



**A NEW ERA:
FOCUSING
ON OUR
STRENGTHS**

ANNUAL REPORT
2018

MARTIFER
GROUP





MANAGEMENT REPORT

01 MARTIFER GROUP

Message from the Board
Highlights
Key Financial Indicators
Main Events
Subsequent Events
Consolidated Financial Information

02 GUIDELINES

Activity
International Presence
History
Market Environment

03 FINANCIAL PERFORMANCE

Consolidated Results Analysis
Revenues
EBITDA and Net Profit
Consolidated Capex
Consolidated Capital Structure Analysis

04 ANALYSIS BY SEGMENT

Metallic Constructions
Naval Industry
Renewables

05 SEPARATE FINANCIAL INFORMATION

06 MARTIFER SHARE PERFORMANCE

07 FUTURE PROSPECTS

08 MAIN RISKS

Financial Risks
Operational Risks
Legal risks

09 PROPOSAL OF RESULTS ALLOCATION

10 OTHER INFORMATION



MANDATORY INFORMATION



CONSOLIDATED FINANCIAL INFORMATION

11 CONSOLIDATED FINANCIAL STATEMENTS

12 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



SEPARATE FINANCIAL INFORMATION

13 SEPARATE FINANCIAL INFORMATION

14 NOTES TO THE SEPARATE FINANCIAL STATEMENTS



CORPORATE GOVERNANCE REPORT



SUSTAINABILITY REPORT



AUDIT AND FISCAL REPORTS

Note: For all intents and purposes, the Portuguese version shall prevail.



MANAGEMENT REPORT



**MANAGEMENT
REPORT**

**MARTIFER
GROUP**

01 | MARTIFER GROUP

MESSAGE FROM THE BOARD

Dear Shareholders,

It is with satisfaction that we analyse the year 2018. It was a year in which we had positive results once again (this is the second year in a row, which is something that had not happened for several years). We reached an EBITDA exceeding 15 million euros, the highest in the last 5 years, the orders amount to 373 million euros, the most robust order book in recent years, and we completed some relevant projects with the clients demonstrating full satisfaction with the work carried out.

In 2018 we also started a new cycle, with the implementation of a new governance model and we defined a new Strategic Plan, having completed the Strategic Plan adopted in 2015 of which the essential objectives were achieved.

In what concerns the current level of activity in the segment of metallic constructions, despite the expected difficulties in a highly competitive and demanding industry, the results were very positive. There was a growth in the turnover and a significant improvement in EBITDA. The fact that two of our major projects, namely the work in the Geneva International Airport, currently the largest project, and the contract in the oil & gas sector, an area in which the Group wants to invest for the future, are running in an exemplary manner and with total client satisfaction, needs to be pointed out.

The Naval Industry segment had once again an excellent performance, having increased both the turnover and the EBITDA compared to 2017. As essential milestones in this area we had the delivery of two Ocean Patrol Vessels for the Portuguese Navy, complying with the deadlines and the contracted amounts, and the construction of the World Explorer, the first cruise ship built in Portugal with features that allow it to navigate the icy waters of the Arctic and Antarctica.

In the renewables segment, despite the drop in the turnover, we managed to reach 400 MW in O&M, in Poland. In pursuit of the strategy defined for this business segment, which is based on asset rotation and on exploiting opportunities in wind and solar projects, we sold a solar energy project in Argentina, and we acquired the remaining 50% of a wind farm project in Poland, thus now owning the entire project.

Also of note is that more than two-thirds of the turnover of the Group is coming from exports and the activity of the subsidiaries outside Portugal.

In what regards financial debt, we maintained the downward trend of recent years, and in 2018 the gross debt was reduced in approximately 17 million euros.

In summary, we believe that the year 2018 was very positive for Martifer Group. We are confident in the future. We know that we have to remain focused on our goals, keep the same ambition and determination every day to do more and better, but we are also sure that we are on the right path.

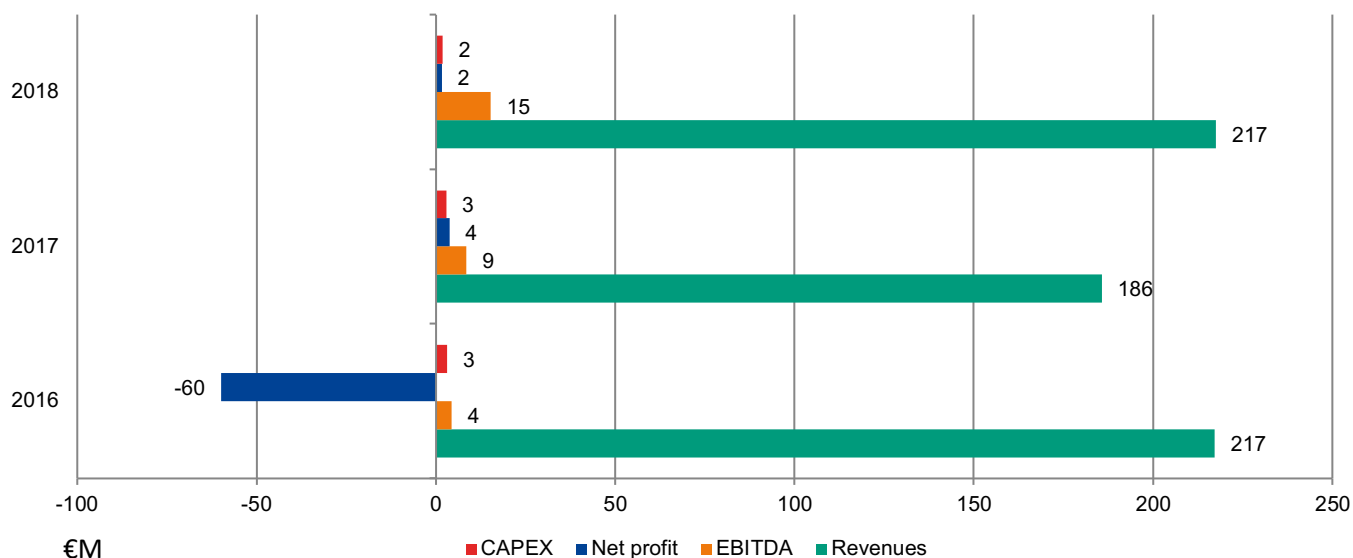
A final note of thanks to all our employees and colleagues, for the commitment and dedication shown and to all our stakeholders for the trust deposited in us.

HIGHLIGHTS

- ▶ Revenues of 217.4 M€, of which 125.7 M€ in Metallic Constructions, 82,2 M€ in the Naval Industry and 14.1 M€ in Renewables
- ▶ Turnover generated outside Portugal and exports amount to 66% of the total turnover of the Group
- ▶ Significant improvement of the operational performance with EBITDA reaching 15.2 M€ (margin of 7.6% on turnover), which represents a growth of 79% compared to the same period the year before (8.5 M€ in 2017)
- ▶ The Gross Added Value amounted to approximately 48 M€, i. e., approximately 24% of the turnover, which represents a substantial increase in productivity
- ▶ Net Profit attributable to the Group of 1.3 M€
- ▶ The Gross Debt decreased 17 M€ in relation to December 2017 to 219 M€, while Net Debt reduced 3M € to 186 M€
- ▶ Order Book of 373 M€ in Metallic Constructions and in the Naval Industry, the most robust in the last 5 years

MAIN FINANCIAL INDICATORS

€M	DEC -18	DEC -17	VAR. %
Revenues	217.4	185.6	17%
EBITDA	15.2	8.5	79%
EBITDA margin	7.6%	4.8%	2.8 pp
Depreciation & Amortization	-8.8	-10.6	17%
Provisions & Impairment Losses	1.3	-12.3	n.m.
EBIT	7.7	-14.4	n.m.
EBIT margin	3.9%	-8.2%	12 pp
Financial Results	-4.5	17.5	n.m.
Profit before taxes	3.3	3.0	7%
Income tax	-1.7	0.7	n.m.
Net Profit	1.6	3.8	-58%
Attributable to non-controlling interests	0.3	-2.8	n.m.
Attributable to shareholders	1.3	6.5	-80%
Earnings per share €	0.013	0.067	-80%



MAIN EVENTS

JANUARY 2018

Senvion wind towers - 'Bad a Cheo' and 'Mynyddy Gwair' projects

Martifer Metallic Constructions was awarded the production of a prototype of a wind tower MM92-64Hh-ETS for Senvion's partnership with a new supplier of internal parts, Aerotech, and this was followed by the production of another 12 towers. A total of 13 towers weighing 1,274 tonnes, which will be produced for the United Kingdom.

For the Mynyddy Gwair project in Wales, another 16 MM92-80Hh-ETS towers with a total weight of 2,048 tonnes will also be produced.

Inauguration of the Floresta Project

Martifer Renewables inaugurated in January 2018 one of its most recent renewable energy projects.

The Floresta Project, located in the municipality of Areia Branca in the state of Rio Grande do Norte in Brazil, counted on Martifer Renewables for the development of a 100 MWp solar park. This project relied on the fact that Martifer Renewables had already built the adjacent 50,4 MW project called Mar e Terra e Areia Branca, thus taking advantage of the already built electrical infrastructure. The Floresta Project began operation in December 2017.

FEBRUARY 2018

castellana 163, a new skin for the two façades

Castellana 163 is a building with two symmetrical façades in two of the busiest streets of Madrid, the Capitán Haya and Castellana streets. Martifer Metallic Constructions's intervention in this project consists in the dismantling of the existing façade and the creation of a new façade that will radically change the image of the building. This façade will be produced with various materials:

steel, aluminium, glass, honeycomb and Krypton, also including the architectural lighting integrated in the façade. The total area of the façade is 3,000 sqm.

One of the great challenges of the project is the complexity of logistics, safety, auxiliary means and assembly process because it is in the centre of Madrid and because it will be *business as usual* during the entire project for the companies that have offices in this building.

"Global Maintenance Contract of the Sines Refinery"

Martifer Metallic Constructions is responsible for the Global Maintenance Contract for the Sines Refinery during the next 3 years, which includes maintenance work (preventive, corrective, systematic, etc.) in the various specialities: mechanics, locksmithing, electricity and instrumentation, of all the equipment installed in the different process units. This contract is the largest industrial maintenance contract in Portugal. With 34 processing units, it covers an area of 320 hectares and has a storage capacity of 3 million m³. The Sines Refinery, a strategic industrial unit for the country's economy, has been in operation since 1978, and is one of the largest in Europe, with a distillation capacity of 10.9 million tonnes per year, or 220 thousand barrels per day.

West End Gate, a luxury condominium in the heart of London

Martifer Metallic Constructions was awarded the execution of the entire exterior envelope of the West End Gate building, from the second floor up to the roof. With a total intervention area of 24,300 sqm, the works include the production and assembly of 12,550 sqm of modular façade of which 7,800 sqm with coating in GRC (Glass Fiber Reinforced Concrete), 2,160 sqm of windows and 6,200 sqm of cladding of lacquered aluminum plates for the balconies (walls and ceilings), 4,350 sqm of SFS (Secondary Frame System), 1,850 sqm of waterproofing/ balcony flooring, 1,295 sqm of waterproofing/flooring on the roof, 223 sqm of aluminum Z-grates for roofing.

West End Gate is a luxury condominium with 29 floors, situated in the centre of London, designed by the architect office Squire & Partners.

MARCH 2018

The ITER Project - *Heavy Lift* of 285 tonnes completed

The *Heavy Lift* of 25 metres from the temporary platform to its final position, in the *pit* of the Tokamak building, an important milestone in the ITER project. The reactor of fusion energy, the heart of the complex, will be installed in this gigantic cylindrical structure. This platform will protect workers working below, and it will serve as a storage area above. Martifer Metallic Constructions was responsible for the whole manoeuvre that lifted the structure weighing 285 tonnes with a 29-metre diameter.

Martifer has been participating in the project since 2014 and has been awarded new works since then. A significant project for our team, with such a relevant international dimension, which promises to change the world.

APRIL 2018

Rehabilitation and extension of the Roudé-Adjia Stadium and outbuildings

Having as client Mota-Engil África, the branch of Cameroon, the intervention of Martifer Metallic Constructions consists in the manufacture, transportation and supervision of the assembly of 374 tonnes and 6,800 sqm of metallic structure and coating for the construction of the roofs of the Main Stadium and Training Camp of the Garoua Sports Complex.

The structural solution of the Main Stadium consists of truss beams built into a tube, supported directly on the stands of the stadium or in metal V-shaped pillars that give shape to the fan geometry of the roof in the console of up to 35 metres. For the construction of the roof, 3,400 unique pieces of metal structure were manufactured and sent to Garoua, besides all the materials needed to coat the roof. The roof also includes a passageway which allows access to technical areas. The Training Camp has a roof made by beams built from plate, and the coating is in sandwich panels.

The owner of the project is the Ministry of Sport and Education of the country and the stadium, with a 20,000-seat capacity will host several games of the 2019 African Cup of Nations.

Integrated Quality and Safety Management System certified by Bureau Veritas

West Sea implemented the Integrated Quality and Safety Management System, in accordance with the norms ISO 9001 and OHSAS 18001, respectively.

After a journey of preparation and adaptation of the Integrated Management System, West Sea obtained certification in ISO 9001:2015 and OHSAS 18001:2007, in the context of shipbuilding, ship repair and ship retrofit, certified by Bureau Veritas Certification. Currently, everything is being done to achieve the certification ISO 14001:2015. On 6 February, the system was considered ready to be submitted to the certification audit, which will take place between 15 and 18 April 2019, also certified by Bureau Veritas Certification.

MAY 2018

Amadouro and Arosa, two new hotel ships to be built at West Sea

West Sea was awarded the construction of two hotel ships, Amadouro and Arosa, by Tenderness Winds, part of the Mystic Invest Group. Both ships have characteristics similar to the Douro Splendour, and they are scheduled for delivery in March and April 2019.

VI Paris Ensemble Hotelier

The client is Léon Grosse and architecture by Wilmotte & Associés. Martifer Metallic Constructions is responsible for the execution of the façades of the future hotel complex of 440 rooms in the Paris Expo Porte de Versailles. Martifer's intervention consists in the execution of 2,250 sqm of double skin façade, 1,700 sqm of simple skin façade, 1,900 sqm of fritted VEC façade, 6,400 sqm of composite aluminium coating, 175 sqm of glass guardrails and 500 linear metres of lacquered steel guardrails.

The complex consists of 2 hotels: Hotel Nord and Hotel Sud, from the first floor to the seventh floor. On the roof, on floors 8 and 9, there is space for social interaction and leisure activities, supporting the hotels. On the ground floor, there is a common area for both hotels. This area includes the entrances, restaurants and shops that will contribute to stimulate the big Avenue de la Porte de la Plaine.

Martifer's new organisational model

Following the General Meeting of Shareholders of 2018, a new governance model for Martifer Group was approved.

The new Organisational Model aims to promote an integrated and transversal vision of the Group, a conscious growth ambition based on the following strategic pillars: reinforcement of the organisational culture and consolidation of the governance model; increased operational efficiency, planning and productivity in particular in Metallic Constructions; consolidation in the Naval Industry; and reinforcement of the sustainable growth strategy in Renewables; and consolidation of the financial stabilization trajectory

Martifer distinguished in the 2018 SAPA Portugal Awards

In May, the Serralves Foundation in Porto was the venue of the 2018 edition of the SAPA Portugal Awards.

