial costs and losses	-312.171
Interests earned	119.546
Other financial gains and income	0
Total financial gains and income	119.546
Financial costs - net	-192.624

The interests paid and earned refer totally to interests of loans obtained / granted to Group companies. These loans bear interest according to the market conditions and have Euribor as reference rate.

12. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares issued during the year, excluding ordinary shares purchased by the Company and held as treasury shares (note 8).

	31.12.2014
Profit attributable to the company's equity holders	-192.869
Weighted average number of ordinary shares in issue	5.758.144
Basic earnings per share (Euro per share)	-0,03

Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding ordinary shares to incorporate the effects of the conversion of all dilutive potential ordinary shares. Since there are no convertible bond and stock options, the diluted earnings per share is equal to basic earnings per share.

E. Other Notes

13. Contingencies

The company has contingent liabilities in respect of guarantees. On December 31, 2014, the Company had a liability arising from a guarantee issued to finance a subsidiary abroad, amounting to 3.296.066 euros.

14. Transactions with related parties

We identify hereby, the transactions with related parties (Group companies, Associates, Shareholders of the Efacec Group and Board Directors), and debit and credit balances with these same entities existing at end of year.

14.1 Transactions performed

Current transactions	31.12.2014
- Companies of the Group	
Operating income and gains	119.546
Operating costs and losses	290.475
	<u>-170.929</u>

14.2 Closing balances resulting from business and financial transactions

	31.12.2014
Debts owed by related parties	
- Companies of the Group	
Financing loans (a)	2.106.775
Non current loans (b)	148.408.490
Current loans	7.177.687
Customers and accrued income (Note 5)	16.036
Debtors and deferred costs (Note 6)	909.533
	<u>158.618.521</u>
Debts owed to related parties :	
- Companies of the Group	
Non current loans (c)	268.193.838
Current loans	50.000
Creditors and accrued costs (Note 9) (d)	17.708.898
	<u>285.952.736</u>
Total net	<u>-127.334.215</u>

a) Supplies to Efacec Contracting

b) Mainly loans to the shareholder Efacec Capital SGPS

c) Includes financing from the subsidiary Efacec Energia and Efacec Engenharia, of non-current nature, amounting to 175 M € and a loan of Efacec Capital SGPS, also classified as non-current, amounting to 93 M €, which takes the same conditions of repayment as those of a bank loan contracted by Efacec Capital, with maturity up to 2020

d) Includes 16 M € of additional paid in capital to the subsidiary Efacec Energia, done in March 2015.

14.3 Detail by entity of the balances with related parties

	Financial	Current
Companies of the Group		
EFACEC Capital, SGPS, SA - liabilities	-93.239.443	-1.610.210
EFACEC Capital, SGPS, SA - assets	148.408.490	
EFACEC Engenharia e Sistemas, SA	-127.487.397	
EFACEC Energia, SA	-47.516.998	-16.000.000
EFACEC Marketing Internacional, SA	2.124.271	63.023
EFACEC Serviços Corporativos, SA	1.281.630	16.036
EFACEC Angola, Lda. - loans	2.821.786	
EFACEC Moçambique, Lda.		23.782
EFACEC Contracting Central Europe GmbH	2.606.775	628.340
EFACEC Equipos Electricos, SL	450.000	95.776
Others		-75
	-110.550.887	-16.783.329
Total net	-127.334.215	

14.4 Remuneration of the Board of Directors

In 2014, the company didn't pay remunerations to the Board of Directors.

15. Fees paid to auditors

In 2014, the Company didn't pay any fees to auditors.

Leça do Balio, June 19, 2015.

The accountant

Bárbara Cristina Dias Lima de Oliveira

The Board of Directors

João Afonso Ramalho Sopas Pereira Bento

Rui Alexandre Pires Diniz

Pedro Manuel de Azeredo Ferreira Lopes

technology that moves the world



Efacec Power Solutions, S.G.P.S., S.A.

Share Capital: 233.874.030,00 Euros

Registered Office: Parque empresarial da Arroiteia (Poente)

Apartado 1018 - 4466-952 S. Mamede de Infesta

Company fiscal number: 513 180 966

Registered at the Porto C.R.O.

www.efacec.com