The 2018 SAPA Building System awards highlighted the projects that stood out in the year 2017 in categories as diverse as Shopping Centres, Engineering, Healthcare, School Rehabilitation, Spaces of Public Interest, School Centres, National Hotels, International Hotels and Residential Spaces.

Martifer was awarded the International Prize due to work in the Battersea Power Station project in the United Kingdom, an ambitious rehabilitation project, which had the objective of transforming the old thermoelectric Battersea Power Station in a commercial, business and residential complex of reference in London. This rehabilitation project has already attracted Apple that chose it for its head office in the United Kingdom.

Sapa Building System develops aluminium solutions for Architecture and has been a long-term partner.

JUNE 2018

NRP Sines completes sea tests successfully

The Ocean Patrol Vessel (OPV) Sines, completed the sea tests successfully. The vessel will be delivered to the Portuguese Navy in July.

West Sea reaches the final stage of the first OPV for the Portuguese Navy. Meanwhile, the work on NRP Setúbal continues at a good pace, and its delivery is planned for December 2018.

Martifer sponsored the VIII International Congress on Architectural Envelopes - ICAE

Martifer Group sponsored the VIII International Congress on Architectural Envelopes (ICAE), which took place in June in San Sebastian, Spain. The sponsorship of this event was an excellent opportunity to contact new Clients and to show the best of what has been done by Martifer Metallic Constructions in recent years.

Martifer's Technical Department presented the challenging project of the auditorium of the head office of Banco Popular in Madrid. This project's unique features include its transparency, sustainability and innovation in the glass façade.

Martifer Group Staff Meeting

In line with the strategy of collaborator involvement in the strategy of the Group, Martifer Group's Staff Meeting was held at the Casa da Cultura, in Ílhavo. The event brought together more than 250 collaborators of the various business units of the Group. The meeting had as its main objective to inform the company's staff of the Group's Strategic Plan for the next triennium - "Martifer with future", as well as to present the renewed values, mission and vision.

JULY 2018

The Torre 30 Project won a prize in the 3rd Architecture Contest Baumit Life Challenge

Torre 30 (head office of Ilunion) won the award for Best Thermal Rehabilitation Project in the 3rd Architecture Contest Baumit Life Challenge.

This building, rehabilitated with a double skin suspended façade, due to its first skin in a SATE system, with a 12-colour nanotechnology coating, has the distinctive feature of during the day showing its second skin of perforated aluminium sheets and during the night the lighting highlights its colourful pixelized interior.

This project was a challenge for the aluminium structures factory. The uniqueness and complexity of the project brought the certification and the development of competences in structural welding in aluminium.

Delivery of the Dredger José Duarte to Dragus INT Lda.

At the end of July, the first suction dredger built by West Sea was delivered to a Portuguese shipowner.

This dredger, named José Duarte, is a Trailing Suction Split Hopper Dredger (TSSHD), 73 metres long and 11.4 metres breadth. This type of ship has the hull divided longitudinally in a symmetrical manner, in two single hulls. This feature allows the cargo hold to be opened and closed by a hydraulic system (550 tonnes) and to be unloaded in one go.

This was a particularly challenging project for West Sea. Because it is of "Unrestricted Navigation", a characteristic that allows the vessel to operate throughout the world, this vessel has as a prerequisite the operating zone with very restrictive limitations of the draught, breadth, length and height to be able to operate and go through the locks of the Douro River. In addition to this requirement, it was necessary to comply with a load capacity of more than 1,001 cubic metres and with a dredging capacity for up to 40 metres deep.

Baptism of the Ocean Patrol Vessel NRP Sines

The baptism ceremony of the Ocean Patrol Vessel (OPV) NRP Sines occurred on 20 July at the West Sea shipyard, in Viana do Castelo. The ship will be commanded by Captain Lieutenant Mónica Martins, and its godmother is Fernanda Gonçalves Tadeu. NRP Sines is the first of the two OPVs in construction in the shipyard, a consortium formed by West Sea and Edisoft. The delivery of the second OPV, NRP Setúbal, is scheduled to be delivered at the end of the year.

The ceremony, organized by the Portuguese Navy, counted on the presence of the Prime Minister António Costa, the Minister of National Defense José Azeredo Lopes, the Chief of Staff of the Navy, Admiral António Mendes Calado, the President of the City Council of Viana do Castelo José Maria Costa and the President of the City Council of Sines Nuno Mascarenhas.

West Sea's team was praised for the quality of the work done in this project of the OPV's, as well as for the team's commitment and compliance with the established deadlines.

AUGUST 2018

Gare de Lyon Part Dieu - Hall and Beraudier Gallery

As client SNCF (Société Nationale des Chemins de fer Français) and architecture by AREP, this project involves the construction of the North Hall, the South Hall and the Beraudier Gallery for Gare de Lyon Part Dieu.

Martifer Metallic Constructions's intervention in this project will be divided into two phases. The first phase is to make the PRO studies together with AREP. The second phase is the project execution and the completion of the works on site, in two different periods, first the North Hall and then the South Hall together with the Beraudier Gallery.

Martifer is responsible for the supply, manufacture, painting, transport and assembly of approximately 1,657 tonnes of metallic structure and for the supply and assembly of collaborative plate type Cofrastra 70 - 6,621 sqm.

SEPTEMBER 2018

The new Vinci head office, Building A

Vinci awarded Martifer Metallic Constructions the execution of a total of 7,680 sqm of façades and cladding of Building A, the future head office of Vinci, in Nanterre. Architecture by Jean Paul Viguier and Marc Mimram, the complex will consist of 4 new buildings along Boulevard de la Défense, designated Building A, B1, B2 and C. Martifer is responsible for Building A.

Martifer's intervention consists in 1,580 sqm of frames, 2,300 sqm of curtain façade, 2,000 sqm of cladding in aluminium plate, 1,800 sqm of cladding in extruded profile and 170 linear metres of safety rails in glass and lacquered steel. The frames to integrate into the southern elevation include 100% autonomous spans in concealment "Fenêtre Horizon". Here, the frame is composed of electrochrome glass and a spandrel in a photovoltaic panel to power the electrochrome glass, which subsequently can be managed in opacity/ concealment by remote control. This construction will be doubly certified: HQE and BREEAM - excellent level.

West Sea in Seatrade Cruise Med 2018

West Sea participated in Seatrade Cruise Med 2018, which was held at the Lisbon Exhibition and Congress Centre (FIL) on 19 and 20 September. The company showed its products and services to the most relevant companies in the cruise tourism sector worldwide.

Seatrade Cruise Med is one of the most important cruise events in the Mediterranean region, and this was the first time that the event took place in the Portuguese capital, part of the 'Portugal Shipping Week' activities. FIL was the venue chosen for the event, where many conferences were held under the theme "Sustainable Growth". More than 60 countries and more than 2,500 professionals of the naval industry took part.

POP - Porto Office Park

Martifer Metallic Constructions was awarded the POP - Porto Office Park project. Having as client Mota Engil, Martifer is responsible for the design and execution of the project (design and development of the technical and construction solution, manufacture and assembly).

Martifer is responsible for the supply and assembly of 14,300 sqm of modular façade, 1,200 sqm of curtain façade, 1,000 sqm of concealment blades and the assembly of 3,200 linear metres of fire fringes to seal floors.

POP is located at Avenida Sidónio Pais, near the Boavista roundabout and the Casa da Música, and will it strengthen the provision of offices in the city. POP will offer future occupants a space that responds to the current market needs and which can be tailored to the specific needs of each company.

OCTOBER 2018

London Dock building C1 - Cashmere Wharf

The client is St. George, Berkeley Group and architecture by Broadway Malyan. Martifer Metallic Constructions secured the contract for the execution of the complete envelope of this luxury residential building.

London Dock - Building B1 is a very well-known residential building of 26 floors (approximately 100 m high) situated in a privileged area of London, just a few minutes from the Tower Bridge, the Docks of St. Katharine and the City of London.

Martifer's involvement includes the design, procurement, manufacture, supply and customisation with the integration of windows and GFRC (glass fibre reinforced concrete), of 2,500 sqm of modular façade, 270 sqm of shades, 270 m of glass guardrails, 620 sqm of stone and the installation of prefabricated balconies.

A particularity of this project and an engineering challenge for Martifer will be the 735 sqm of Glass Fins that are an architectural feature of the building. It is probably the most challenging façade that Martifer designed and assembled to date.

Martifer participates in Zak World of Façades, in London

Martifer Metallic Constructions sponsored the 2018 Zak World of Façades, and the General Management of Martifer in the United Kingdom represented the company in the panel discussion 'Façade Landscape Evolution'.

The Zak World of Façades is an event that brings together several international conferences on the theme of façade design and engineering.

The East Wing of the Geneva Airport - the metallic structure already shows the final features to the Building

While the manufacture of the metal structure of the East Wing of the Geneva Airport runs in Oliveira de Frades, in Geneva the assembly of the metal structure is getting closer to showing the final features of the building.

Approximately 2,250 tonnes of metal structure and 4,000 sqm of collaborative plate have been assembled, work carried out by 44 members of the assembly department. The team is dedicated, focused and committed to the goals set for the next few months.

Winter is approaching and we will continue with the assembly of the jetty (jetée in French) of Gate 15 and begin the assembly of the jetty of Gate 16.

Analysing the work done, we can say that although we are in a new country, the productivity and performance of Martifer's whole team (in Portugal and Switzerland) has contributed to overcome all the challenges and achieve high-quality work.

NOVEMBER 2018

The World Explorer - 2,900 t of steel already floating in the West Sea shipyard

West Sea started the project World Explorer in May 2017, the first polar vessel to be built in Portugal. After only 17 months from the beginning of its construction, the luxury cruise vessel (126 metres long and 19 metres of breadth) underwent its first tests. On the morning of 31 October, it floated for the first time and carried out stability tests.

The 2,900 tons of steel floated in a complex operation that took about 20 hours and involved more than 50 people.

The Stability Test, as it is known, allowed the determination of the exact position of the centre of gravity of the ship, as well as its lightweight. With these data, it was concluded that the ship will have the expected draught and will comply with the stability criteria for its safe navigation in adverse sea conditions for which it was designed.

Martifer informs about the award of a contract for the construction of two polar expedition vessels in the amount of 118 million euros

Martifer SGPS, SA, Open Society ("Martifer"), informs about the award to its subsidiary West Sea Estaleiros Navais, Unipessoal, Lda. ("West Sea"), by Mystic Cruises, of a contract for the construction of 2 Polar Expedition vessels, in the total estimated value of 118 million euros.

The Polar Expedition vessels of "Ice" Class of the EXPLORER series will be built based on the Polar Code (ice class) and equipped with a hybrid propulsion system. Each one will have the capacity to accommodate 200 passengers and 112 crew members, with the highest comfort standards.

DECEMBER 2018

Kensington Row Phase 2 - Blocks E & H

The client is St. Edwards (Berkeley Group). Martifer Metallic Constructions won the contract for the execution of the complete envelope (8,350 sqm of façade) of Blocks E and H of the 2nd phase of the Kensington Row project. This award confirms the confidence of St. Edwards and Berkeley Group in Martifer. In 2016, Martifer had successfully completed the envelope of the project 375 Kensington High Street for this same client, located in the same area.

The project includes two luxury residential buildings with 10 floors each, located in the much sought after area of Kensington, close to the renowned Olympia Exhibition Centre and the London Design Museum.

Martifer's works include the design, procurement, manufacturing, supply and assembly of the whole envelope, including 800 sqm of frames, 2,250 sqm of curtain façade, 200 sqm of blades, 5,100 sqm of stone, guardrails in glass, exterior ceilings, exterior downspouts, among others.

Martifer is in London for the 2018 Glass Supper

Martifer participated, for the second consecutive year, in the 2018 Glass Supper, in London.

'Smart Cities, Smart Buildings, Smart Systems, Smart Technologies & Smart Glass' was the theme that guided the exchange of knowledge among the best in the façade industry.

Stories, Saint-Ouen, Paris, France

Martifer Metallic Constructions will be responsible for the aluminium and glass façades and the cladding of the building Stories, in Paris, France, totalling over 3,900 sqm. The Client is Bateg-Vinci Construction and architecture is by Chartier Dalix.

The project involves the construction of a commercial building of 7 floors (64,500 sqm), which will include areas for restaurants, terraces, a business centre and parking.

The main technical challenges of the project include the adaptation of a Schüco modular system to the structural and architectural requirements and to the type of finishing in anodised bright bronze aluminium.

MAIN POSTERIOR EVENTS

Galp's bulk liquids storage terminal, in Beira, Mozambique

Martifer-Visabeira S.A was awarded the project "Piping & Mechanical Works for the Beira Oil Storage Terminal project" in Mozambique, whose owner is IPG-Galp Beira Terminal, Lda. Martifer Group, through its subsidiary in Mozambique, takes another important step in the oil & gas industry.

Martifer Group undertakes once again with Galp the commitment to a sustainable relationship, with the objective to promote and enhance other projects of mutual interest, and to assert itself by its capacity to mobilise, technology, innovation and social responsibility that has distinguished us from competitors, leading our clients to recommend our products and services.

Senvion wind towers

Martifer Metallic Constructions was awarded the manufacture of wind towers for Senvion, for the following projects:

MARVILA | Portugal

Supply of six towers, model 3.4M_119m, including the purchase of all materials, totalling approximately 1,650 tonnes of steel.

ASCHERES LE MARCHE | France

Supply of four towers, models 3.4M_78m and 3.4M_90m (1+3), including the purchase of all materials, totalling approximately 686 tonnes of steel.

VALDEABAJO | Spain

Supply of four towers, model 3.0M_89m, including the purchase of all materials, totalling approximately 685 tonnes of steel.

MORATILLA | Spain

Supply of three towers, model,3.0M_89m, including the purchase of all materials, totaling approximately 514 tonnes of steel.

SOLIEDRA | Spain

Supply of six towers, model 3.7M_107m, including the purchase of all materials, totalling approximately 1,770 tonnes of steel.

Christening Ceremony of NRP Setúbal before starting to serve the Portuguese Navy

On 6 February 2019, the Christening ceremony of NRP Setúbal was held at the West Sea shipyard, and it was presided by the Minister of National Defense, João Gomes Cravinho. The godmother of this patrol vessel is Jessica Rachel Hallett, wife of the Minister of National Defense and researcher at the NOVA University of Lisbon.

The NRP Setúbal is the second military ship built by a consortium formed by West Sea and Edisoft for the Portuguese Navy. The deadlines contracted between the parties were fully met, as occurred with NRP Sines.

Open Sky Shopping Centre, Torrejón de Ardoz

Having as client Compañía de Phalsbourg, Martifer Metallic Constructions as the general contractor is responsible for the execution of the 12,000 sqm of aluminium and glass façades of this shopping centre, located in Torrejón de Ardoz.

The complex has an unusual architecture and includes a large garden area around a lake, which will cause water and light effects; architecture by Gianni Ranaulo, which has as its local partner Cabeza & Sastre. ENAR is the façades consultant, with which Martifer has worked several times.

Martifer's intervention will be in buildings A, B and C, and it consists of a curtain façade 9 metres high, specially created for the project and with over seven metres glass, flat as well as curved.

Additional complexities include the logistical process, due to the large glass and profile dimension, and the anodised finish stainless steel polished finishing, which will make it unique. The construction requires BREEAM certification as "very good".

Martifer and Torre Serrano distinguished during the 21st International Contest "Sistema d'Autore Metra"

The jury of the XXI INTERNATIONAL COMPETITION "SISTEMA D'AUTORE METRA", in the MADE Expo 2019 held in Milan, awarded Martifer Group in the category of Special Profiles for Projects - Innovative Technology for the rehabilitation project of the Serrano Tower in Madrid.

This project was carried out directly with Infinorsa/ Iberiafon, owners of the building, and is a complex rehabilitation of the façade with the building in use. As key players in the project, the architects Ortiz y León, ENAR as the façades consultant and Bovis as Project Manager stand out. In addition to the now award-winning solution, this project was a big challenge for Martifer in what concerns logistics and the assembly. So, it is incredibly gratifying to see that today this is one of the most unique buildings in the city of Madrid.

Martifer informs about the alienation of windfarms

Martifer SGPS, SA, "Martifer", informs about the alienation of the wind farms Vila Franca de Xira and Baião, which together have an installed capacity of 18.9 MW.

The sale price, *Equity Value*, of 100% of the shares of the companies owners of these wind farms amounted to 23 million euros. Martifer held 50% of each of the companies.

This divestment is part of the Group's asset rotation strategy, value-adding and debt reduction.

SUBSEQUENT EVENTS

No other facts that affect the released financial information have occurred since the reference date of the results up until the release of this report.

CONSOLIDATED FINANCIAL INFORMATION

Martifer chose to disclose the information on the consolidated non-financial statement, as required by article no. 508-G of the Commercial Companies Code, in Martifer Group's Sustainability Report, which is included in an autonomous chapter of the Annual Report.

**MANAGEMENT
REPORT**

GUIDELINES

02 | GUIDELINES

ACTIVITY

Martifer began its activity in 1990 in the steel structures sector. Since 2014, as a consequence of the strategic focus of the business, Martifer has concentrated its operations in the metallic constructions sector.

The Group' holding, Martifer, SGPS, S.A., also develops other activities and manages financial participations, namely in the renewables segment, through the promotion and development of wind farms and in the Naval Industry, through the construction and repair of ships.

HOLDING

Martifer SGPS, S.A. is the holding company of the Group. With the changes in the governance model implemented in 2012, Martifer SGPS, S.A. positions itself as a financial holding, establishing and defining rules and policies for the Group and monitoring the activity of the business areas, which were given a higher degree of independence and power.

The business areas act independently, although they follow the strategic guidelines defined at the holding level. The annual budgets and business plans are approved by Martifer SGPS, S.A.'s executive board members.

METALLIC CONSTRUCTIONS

Martifer Metallic Constructions, SGPS, S.A., sub-holding for the Metallic Constructions business segment and 75% owned by Martifer, SGPS, S.A., is a player with global recognition in the sector. The company (and its subsidiaries) is focused on two major geographic areas: Europe and the Middle East and Africa, and has industrial units that allow it, from these areas, to build the most complex projects in diverse locations such as Luanda in Angola, Geneva in Switzerland, Jeddah in Saudi Arabia, Djelfa in Algeria or London in the United Kingdom. Its industrial units are located in Portugal, in Romania, in Angola, in Mozambique (in partnership) and in Algeria (in partnership).

This business area bases its development strategy on the differentiation of its engineering quality and its vocation for complex projects. Martifer Metallic Constructions aims to follow a directed strategy, by partnering with companies of complementary segments, which allow it not only to offer more complete solutions but also to gain a greater dimension, especially internationally.

It provides global and innovative engineering solutions, namely in metal mechanical constructions, aluminium and glass façades and infrastructures for oil & gas.

This industrial and commercial activity has a production capacity that allows it to complete projects in several continents, and at the end of 2018 it had 968 employees.

NAVAL INDUSTRY

The companies whose activity focus on the naval industry are West Sea Estaleiros Navais, Lda. and Navalria, S.A ..

Resulting from the tender for the sub-concession of the old facilities of the Viana do Castelos Shipyards, West Sea was established in this city in 2014 and has been engaged in shipbuilding and ship repair.

West Sea has had the opportunity to bring together the professional skills appropriate to the activity by hiring highly qualified employees with a history of accumulated experience from the old shipyards.

Currently, West Sea has 286 employees, of which more than 50% were workers of the old shipyard.

After recovering the main equipment and infrastructures of the shipyard, West Sea now has the perfect conditions for the development of its activity which in brief consists of:

- **Shipbuilding** - so far, it has focused mainly on the domestic market, and its main focus is in the specialisation in products with high added value and strong technological incorporation, taking advantage of the synergies and experience in ship repair as well as the vast experience of Martifer Group in the metal mechanic industry. With products such as hotel ships, ocean patrol vessels, equipment and vessels related to the Oil & Gas activity, the aim is to become one of the leading companies in shipbuilding in Europe and, thus, increase the weight of exports in this activity;
- **Ship Repair** - it has had a strong exporting propensity with capacity for medium and large vessels. The excellent location with proximity to international routes of cargo ships has contributed to this success. The proximity of the North Atlantic hubs allows the capture of international reference clients combined with high-quality service and quick responsiveness, has allowed the West Sea Shipyard to be among the best and most competitive in Western Europe.

The other operational unit, Navalria, is located in Aveiro and its activity is focused on the repair of small and medium-sized vessels. It is also always available to complement West Sea, as has already occurred with the construction of two hotel ships that were finished in 2017. Still, repair is the historical activity of the company, and this is the only company to operate in the area of Aveiro. Navalria wants to maintain and stimulate this segment by attracting new clients outside this region, especially fishing vessels of Northern Spain, tug vessels and tourist vessels. Navalria had 47 employees at the end of 2018.

In terms of organisation, the companies are focused on and oriented towards good management of human resources, allowing the necessary cohesion and the capture of the best human resources, taking advantage of the availability of specialised labour, especially in Viana do Castelo due to the region's historical connection to naval activity.

RENEWABLES

Martifer Renewables, SGPS, S.A., sub-holding for the Renewables business sector and 100% owned by Martifer, SGPS, S.A., acts as a developer of renewable energy projects, mainly in the development of wind and PV power projects. More than accumulating power in operation, Martifer Renewables' strategy is focused on the rigorous use of capital in the development and construction of projects, having implemented an asset rotation policy in projects under development, construction management, asset management and operation and maintenance (O&M).

This business area, which had 45 employees at the end of the year, has a vast experience in the development and management of wind farms and solar parks and is present in the Iberian Peninsula and Central Europe. Owning, entirely or in partnership, a portfolio of over 80,4 MW in operation, Martifer Renewables has already developed and built more than 1,200 MW in different countries, having had as partners in the latest projects that were sold relevant companies such as IKEA, Galp, Ferrostaal, SPEE, Bank Santander, CPFL, Tractebel, EDP, Statoil and Solaire Direct.

The Group is currently organised as follows:



MARTIFER
METALLIC CONSTRUCTIONS

- METAL MECHANIC CONSTRUCTIONS
- ALUMINIUM AND GLASS FAÇADES
- OIL & GAS INFRASTRUCTURES

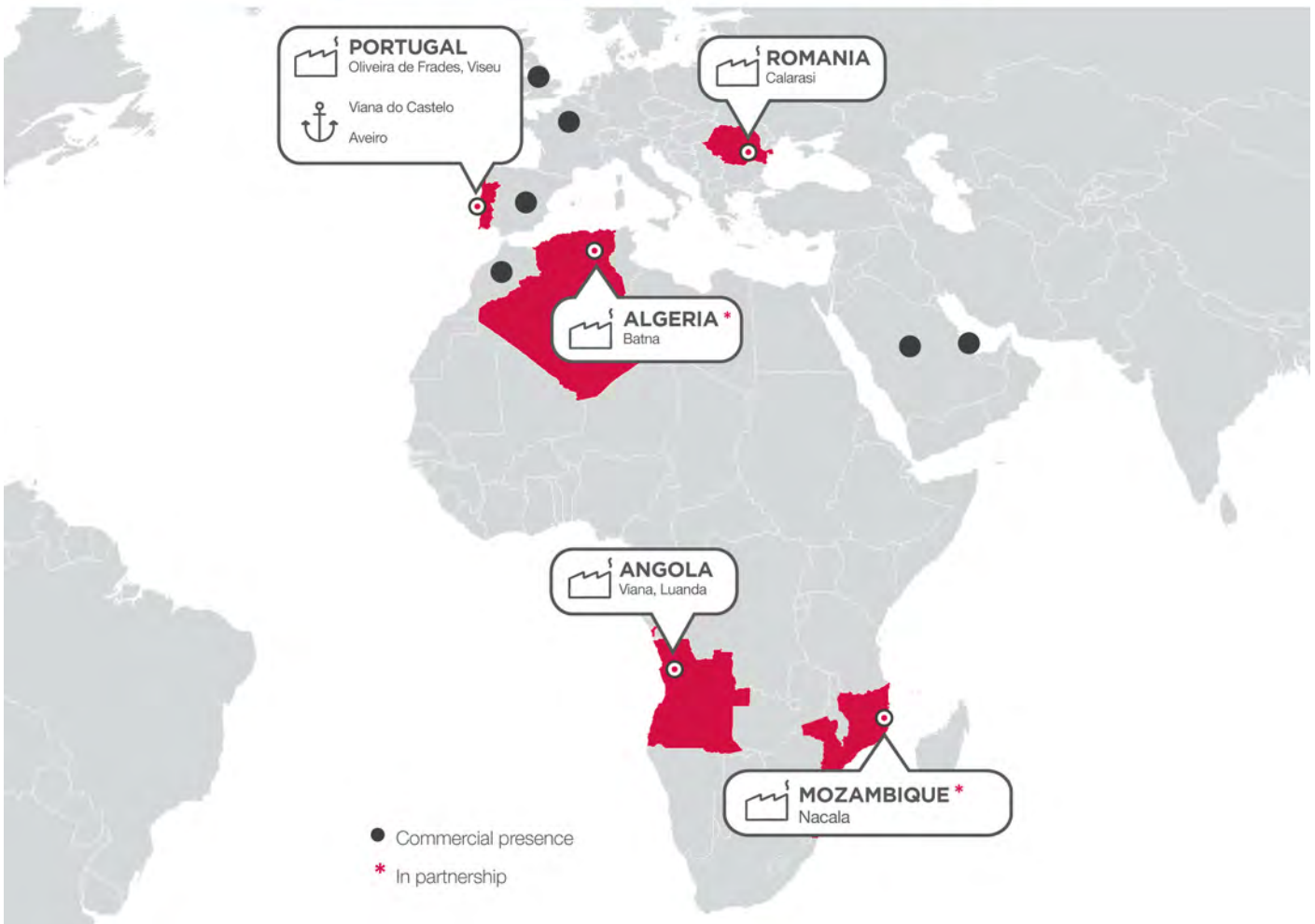


NAVAL INDUSTRY

MARTIFER
RENEWABLES

- DEVELOPMENT OF WIND POWER ASSETS
- CONSTRUCTION MANAGEMENT
- TECHNICAL AND OPERATION MANAGEMENT

INTERNATIONAL PRESENCE



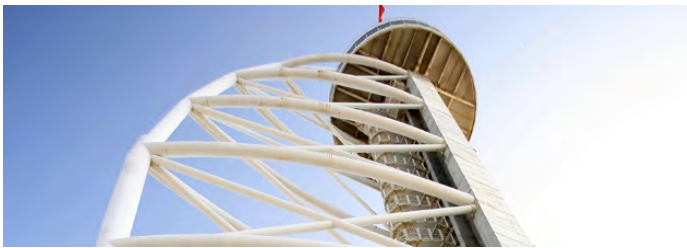
HISTORY

▶ 1990

In February 1990 Martifer was established as a limited company, with the share capital of approximately 22,500 euros (at the time: 4,500 thousand Portuguese Escudos) and is headquartered in the Industrial Zone of Oliveira de Frades, where it continues to be today.

At the end of its first year of activity, Martifer had 18 employees and a turnover of 240,000 Euros.

▶ 1998



On 26th May, the company which already has 100 employees, is transformed into a Public Limited Company, therefore, changing its shareholder structure. The company's share capital is held by MTO SGPS (currently I'M SGPS) and ENGIL SGPS (currently MOTA-ENGIL SGPS). In Portugal, Expo 98 takes place with Martifer participating in several projects, such as the Vasco da Gama Tower.

▶ 1999

In November, Martifer began its internationalisation process in Spain with the objective of becoming one of the reference companies in metallic constructions in this country.

▶ 2002

Martifer builds its second industrial unit in Portugal, located in Benavente, to meet the construction needs for the Euro 2004 stadiums.

▶ 2003

In February 2003, Martifer continued the internationalisation process by building an industrial unit in Gliwice, in Poland. It started operating in the second half of 2004.

▶ 2004

In February, Martifer began activity in the renewable energy equipment sector, through Martifer Energia. This company is dedicated to the manufacturing of metallic towers for wind turbines and is based in the Industrial Zone of Oliveira de Frades.

In November, Martifer SGPS, S.A. was created to manage the social holdings of all Martifer Group companies.

▶ **2005**

The metallic structures activity widens its market to Central Europe, opening branches in Romania, in the Czech Republic, in Slovakia and in Germany.

Investments are initiated in the area of Agriculture and Biofuels in Romania.

Martifer becomes one of the reference shareholders of the German company REpower Systems AG, one of the largest worldwide producers of wind power equipment, ending the year with a financial holding of 25.4%. In June, REpower Portugal is established, aimed at the market of building and giving assistance to wind farms and assembling wind turbines.

In August, Martifer Group creates yet another company called M Energy (today, Martifer Renewables) with the primary purpose of centralising the management of all the activities in the area related to the promotion of renewable energy.

▶ **2006**



In March, through the Ventinveste Consortium, Martifer submitted its application to the tender for the attribution of licences for the production of wind power in Portugal.

In May, Martifer Solar is created with the social object related to the project, design, manufacture and installation of solar panels.

At the end of the year, Martifer is awarded the 1st prize of excellence for the promotion of new areas of investment and business, awarded by the Chamber of Commerce and Industry of Romania.

▶ **2007**



In February, Martifer, together with the Indian group Suzlon, launches a takeover bid on Repower Systems AG. The consortium takes control of 56.93% of the company, and, thanks to an agreement between Areva and Suzlon, the consortium took control of 87.1% of the voting rights of Repower Systems. Martifer agrees to sell its participation in Repower Systems to Suzlon in 2009 for 270 million Euros.

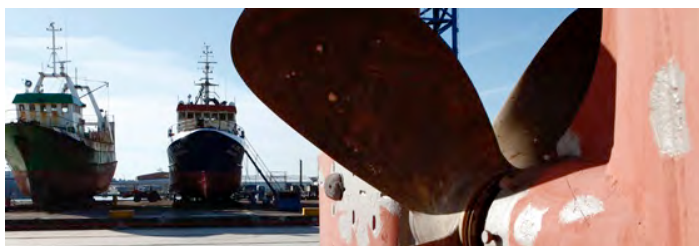
The Ventinveste consortium - formed by Martifer, Galp Energia, Enersis, Efacec and REpower Systems AG - came in first place in "Phase B" of the public tender launched by the Portuguese government for the attribution of 400 MW of injection capacity and the respective reception points associated to the production of electric power in wind farms.

In June, the Initial Public Offer (IPO) for the Company was concluded. The Company received 199 million Euros in funds through the offer of 25 million shares which were placed at the peak of the price range, 8 Euros per share. After the IPO, the Company had 65 thousand new shareholders.

Martifer Solar formalised the contract with Spire Corporation for the turnkey supply of the automated production line of photovoltaic modules with an annual capacity of 50 MW.

The Group was also awarded "Organic Grower of the Year 2007" by A.T. Kearney's "Global Growth Assessment".

▶ 2008



Martifer Energy Systems buys Navalria. The acquisition price reached 4.7 million Euros.

The Chairman and the Vice-Chairman of Martifer, Carlos Martins and Jorge Martins win the 2nd edition of the national award attributed by Ernst & Young, Entrepreneur of the Year 2007.

The industrial units for the assembly of wind turbines,

components for wind farms and PV modules start producing.

▶ 2009

Martifer and Hirschfeld create a Joint Venture for the production of wind energy components in the USA.

The metallic construction plant in Angola (15,000 tonnes of capacity) begins production in the second semester of the year.

Martifer Renewables surpasses 100 MW of installed capacity in May and, at the end of the year, it is awarded 217.8 MW in the first wind power tender held in Brazil.

In October, the Group adopts the new governance model: Carlos Martins takes on the role of Chairman, Jorge Martins becomes CEO and Mário Couto is appointed CFO.

▶ 2010



In March, Martifer sold 11% of Prio Foods and Prio Energy for 13.75 million Euros, thereby reducing its participation from 60% to 49% in these companies and the respective subsidiaries.

Also in March, the subsidiary Martifer Metallic Constructions acquired 45% of the capital of Martifer Alumínios from HSF SGPS, becoming the owner of the company's entire share capital.

In April, Martifer Solar increased its capital to 50 million Euros to meet the company's investment needs, thereby strengthening its capital structure.

In September and in October, Martifer Solar finalises the construction of the two largest photovoltaic solar parks in the African Continent in the islands of Sal and Santiago, in Cape Verde.

At the end of the year and following Martifer Renewables's asset rotation policy, the Group sold the wind farms held in Germany, Bippen and Holleben, with 53.1 MW of installed capacity.

Also in December, Martifer Solar signed an agreement with EDP to sell 60% of the company Home Energy.

▶ **2011**



Martifer became a multinational company with over 3,000 employees worldwide and focused primarily on two business areas: metallic constructions and solar energy solutions.

The Group increases its exposure to markets outside Europe with its entry into promising markets. In the metallic constructions area, the first semester highlights the start of the construction of a metallic structures plant in one of the markets with the most significant growth potential in the next years:

Brazil. In the solar segment, we witnessed the award of the first photovoltaic solar energy project in India in June.

In February, and following the strategic guideline of the Group to focus itself on its core activities, Martifer sold its 50% participation in REpower Portugal to REpower Systems AG.

▶ **2012**



2012 is the year of full operation of the Martifer Metallic Constructions plant in Brazil. With a capacity to produce 12,000 tonnes of steel structures per year, this plant aims to give answer to the great projects of the company in Brazil.

Martifer Solar is awarded its first contract in Brazil: a PV installation with 300 kW in the General Motors plant in Joinville, State of Santa Catarina.

The company also continues its internationalisation process

entering Ukraine, Romania and Mexico.

▶ **2013**



In 2013, Martifer Solar built Latin America's largest PV plant (30 MW) in Mexico. The company was in charge of the Engineering, Procurement and Construction of the plant and was also responsible for the following O&M services.

Martifer Renewables concluded the third wind farm in Poland (Rymanów) for Ikea Group. The farm with 26 MW was inaugurated in June.

In November, following an international public tender, Martifer Energy Systems and Navalria, Martifer Group's subsidiaries, are awarded the sub-concession of the lands and the infrastructures of the Viana do Castelo Shipyard (ENVC – Estaleiros Navais de Viana do Castelo).

▶ 2014



In the beginning of the year, Martifer signs the contract for the sub-concession of the lands and the infrastructures of the old Viana do Castelo Shipyard (ENVC). It is in May that West Sea, the company created by Martifer to administer the sub-concession, starts operating in Viana do Castelo. At the end of the year, West Sea signs the first shipbuilding contract.

Also in 2014, Brazil hosts the FIFA World Cup. Martifer Metallic Constructions participated in the construction of three stadiums:

Arena Fonte Nova (Salvador da Bahia), Arena Castelão (Fortaleza) and Arena da Amazônia (Manaus). Martifer Solar was also present in this event, with the installation of the PV roof of the Mineirão Stadium, in Belo Horizonte.

▶ 2015



It is in 2015 that West Sea signs a contract with the Portuguese Navy for the construction of two Ocean Patrol Vessels.

In the Renewables sector, the Group concludes and sells its fourth wind power project in Poland, Gizalki, to Ikea Group, and signs an agreement for the sale of a 216.4 MW wind portfolio to EDP Renováveis

▶ 2016



In 2016 the production of wind towers for the Âncora project came to an end. This project began in 2014 and involved more than 100 employees entirely dedicated to the production of 84 wind towers.

The Âncora project has four wind farms in operation (171.6 MW). This project includes two wind towers coated with elements projected and designed by two internationally

renowned artists, Vhils and Joana Vasconcelos, in what is considered the largest contemporary art project in height.

In the naval sector, the first ship built by the West Sea in Viana do Castelo was delivered to Douro Azul. Viking Osfrid is a vessel very similar to the two hotel ships built in 2014 by Navalria (Viking Hemming and Viking Torgil). It is 79 metres long and accommodates 106 passengers.

▶ **2017**



In 2017, Martifer Metallic Constructions was awarded the supply and assembly of the metal structure for the expansion of the Geneva International Airport - East Wing, which consists in the construction of a new building, 520 meters long and 20 metres wide.

In the Naval area, West Sea began the construction of NRP Setúbal and NRP Sines, two Ocean Patrol Vessels for the Portuguese Navy. Mystic Cruises awarded West Sea the

construction of a luxury cruise to navigate in Antarctica. With 126 metres of length and a breadth of 19 metres, it will have the capacity to accommodate 176 guests and 125 crew members.

Martifer Renewables won a bid in Argentina for a 100 MW solar project located in the municipality of Iglesia in the province of San Juan, approximately 1,000 km from the capital Buenos Aires. This is the first big step in the development of its activity in Argentina.

▶ **2018**



Martifer Metallic Constructions is awarded for a period of three years the global contract for maintenance of the Sines refinery, this being Martifer's first contract in the *oil & gas* sector. Sines Refinery has been in operation since 1978, and is one of the largest in Europe, with a distillation capacity of 10.9 million tonnes per year, or 220 thousand barrels per day.

In the Naval area, the World Explorer, the first polar expedition vessel built in Portugal, was one of the major shipbuilding

projects at West Sea. The World Explorer is a luxury cruise ship that will navigate in Antarctica. The ship will be 126 metres long and will have 19 metres breadth. The year ended with the award of another two polar expedition vessels: the World Voyager and the World Navigator.

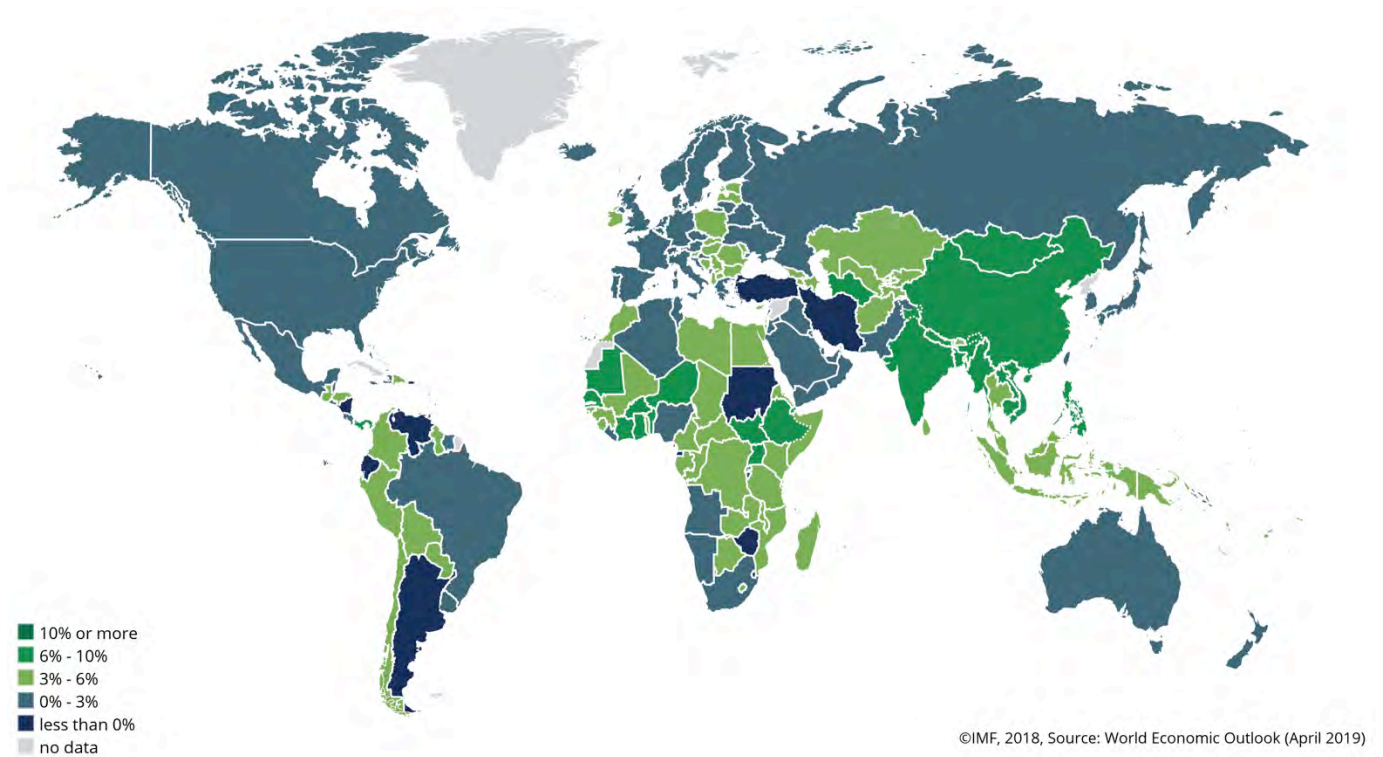
In the Renewables area in Poland, the milestone of 440 MW of wind power in asset management for third parties was reached.

MARKET ENVIRONMENT

GLOBAL ECONOMY

World GDP

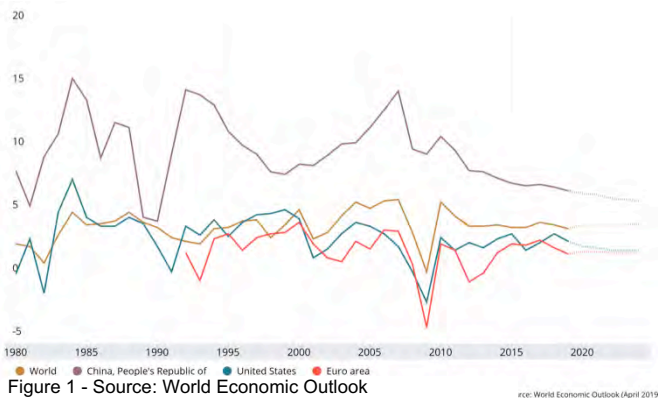
2019 forecast, % increase compared to the previous year



Source: World Economic Outlook

Economic Growth

In 2018 the global economic activity will have grown by 3.7%, i. e., an annual growth rate similar to that of 2017, mainly by the acceleration of the emerging economies, especially in the continents of Africa and Asia. The major economies showed growth below the world average.



In global terms, the world economy has continued with some of the strong growth presented at the end of the year 2017, being that there was a lower than expected growth in the developed economies, while emerging economies grew at a very sustained pace. The first group is justified by the slowdown during the year of the Euro Zone and the United Kingdom, due to a deterioration in the European Trade Balance and to some political instability experienced during the year with themes such as the *Brexit* or some political outcomes from elections in Europe, which caused an effect of economic slowdown.

The year was marked by the occurrence of unprecedented political events that caused tension around the globe among the

most significant global economic powers that have marked the pace of global expansion. Throughout 2018 some protectionist measures were implemented that have marked the whole international commercial activity.

The United States of America as well as its president Donald Trump were prominent in a large number of the most newsworthy events that marked the evolution of the financial markets during the year 2018. The decision to apply the economic and commercial sanctions on Iran once again, one of the major oil exporters in the world, has affected the estimates for world oil production or a free-trade agreement between the USA, Mexico and Canada, the *USMCA - United States–Mexico–Canada Agreement*. These were some of the decisions that caused an impact on international relations. However, the event that marked the year was the one designated as "the greatest commercial war in history" between the US and China which began in mid-July with the decision of the North Americans to apply tariffs on products from China. This resulted in retaliation by the nation led by Xi Jinping. The negotiations between the two countries lasted throughout the year without ever reaching a final agreement, with the application of tariffs on import of products from both countries. It is expected that the trade dispute will continue during the year 2019 and that it is, once again, one of the most significant issues internationally.

According to the International Monetary Fund, for 2019 and 2020 it is expected that the growth of the global economic activity will be around 3.3%, and in the following years, it shall be maintained at 3.6%, mainly due to a slight slowdown of world's largest economies.

Throughout 2018, the prices of industrial commodities, such as metals and energy behaved differently throughout the year. In the first half of 2018, there was a positive evolution of prices, and as a result of the instability of international relations, there was a drop in the prices of commodities.

The price of energy commodities devalued at the end of the year as a result of news on the increase in world production of oil explorations by the largest global producers. By 2019, these commodities are expected to grow at around 4% - according to the World Bank report.

In turn, the price of metals was also the target of the negotiations between the United States and China, two of the largest participants in the markets, both supply and demand, and presented a devaluation in 2018, given the uncertainty on the unfoldment of the trade dispute. The slowdown in the global economy generates a drop in industrial production and, consequently, on metal demand and production. This was a general trend in the metal market as a whole, with zinc, aluminium and copper presenting devaluations during the year 2018. For next year, the unwinding of trade tensions is expected and the making (or not) of a decision will cause an impact on global demand and in the determination of the evolution of the prices of metal commodities.

The imposition of tariffs by China, the world's largest importer of soya, in 25% on the soya imported from the USA had a considerable impact on the economic dynamics in the demand and supply of the world agricultural commodities. With Brazil replacing the United States as the country exporting soya to China, the USA had to redirect their exports to other points of the globe. Of course, this caused an impact on the prices of international markets, with the American soya presenting a sharp devaluation during the year of 2018, as well as other highly correlated commodities, such as palm. On the other hand, the wheat from Europe showed an increase in the price, given the smaller crops because of adverse weather conditions. For 2019, according to the expectations of the World Bank on the forecasts of supply and demand for crops, it is expected that the prices of agricultural raw materials stabilise throughout the year.

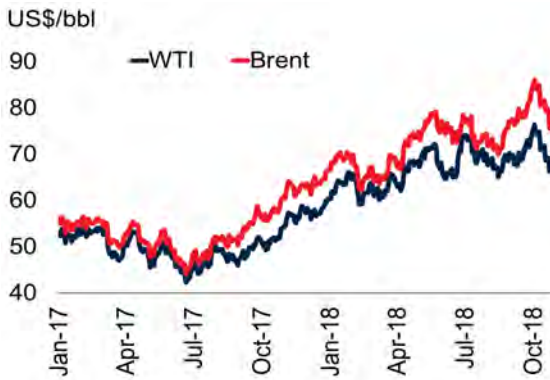


Figure 2 - Source: World Bank

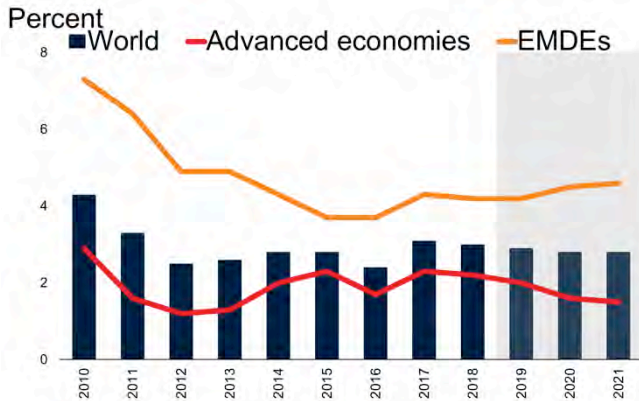


Figure 4 - Evolution of the Growth of Emerging Markets and Developing Economies
Source: World Bank's "Global Economic Perspectives" Report

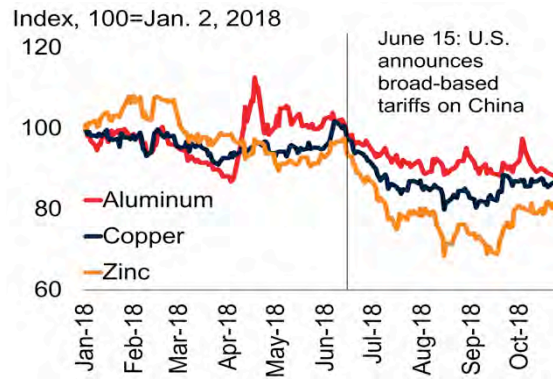


Figure 3 - Source: World Bank

The growth of emerging markets and developing economies (EMDEs) above the world average sustained a large part of the real growth during the year 2018. For the countries exporting *commodities*, an increase of 2.3% (0.6 percentage points above the previous year) is expected, driven mostly by Asian investment and by the increase in consumption and investment in India. This is estimating growth for the remaining EMDEs, which in turn, it is expected that economic activity has recorded an increase of 5.5%.

For the coming years, emerging markets and developing economies are expected to continue to evolve, reaching a 4.2% growth in 2019 and 4.5% and 4.6% in 2020 and 2021, respectively - according to the World Bank perspectives.

Global Indicators



Figure 5 - Stock indices | Index December 2016 = 100
Source: Reuters

During the previous year, in accordance with the Financial Stability Report of the Bank of Portugal, there was a widespread devaluation of shareholder indexes, as shown in Figure 5. The main European and Asian indexes presented a very strong devaluation while the American index ends the year with values very close to those of the beginning of the year. In Portugal, PSI-20 followed the European trends with a devaluation in 2018.

	2014	2015	2016	2017	2018	2019f	2020e
GDP, annual var. %							
USA	2.5	2.9	1.6	2.2	2.9	2.5	1.8
Euro Zone	1.4	2.1	1.9	2.4	2	1.9	1.7
Germany	2.2	1.5	2.2	2.5	1.9	1.9	1.6
Portugal	0.9	1.8	1.6	2.7	2.3	1.8	1.5
Inflation, annual var. %							
USA	1.6	0.1	1.3	2.1	2.4	2.1	2.3
Euro Zone	0.4	0	0.2	1.5	1.7	1.7	1.8
Germany	0.8	0.1	0.4	1.7	1.8	1.8	2.1
Portugal	-0.2	0.5	0.6	1.6	1.7	1.6	1.8
Unemployment rate, annual var. %							
USA	6.2	5.3	4.9	4.4	3.8	3.5	3.4
Euro Zone	11.6	10.9	10	9.1	8.3	8	7.7
Germany	5	4.6	4.2	3.8	3.5	3.4	3.3
Portugal	13.9	12.4	11.1	8.9	7	6.7	6.5
Weight of Deficit, % GDP							
USA	-3.7	-3.2	-3.9	-3.8	-4.7	-5	-4.8
Euro Zone	-2.5	-2	-1.5	-0.9	-0.6	-0.6	-0.5
Germany	0.6	0.8	0.9	1	1.5	1.5	1.3
Portugal	-7.1	-4.3	-2	-3	-0.7	-0.3	-0.2
Price of Crude							
USD per Barrel	57.3	37.3	56.8	66.9	53.8	69.1	70.6
Interest rates, end of year (%)							
Interest rates							
-Fed (Fed Funds)	0.3%	0.5%	0.8%	1.5%	2.5%	2.5%	2.5%
-BCE	0.5%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%
-BoE	0.5%	0.5%	0.3%	0.5%	0.8%	0.8%	0.8%
Long term interest rates (10Y Bonds)							
USA	2.2%	2.3%	2.4%	2.4%	2.7%	2.7%	2.7%
Euro Zone	0.5%	0.6%	0.2%	0.4%	0.2%	0.2%	0.2%
United Kingdom	1.8%	2.0%	1.2%	1.2%	1.3%	1.3%	1.3%
Exchange rates, end of year							

EUR/USD	1.21	1.09	1.05	1.20	1.15	1.14	1.18
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Source: Reuters, IMF, OECD, Goldman Sachs, World Bank, ECB, EIA

THE PULSE OF PORTUGAL

Economic Growth

According to the projections of the International Monetary Fund, it is expected that the Portuguese economy presents a real growth for the coming years, although at a slower and slower pace. This slowdown is in line with the growth expected for member countries of the Euro area. In 2018, economic activity grew by 1.8% in real terms. This growth is below the observed in the previous period, which is an indication of an intra-annual period of some economic slowdown. The growth is supported by a slight increase in private and public consumption, as well as a 2.8% increase in employment and a decline in the unemployment rate to 7.3%, as indicated in the Financial Stability Report of the Bank of Portugal. However, a deceleration in investment and exports is verified. For 2019, the most significant risks for the Portuguese economy are related to the political uncertainty in the Euro area, the evolution of some emerging markets, geopolitical tensions and global protectionist measures.

According to the projections shown in the Economic Bulletin of the Bank of Portugal, the economic activity is expected to remain stable in the coming years with an increasing investment, with the entrepreneurial investment higher than the national average, given that public investment and investment in housing are below the levels recorded in 2008 before the world financial crisis. Exports have a quite strong expected growth that increases the dependence on external markets.

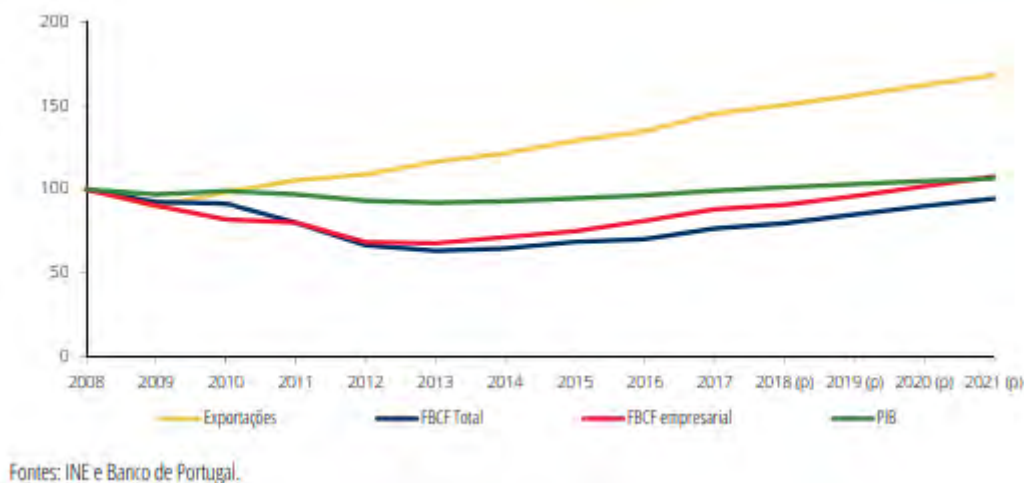


Chart 1 - GDP and Main components, constant prices | Index, 2008 = 100

The dependence on a positive balance between exports and imports in the Portuguese economy in recent years is notorious, and the growth of external demand addressed to the Portuguese economy in recent years has been a key factor in the sustainability of the economy and in improving Portuguese performance, in the last years. However, derived from some protectionism verified in 2018, as well as some uncertainty about the exit of the United Kingdom from the EU (one of the largest Portuguese trading partners), a slowdown in external demand from Europe is expected. As presented in the chart below, it is expected that the external

demand in the coming years slows to levels below the ones recorded in 2017. This year the demand coming from areas outside the Euro area have a greater weight in the total demand.

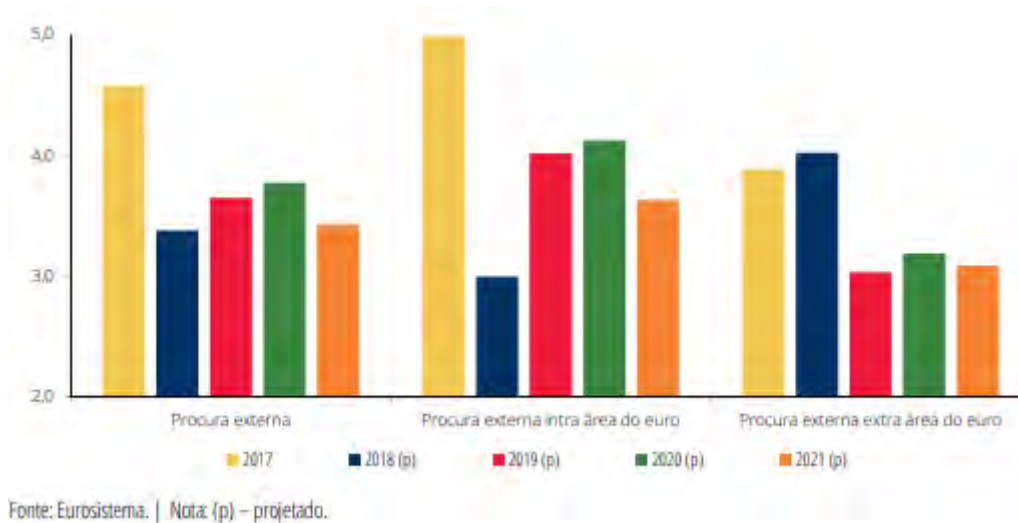


Chart 2 - External demand addressed to the Portuguese economy | Annual Variation Rate (%)

In what concerns the real disposable income, despite the improvements in the labour market, represented in the evolution of real disposable income, with a significant contribution related to the increase of salaries, among other measures announced in the State Budget for 2019, an increase in real disposable income is expected. However, in the following years with the dispersion of the effects of the current measures, coupled with a slight increase in inflation, push the actual income downward. For the period 2018-2021, the savings rate is expected to remain stable.

Indicators

According to the Bank of Portugal, the Portuguese stock market will have followed the trend in the European market. The leading Portuguese stock market index (PSI 20) fell by approximately 13.5% during the year 2018 while the Euro Stoxx 50, one of the major European indexes fell by approximately 14.0% during the year.

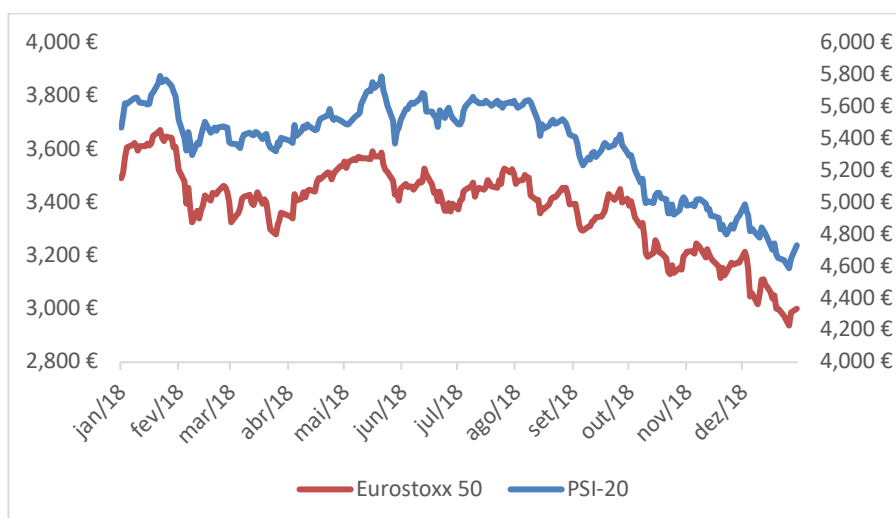


Chart 3 - Comparison of the Portuguese share index with the main European index

MARKET RISKS AND VOLATILITY

The political uncertainty in force during the year 2018 was reflected in the stock markets and was materialised in a widespread devaluation of European stock market indexes, as seen in the previous paragraph. Simultaneously, they led to pressure of risk premiums in the fixed income markets and influenced the United States of America (VIX) and Europe (V2TX) share volatility indexes.

The main volatility index, VIX, closed the year 2018, reaching 25.42 points, reaching the maximum value (37.32 points) on 5 February. The minimum value, 9.15 points, in turn, was recorded on 3 January of the same year.

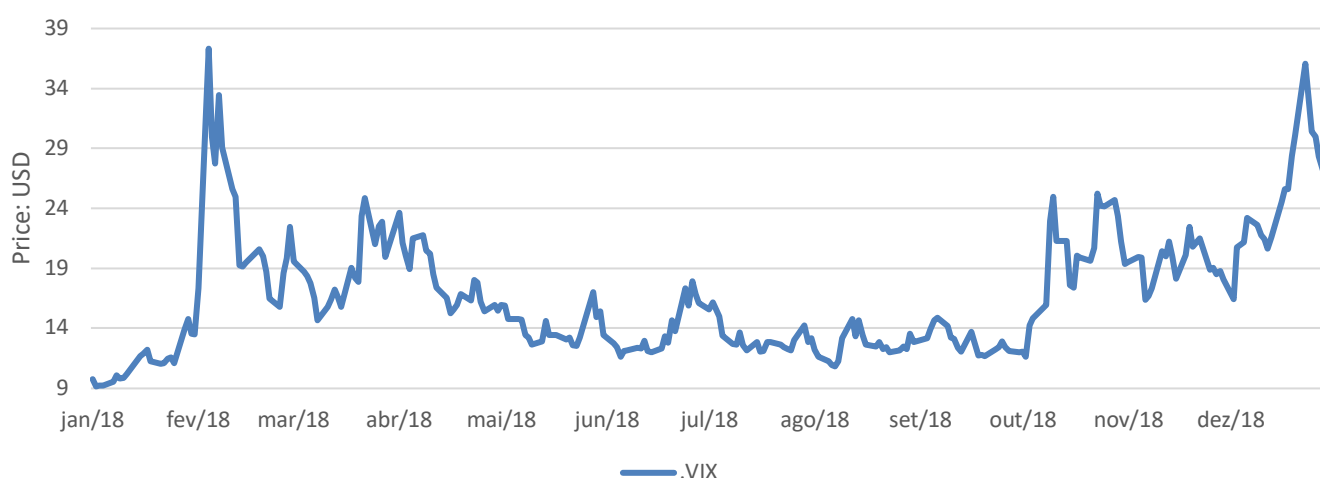


Chart 4 - VIX Index
Source: Reuters

It should be highlighted that 2018 was the year in which the United States entered into "trade wars" with several countries, especially China, Iran or Canada and Mexico. In some cases, they reached an agreement and in other cases the decisions shall extend to 2019. Also, the aggravation of the political crisis in Venezuela marked the year in the American continent. Also of note are some election results that have demonstrated a growing strength of more extremist parties, particularly in European soil, which caused some diplomatic disagreements.

▶ MAIN RISKS FOR 2019

Although global growth is expected to occur in 2019, however at a slower pace than the one verified in recent years, several international agencies have identified some of the main risks to the world economy in the medium term (according to the World Economic Outlook):

- Economic slowdown in Europe

An increase of around 1.3% for the Euro area is expected, 0.5 points below the latest forecast. This drop in estimates was due to a downward revision of the biggest European economies like Germany, with a smaller private consumption and a weaker industrial production. Italy, due to a decrease in domestic demand, and the refinancing interest rates remain high. France, due to a general social revolt and pressure on the political class. There is some uncertainty surrounding the growth of the United Kingdom due to uncertain results of *Brexit*. However the USA has an expected growth above the world average, as a result of fiscal stimulus to the economy and strong domestic demand.

- The uncertainty of trade tensions

One of the major risks for the year 2019 is related to the trade negotiations and decisions that will be made, which will affect global international relations. In December, the USA and China signed a peace agreement for 90 days but the future for the rest of the year will depend on the positions that both countries shall adopt. These tensions cause an impact on the levels of business investment, as well as productivity. The Chinese economy was also affected by these events as well as by the application of protectionist measures. Thus, the trade tensions, as well as a possible inversion in the feeling of the market, are the main factors that will affect economies in 2019.

- Non-economic factors

Global warming, natural disasters, water scarcity and contamination - as has occurred in recent times in an increasingly recurrent and alarming way - could lead to high economic losses in the affected regions and to severe humanitarian costs.

**MANAGEMENT
REPORT**

**FINANCIAL
PERFORMANCE**

03 | FINANCIAL PERFORMANCE

INTRODUCTORY NOTE

In 2017, as a result of the high levels of inflation registered in the last three years, the Angolan economy was qualified as hyperinflationary. Thus, IAS 29 was applied, according to which the financial statements of a subsidiary reporting in the currency of a hyperinflationary economy should be restated by applying a general price index to the Group's subsidiaries in Angola.

Additionally, in the year of 2018, Argentina was also considered a hyperinflationary economy due to the accumulated inflation rate in the last 3 years that exceeds 100% as well as the verification of various qualitative factors of the economy. So, IAS 29 became applicable to the subsidiaries of the Group in Argentina.

CONSOLIDATED RESULTS ANALYSIS

€M	DEC -18	DEC -17	VAR.%
Revenues	217.4	185.6	17%
EBITDA	15.2	8.5	79%
EBITDA margin	7.6%	4.8%	2.8 pp
Depreciation & Amortization	-8.8	-10.6	17%
Provisions & Impairment Losses	1.3	-12.3	n.m.
EBIT	7.7	-14.4	n.m.
EBIT margin	3.9%	-8.2%	12 pp
Financial Results	-4.5	17.5	n.m.
Profit before taxes	3.3	3.0	7%
Income tax	-1.7	0.7	n.m.
Net Profit	1.6	3.8	-58%
Attributable to non-controlling interests	0.3	-2.8	n.m.
Attributable to shareholders	1.3	6.5	-80%
Earnings per share €	0.013	0.067	-80%

REVENUES

REVENUES	DEC -18		DEC -17		VAR. (%)
	€M	WEIGHT	€M	WEIGHT	
Martifer Consolidated	217.4	100%	185.6	100%	17%
Metallic Constructions	125.7	58%	108.6	59%	16%
Naval Industry	82.2	38%	62.7	34%	31%
Renewables	14.1	6%	16.6	9%	-15%
Others, Holding and Adjust.	-4.5	-2%	-2.5	-1%	-84%

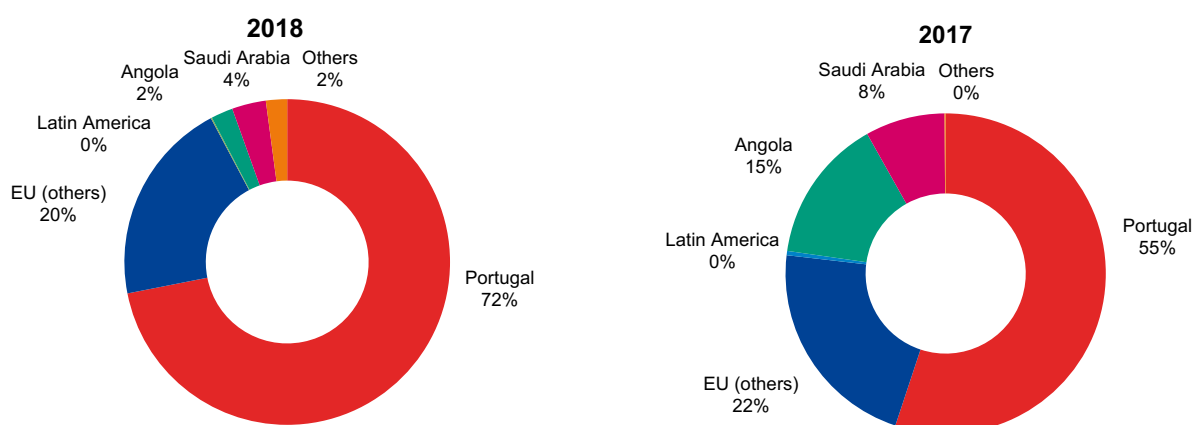
In 2018, the total revenues was 217.4 million Euros (185.6 million Euros in 2017), 58% of which is in the Metallic Constructions segment, 38% in the Naval Industry segment and 6% in the Renewables segment. "Others" refers to intersegment transactions.

Revenues of the Metallic Constructions segment amounted to 125.7 million euros, registering an increase of 17.1 million euros due to increased activity. The Naval industry segment presents a value of 82.2 million Euros in 2018 (a growth of 31% compared to 2017) that results from the strong growth of the activity of this segment in the last few years. In the Renewables segment, they amounted to 14.1 million Euros in 2018, and result from the activity of the wind farms and solar parks in exploration and from the sale of projects.

As regards turnover (sales and services rendered), in 2018 it amounted to 201 million Euros compared to 177 million Euros in 2017. As a result of the application of IAS 29, the impact of the restatement of the financial statements of Angolan companies on turnover was approximately 0,4 million Euros.

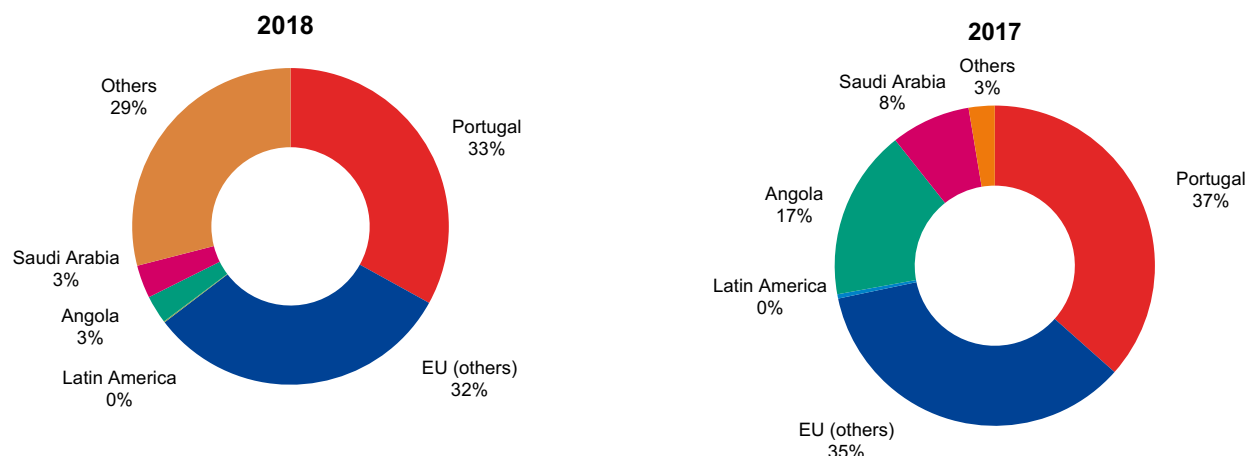
Analyzing the turnover by geography - considering the location of the **companies** that generated the turnover – in 2018, Portugal accounts for 72% of total sales and services rendered and the remaining 28% are divided as follows: European Union (excluding Portugal) – 20%, Angola – 4%, Saudi Arabia – 2% and Latin America – less than 1%.

BREAKDOWN OF SALES AND SERVICES RENDERED BY ORIGIN – 2018 VERSUS 2017



Analyzing the turnover by geography - considering the location of the Customers and the destination of the sales and services rendered - in 2018, Portugal accounts for only 33% of the total sales and services rendered (mainly in the Naval Industry) and the international market 67% divided as follows: the European Union (excluding Portugal) - 32%, Angola 3%, Saudi Arabia - 3% and Others (mainly Argelia, Switzerland and Cameroon and also includes the turnover associated with the construction of cruise ships to navigate in the Arctic and Antarctica) - 29%.

BREAKDOWN OF SALES AND SERVICES RENDERED BY DESTINATION – 2018 VERSUS 2017



EBITDA AND NET PROFIT

EBITDA	DEC -18		DEC -17		VAR. (%)
	€M	MARGIN	€M	MARGIN	
Martifer Consolidated	15.2	8%	8.5	5%	79%
Metallic Constructions	5.6	5%	-1.4	-1%	n.m.
Naval Industry	7.4	9%	5.4	9%	37%
Renewables	4.3	38%	4.8	36%	-11%
Others, Holding and Adjust.	-2.0		-0.3		<-100%

In 2018, consolidated EBITDA recorded a positive value of 15.2 million Euros. For that, all operating segments contributed positively: the Metallic Constructions segment with 5.6 million euros, the Naval segment with 7.4 million euros and the Renewables segment with 4.3 million euros.

EBITDA noted an improvement of 79% compared to 2017 and reached the highest value of the last five years. In the Metallic Constructions segment, an improvement of EBITDA in 7 million euros was verified due to the increase in revenues and also to improve the efficiency at the cost level. In the Naval Industry segment, the improvement in EBITDA was mainly due to the increase in revenues. In the Renewables segment there was a slight reduction in EBITDA of 0.5 million Euros.

Depreciation and Amortization decreased in 2018, reaching 8.8 million Euros compared to 10.6 million Euros in 2017, while Provisions and Impairment Losses changed from -12.3 million Euros in 2017 to 1.3 million Euros in 2018.

Operating Results (EBIT) were positive in 7.7 million Euros in 2018, compared with a negative -14.4 million Euros in 2017. Thus, registering a significant improvement of 22.1 million Euros in relation to the same period last year.

The consolidated Financial Results were negative at 5.6 million Euros, and the earnings on associated companies and joint ventures amounted to 1,1 million Euros.

The consolidated Net Profit amounted to 1.6 million Euros in 2018 (1.3 million Euros attributable to the Group), showing a reduction compared to 2017 (3.8 million Euros, of which 6.5 million Euros are attributable to the Group).

The impact of applying IAS 29 was negative in 0.3 million Euros at the EBITDA level, negative in 0.9 million Euros at EBIT and negative in 0.7 million Euros in Net Profit.

NET RESULT	DEC -18		DEC -17		VAR. (%)
	€M	WEIGHT	€M	WEIGHT	
Martifer Consolidated	1.6	100%	3.8	100%	-58%
Metallic Constructions	-3.1	-193%	-12.6	-334%	76%
Naval Industry	5.3	334%	3.4	89%	58%
Renewables	0.4	24%	10.2	271%	-96%
Others, Holding and Adjust.	-1.0	-65%	2.8	73%	n.m.

CONSOLIDATED CAPEX

The value of the investment in tangible and intangible fixed assets in 2018 was 1.8 million euros, applied mostly in the Metallic Constructions segment (1 million Euros) related to investment in various equipment and in the Renewables segment (0.8 million Euros), mainly in wind and solar projects in Central Europe.

Capex	DEC -18		DEC -17		VAR. (%)
	€M	WEIGHT	€M	WEIGHT	
Martifer Consolidated	1.8	100%	2.8	100%	-35%
Metallic Constructions	1.0	57%	0.4	14%	>100%
Naval Industry	0.0	2%	0.0	0%	>100%
Renewables	0.8	41%	2.4	86%	-69%
Others	0.0	0%	0.0	0%	n.m.

CONSOLIDATED CAPITAL STRUCTURE ANALYSIS

FINANCIAL POSITION

€M	DEC -18	DEC -17	VAR. %
Fixed Assets (including Goodwill)	123.4	131.1	-6%
Other non current assets	56.6	69.4	-18%
Inventory and Receivables	106.4	129.3	-18%
Cash and cash equivalents	33.4	46.3	-28%
Total Assets	319.7	376.1	-15%
Shareholders Equity	-13.9	-6.4	<-100%
Non-controlling interests	-35.9	-30.7	-17%
Total Equity	-49.7	-37.2	-34%
Non-current debt and leasings	210.1	217.8	-4%
Other non-current liabilities	31.8	45.1	-30%
Current debt and leasings	8.9	17.8	-50%
Other current liabilities	118.6	132.6	-11%
Total Liabilities	369.4	413.3	-11%

The total assets amounted to 320 million Euros (376 million on 31 December 2017), while non-current assets reached 180 million Euros (200 million Euros in 2017).

The total equity on 31 December 2018 recorded -49.7 million Euros, which compares with -37.2 million Euros on 31 December 2017, with -13.9 million Euros attributable to the Group in 2018 and -6,4 million Euros in 2017.

On 31 December 2018, the liquidity ratio recorded 110% (117% in 2017) and the solvency ratio 107% (113% in 2017).

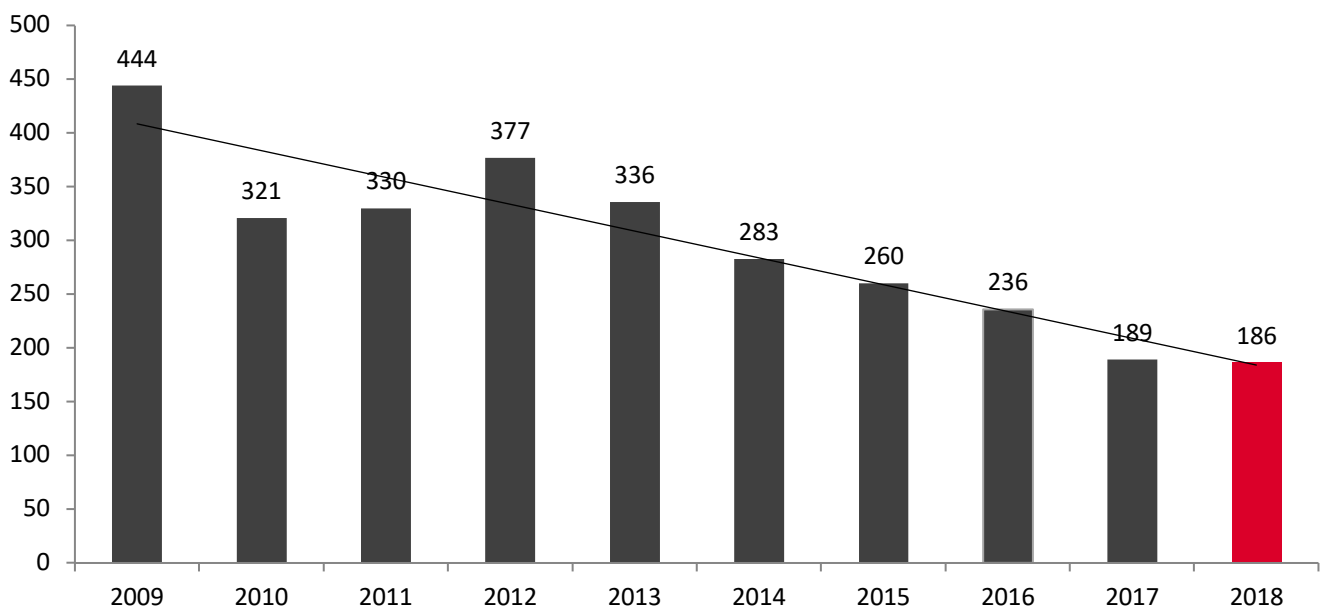
NET DEBT

During 2018, the decreasing trend of the Net Debt was maintained, in line with the goals set in Martifer Group's Strategic Plan. Thus, on 31 December 2018, the consolidated Net Debt reached 186 million euros, reflecting a 3 million Euros reduction when compared with the previous year.

€M	METALLIC CONSTRUCTIONS	NAVAL INDUSTRY	RENEWABLES	HOLDING	MARTIFER CONSOLIDATED
Net Debt FY 2018	87	-7	22	84	186
Net Debt FY 2017	91	-19	25	92	189

This evolution results from the process of implementation of the Strategic Plan and, consequently, from the implementation of the agreement to restructure the financial debt signed with the financing entities, which has already completed its 4th year of implementation.

DECREASE TREND OF THE CONSOLIDATED NET DEBT (€M)



Note: Net Debt = Borrowings + Financial Leases (+/-) Derivatives - Cash and Cash Equivalents

In 2019, the Group will maintain its debt reduction strategy, following the premises defined in its Strategic Plan, namely regarding the continuation of the non-core asset disposal plan.

**MANAGEMENT
REPORT**

**ANALYSIS
BY SEGMENT**

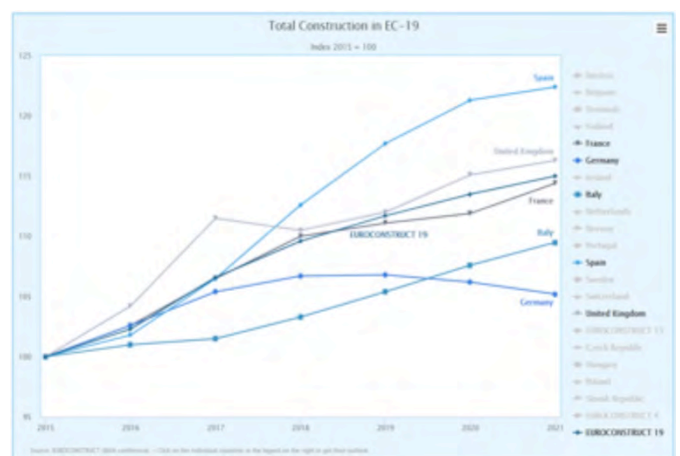
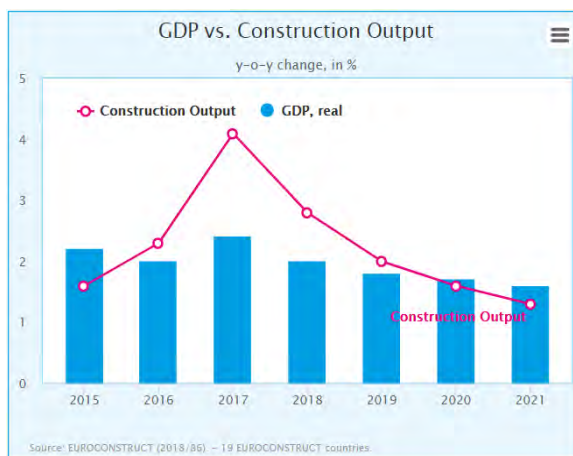
04 | ANALYSIS BY SEGMENT

METALLIC CONSTRUCTIONS

SECTOR TREND

- ▶ According to the preliminary analyses of the end of 2018 carried out by Euroconstruct, the volume of construction should value 2.8%, with a growth forecast of 1.6% on average per year from 2019 until 2021. This slowdown is justified by an evolution at a slower pace of world economies.
- ▶ In accordance with Euroconstruct, an increase in the renovation of buildings is expected for 2019 when compared with new constructions. In recent years the opposite trend was verified with new buildings growing at a higher rate than renovations. This growth pace is misaligned with the demographic growth, which leads to a *gap* between supply and demand, which may cause an impact on prices. Collective housing has surpassed individual houses, which has as a positive consequence the reduction of CO₂ emissions.
- ▶ According to the preliminary analysis of Euroconstruct, in 2018 the highest growth rates of construction should correspond to Hungary, Portugal, Ireland and Poland. For the next few years, the growth prospects for this sector remain and an increase in the volume of construction is expected until 2021. Some member countries will enter a phase of reduction in their volume of construction, such as Finland, Germany, Sweden and Slovakia.
- ▶ It is expected that Portugal shows high growth until 2021, due to the increase of private investment expected for this period.

INTERNATIONAL OUTLOOK



ACTIVITY

The order book at the end of 2018 reached 226 million Euros, spread by several countries.

From the ongoing projects as well as the new ones, we highlight the following:

- In Switzerland:
 - Geneva International Airport, in Geneva
- In Portugal:
 - Wind towers for the wind farm "Marvila", in Portugal
 - Wind towers for the wind farms "Valdeabajo", "Moratilla" and "Soliedra", in Spain
 - Wind towers for the wind farms "L'epine Amanty", "Lidrezing", "Mont D'Erny" and "Aschere", in France
 - Port Office Park Building, in Porto
 - "Crude Distillation Unit", in the Refinery of Sines
 - Bouaké Stadium, Ivory Coast
 - Maintenance of the Sines Refinery
- In Spain:
 - "Open Sky" Shopping Centre, in Madrid
- In the United Kingdom:
 - West End Gate Residential Complex, in London
 - London Dock Housing Complex, in London
 - Kensington Row Residential Complex, in London
- In France:
 - TOKAMAK building in the ITER complex, in Marseille
 - VI Paris Ensemble Hôtelier Hotels, in Paris
 - "Gare de Lyon" Train Station, in Lyon
 - "Siege Vinci" Office Building, in Nanterre
 - "Chateaudun no. 2 – Bureaux 23 in Paris" Office Building, in Paris
 - "Stories – Le Touzet" Office Building, in Paris
- In Angola:
 - General Hospital of Cabinda, in Cabinda
- In Saudi Arabia
 - Abi Bakr Walkways, in Riyadh
 - Structural Reinforcement of the "Prince Abdullah Al-Faisal Stadium", in Jeddah

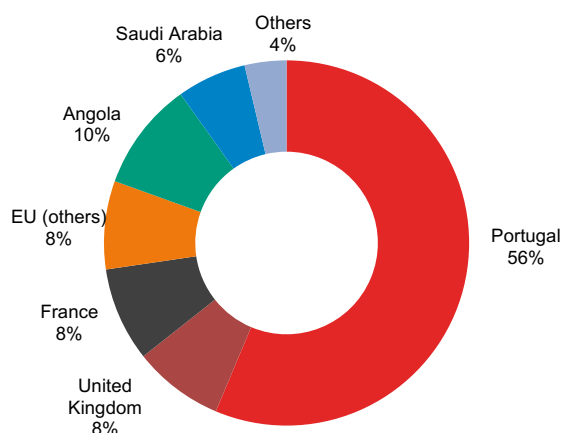
ORDER BOOK BY GEOGRAPHY

GEOGRAPHY	TOTAL (M€)	%
Africa	36	16%
Algeria	17	8%
Sub-Saharan Africa	19	8%
Eastern Europe and Middle East	3	1%
Western Europe	187	83%
Metallic Constructions	164	73%
Oil & Gas	23	10%
	226	100%

RESULTS

€M	DEC -18	DEC -17	VAR.%
Revenues	125.7	108.6	16%
EBITDA	5.6	-1.4	n.m.
EBITDA margin	5.1%	-1.4%	6.5 pp
Depreciation & Amortization	-3.2	-4.5	28%
Provisions & Impairment Losses	0.0	-1.3	99%
EBIT	2.4	-7.2	n.m.
EBIT margin	2.1%	-7.0%	9.1 pp
Financial Results	-4.5	-6.4	29%
Profit before taxes	-2.2	-13.5	84%
Income tax	-0.9	0.9	n.m.
Net Profit	-3.1	-12.6	76%
Attributable to non-controlling interests	-0.4	-1.1	65%
Attributable to shareholders	-2.7	-11.5	77%

Revenues from the Metallic Constructions segment amounted to 125.7 million Euros in 2018, which corresponds to a decrease of about 16% compared to 2017, with Portugal representing approximately 56% and the remaining 44% distributed over several geographies. This improvement results from increased activity in some countries, with emphasis to Portugal, France and Spain, which more than offset the decrease of activity in Angola, Saudi Arabia, Romania and the United Kingdom.



EBITDA in 2018 stood at 5.6 million euros, presenting a very significant increase of 7 million euros compared to the same period the year before, as a result of the abovementioned increase of activity and the internal reorganisation to improve the Group's efficiency. Revenues of 3.6 million euros was also verified, resulting from operations carried out between several companies of the metallic constructions segment and Group companies with which there was a partnership, as is disclosed in the Notes to the Consolidated Financial Statements.

EBIT was positive at 2.4 million euros, compared with a negative value of 7.2 million euros in 2017.

Results in associated companies and joint arrangements in 2018 presented a value of -1.6 million euros compared to -4.1 million euros in 2017.

Also in 2017, a net monetary loss of 1.1 million euros was registered, which resulted from the restatement of the financial statements of the Angolan companies, since the geography was considered a hyperinflationary economy. In 2018 the impact of this situation amounted to -0.037 million euros.

The Net Financial Debt of the Metallic Constructions segment on 31 December 2018 amounted to 87 million Euros, less 4 million euros than on 31 December 2017.

The total CAPEX at the end of 2018 was 1 million euros.

NAVAL INDUSTRY

SECTOR TREND

INTERNATIONAL OUTLOOK

- ▶ According to market analysts of Clarksons Research, 2018 proved to be a difficult year in terms of shipbuilding when measured in Deadweight tonnage (DWT) with orders falling 14% to 77 million tonnes. On the other hand, if in the year 2018 the Compensated Gross Tonnage (CGT) is measured, orders increased 2%. As a balance between the two measures, market conditions remain challenging, but continue to improve compared to the minimum obtained in 2016 (29 million DWT). However, it should be noted that these values continue to be 17% below average since the financial crisis.
- ▶ On a more positive note, the request for CGT rose by 2%, reflecting the increase of LNG requests and large container vessels. In terms of value, US\$ 64.7 billion were placed in orders (2017: US\$ 69.2 billion, 2016: US\$ 36.7 billion). The investment sector emphasized by shipyards was LNG, where there was a request for 69 vessels with a total value of US\$ 11.7 billion. Requests for *tankers* fell by about a third, to 23 million DWT.
- ▶ Orders for LPG vessels increased to 41 vessels (2017: 27 vessels) and to 190 container vessels (2017:140). In terms of CGT, South Korean contracts increased by 67%, driven by a participation of 98% of LNG, thereby reached 44% in overall participation requests, compared with 32% from China and 13% from Japan. When measured in DWT: South Korea (43%), China (39%) and Japan (15%).
- ▶ The number of active shipyards also fell again, while the Greek owners almost doubled their investment. In accordance with Clarksons Research, the price of new constructions increased 10% compared with 2017. The price index of Very Large Crude Carriers (VLCCs) increased 13%, the index of MR increased 8%, while the price index of Ultramax increased 8%.
- ▶ IMO 2020 will cause an impact on the market of new constructions. The current estimates suggest that more than one third of the volume of orders per tonne are *scrubbers*, however in orders of VLCC requests for *scrubbers* are higher than 70% and for Very Large Gas Carriers (VLGCs) more than 75%. Approximately 14% of the tonnes ordered will be able to use LNG.

2018 At A Glance			
	2017	2018	+/- %
1. Contracting by Vessel Sector, No.			
Tankers	334	204	-38.9%
Bulkers	377	279	-26.0%
Containerships	140	190	35.7%
Gas Carriers	45	117	160.0%
Offshore	42	41	-2.4%
Other	217	186	-14.3%
<i>Total (No.)</i>	1,155	1,017	-11.9%
<i>Total (m dwt)</i>	88.9	76.6	-13.9%
2. Contracting by Builder Country, m CGT			
China	11.8	9.2	-22.2%
South Korea	7.6	12.6	66.8%
Japan	3.0	3.6	20.3%
Europe	3.9	2.4	-38.9%
<i>Global Total*</i>	28.1	28.6	1.7%
3. Orderbook by Vessel Sector, m dwt, end year			
Tankers	74.9	67.1	-10.5%
Bulkers	88.0	88.5	0.6%
Containerships	31.9	30.5	-4.5%
Gas Carriers	12.6	13.7	8.5%
Offshore	5.4	3.7	-31.3%
Other	5.0	4.4	-12.3%
<i>Total</i>	217.9	207.8	-4.6%
4. Output by Builder Country, m CGT			
China	11.8	10.9	-7.6%
South Korea	10.6	7.7	-27.2%
Japan	6.8	7.5	10.4%
Europe	2.3	2.1	-7.9%
<i>Global Total*</i>	33.7	30.2	-10.4%
5. Contracting by Investor Country, estimated \$bn			
Greece	5.4	9.5	75.5%
United States	15.3	7.4	-51.4%
Japan	5.7	7.3	28.9%
China	7.6	5.4	-28.7%
South Korea	3.3	4.8	47.2%
Norway	5.0	4.3	-13.1%
<i>Total Europe*</i>	29.7	29.2	-1.8%
<i>Total Asia*</i>	21.6	23.7	9.5%
<i>Global Total*</i>	69.2	64.7	-6.6%
6. Guideline Newbuild Prices, \$m, end year[^]			
VLCC, 320,000 dwt	81.5	92.5	13.5%
MR Tanker, 51,000 dwt	33.8	36.5	8.0%
Capesize, 180,000 dwt	44.0	50.0	13.6%
Kamsamax, 81,000 dwt	25.5	28.0	9.8%
Containership, 13,000 TEU	107.0	115.0	7.5%
LNG Carrier, 174,000 m ³	182.0	182.0	0.0%
7. Number Of Yards To Take An Order			
Vessels of 1,000+ GT	190	151	-20.5%
Vessels of 20,000+ dwt	84	74	-11.9%
8. Number Of 'Active' Yards[§], end year			
Vessels of 1,000+ GT	438	323	-26.3%
Vessels of 20,000+ dwt	149	127	-14.8%

Vessel size limits as per World Shipyard Monitor.

Figures subject to revision including late reporting of contracts.

*Includes other countries.

[^]Newbuild prices represent guideline values at year end. See page 10 for more details. [§]Shipyards with at least one vessel on order.

Source: Clarksons Research

ACTIVITY

This segment is integrated in the Martifer Metallic Constructions sub-holding and includes the construction of vessels and the rendering of ship repair services. The companies whose activity focuses on the naval industry are West Sea Estaleiros Navais, Lda. and Navalria S.A .. Resulting from the tender for the sub-concession of the old facilities of the Viana do Castelo Shipyards, West Sea was established in this city in 2014 and has been engaged in shipbuilding and ship repair ever since. Navalria focuses its activity on ship repair of small and medium-sized vessels and has a shipyard in Aveiro.

The order book at the end of 2018 amounted to 147 million euros.

RESULTS

The Naval Industry's revenues amounted to 82.2 million euros in 2018, which corresponds to an increase of around 31% over the same period last year, with shipbuilding accounting for 82% and ship repair representing around 18%.

EBITDA in 2018 stood at a positive 7.4 million euros, 37% higher than the EBITDA of the same period the year before, following the evolution of the activity volume.

€M	DEC -18	DEC -17	VAR.%
Revenues	82.2	62.7	31%
EBITDA	7.4	5.4	37%
EBITDA margin	9.0%	8.7%	0.4 pp
Depreciation & Amortization	-0.7	-0.8	7%
Provisions & Impairment Losses	0.0	0.0	n.m.
EBIT	6.7	4.6	45%
EBIT margin	8.2%	7.4%	0.8 pp
Financial Results	0.4	0.1	>100%
Profit before taxes	7.1	4.7	51%
Income tax	-1.7	-1.3	-32%
Net Profit	5.3	3.4	58%
Attributable to non-controlling interests	0.0	0.0	n.m.
Attributable to shareholders	5.3	3.4	58%

RENEWABLES

SECTOR TREND

- ▶ Global investments in renewable energy, according to Bloomberg New Energy Finance, have continued to grow steadily in the last decade and increased 7,9% in 2018, reflecting continued investment in this sector.
- ▶ Hydroelectric energy was responsible for the greatest part of renewable energy, with an installed capacity of 1,172 GW. Wind and solar energy were responsible for most of the remainder, with capacities of 564 GW and 486 GW, respectively. Other renewable sources include 115 GW of bioenergy, 13 GW of geothermal energy and 500 MW of marine energy (energy of the tides, waves and oceans).
- ▶ The ability to generate renewable energy increased approximately the same value of the previous year (171 GW or +7.9%). Solar energy has continued to dominate, with an increase in capacity of 94 GW (+24%), followed by wind power with an increase of 49 GW (+10%). Hydroelectric capacity increased 21 GW (+2%) and bioenergy 6 GW (+5%). Geothermal energy has increased slightly more than 500 MW. The expansion of renewable capacity continues to be mainly driven by new installations of solar and wind energy. These represented 84% of all the new capacity installed in 2018, finally pushing the overall share of hydroelectric energy to slightly less than 50%.

Renewable generation capacity by energy source

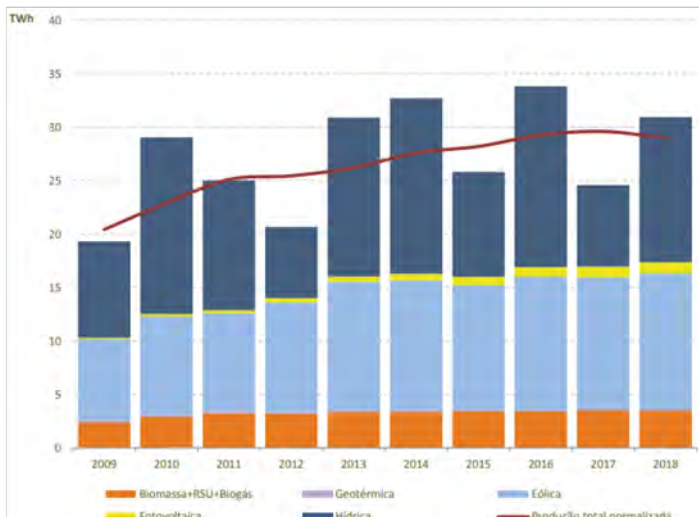


Fonte: IRENA

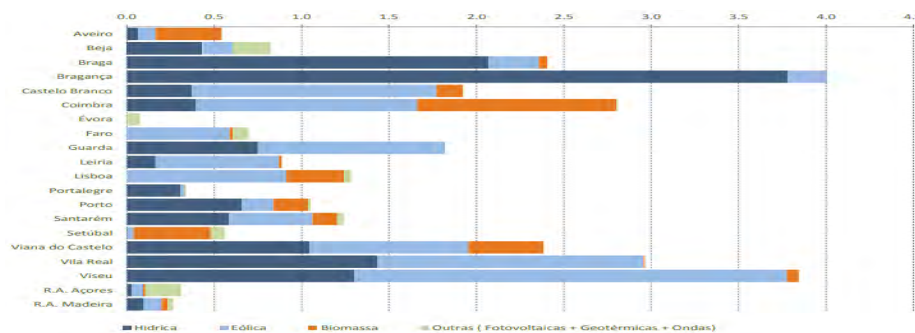
INTERNATIONAL OUTLOOK

- ▶ As the costs of renewable energy technologies fell, the argument of business advance for renewable energies became an important change factor. The more mature renewable energy technologies, like hydro and geothermal energy, have been competitive costwise. Since 2010, the average cost of electricity from solar photovoltaic energy and wind energy decreased 73% and 22%, respectively. It is expected that the significant reduction in costs will continue over the next decade. IRENA estimates that by 2025 the overall weighted average cost of electricity could fall about 26% in onshore wind energy, 35% in offshore wind energy, at least 37% in the concentrated solar energy technologies (CSP) and 59% in the photovoltaic solar energy.
- ▶ In Portugal, according to the Portuguese Association of Renewable Energy, the climate conditions verified during 2018 positively influenced renewable production of electricity, with hydro being the predominant renewable source (responsible for 24.2% of the electricity consumption in Portugal, in the continent, excluding the islands), followed by wind energy (responsible for 22.4% of the electricity consumption in Portugal, in the continent, excluding the islands). The weight of hydro increased considerably compared to 2017 which accounted for only 13.5% of electrical consumption.

Evolution of electricity production by source



Production of Renewable Energy Sources per District and Islands in 2018



Source: APREN

ACTIVITY

Martifer Renewables, SGPS, S.A., the sub-holding for the Renewables business sector and 100% owned by Martifer, SGPS, S.A., acts as a developer of renewable energy, mainly in the development of wind and PV power projects. More than accumulating power in operation, Martifer Renewables' strategy is focused on the rigorous use of capital in the development and construction of projects, having implemented an asset rotation policy in projects under development, construction management, asset management and operation and maintenance (O&M).

This business area, which had 45 employees at the end of the year, has extensive experience in the development and management of wind farms and solar parks and is present in the Iberian Peninsula and Central Europe. Owning entirely or in partnership a portfolio of over 80,4 MW in operation, Martifer Renewables has already developed and built more than 1,200 MW in different countries, having had as partners in the latest sold projects relevant companies such as IKEA, Galp, Ferrostaal, SPEE, Bank Santander, CPFL, Tractebel, EDP, Statoil and Solaire Direct.

In 2018, Martifer Renewables Argentina sold the Project Guanizuil IIA (110 MWp) to Equinor Group. This sale includes contractual milestones that reach 2021.

In October 2018, after the expiry of the 18-month term of subordination to the "escrow account" created at the time of the sale of the share in the company Âncora Wind S.A. by the associated company Ventinveste, it received the amount of around 1.2 million euros.

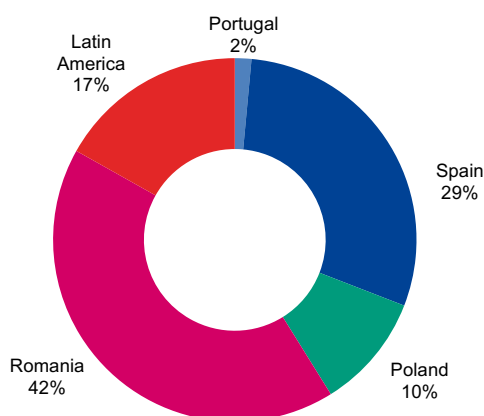
RESULTS

€M	DEC-18	DEC -17	VAR. %
Revenues	14.1	16.6	-15%
EBITDA	4.3	4.8	-11%
EBITDA margin	38.3%	35.9%	2.4 pp
Depreciation & Amortization	-4.8	-5.3	10%
Provisions & Impairment Losses	-0.1	-8.5	99%
EBIT	-0.6	-9.1	93%
EBIT margin	-5.8%	-67.9%	62.2 pp
Financial Results	1.5	19.4	-92%
Profit before taxes	0.9	10.3	-92%
Income tax	-0.5	0.0	<-100%
Net Profit	0.4	10.2	-96%
Attributable to non-controlling interests	0.0	0.0	<-100%
Attributable to shareholders	0.4	10.2	-96%

The total revenues of Renewables amounted to 14 million euros and results from solar parks and wind farms in operation, from the acquisition of the remaining 50% of the Warta Wind Farm that generated a profit of around 0.9 million euros, from the liquidation of Eviva Hidro in December 2018 which had a positive impact of around 1.5 million euros, as well as the sale of the Project Guanzuil IIA to Equinor Group in Argentina with a negative impact of approximately 0.1 million euros.

EBITDA reached a positive 4.3 million euros in 2018.

Revenues in this segment remain focused on the external market.



The 'Results in associated and joint arrangements' amounted to 2 million euros and result, essentially, from the receipt of the "escrow account" created within the framework of the sale of the participation in the company Âncora Wind S.A. by the associate company Ventinveste, as a way of complying with any payment obligations by the sellers, in the amount of 1.2 million euros.

The total investment in the development of wind and solar projects totalled 0,8 million Euros.

Net Debt in December 2018 amounted to 21,7 million euros.

**MANAGEMENT
REPORT**

**SEPARATE
FINANCIAL
INFORMATION**

05 | SEPARATE FINANCIAL INFORMATION

During the 2018 financial year, the level of support services that Martifer, SGPS, S.A., the Group's services rendered to other Group companies, were similar to those of previous years, namely from 2013 to 2015, when most of the services provided by the Company were transferred to the Business Areas, following the attribution of greater autonomy, with the consequent decentralisation and greater accountability of the business areas.

The Net Profit of Martifer, SGPS, S.A. was negative amounting to 5.9 million euros, comparing to a positive Net Profit of 16.2 million euros in the previous year.

The most significant impacts on the net result were the reinforcement of impairments in financial investments (net balance of 6.4 million euros).

Interest and similar expenses amounted to 2.8 million Euros, which represents a significant reduction compared to the previous period (2.2 million euros).

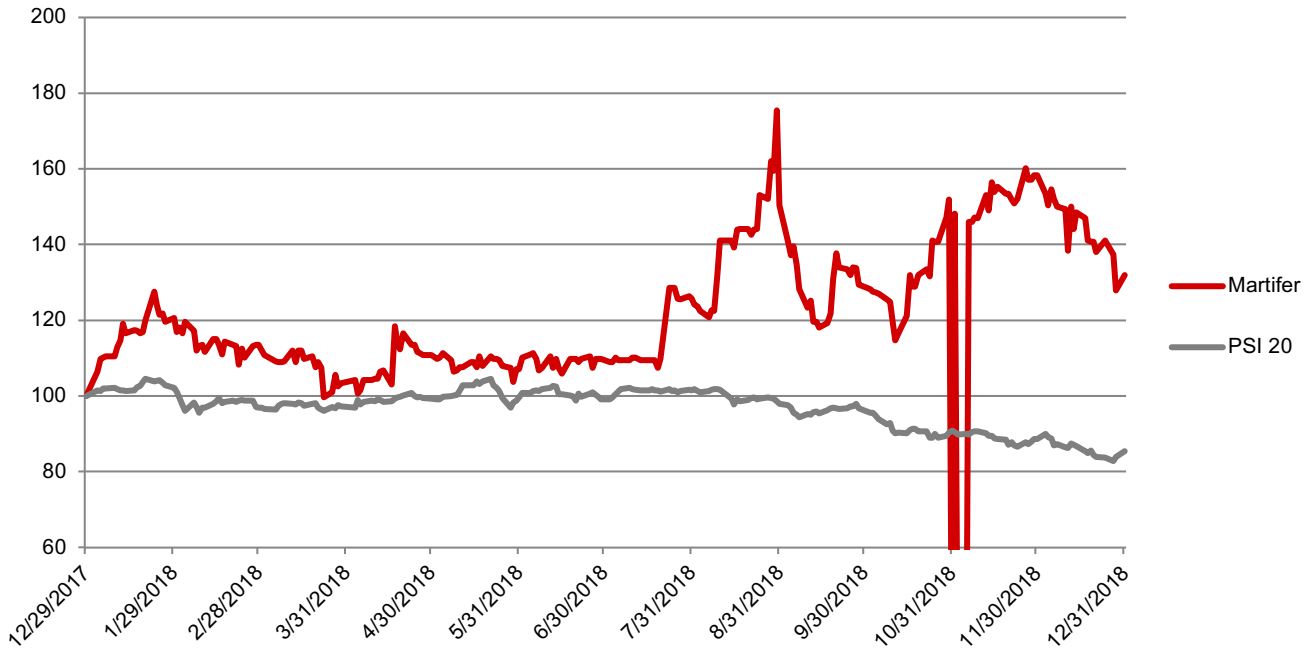
The Company's equity amounted to 39,3 million euros, with total assets of 176.3 million euros and total liabilities of 137 million euros. Debt amounts to 84.4 million euros (92,2 million euros in 2017), and its maturity is of more than 1 year.

**MANAGEMENT
REPORT**

**MARTIFER
SHARE
PERFORMANCE**

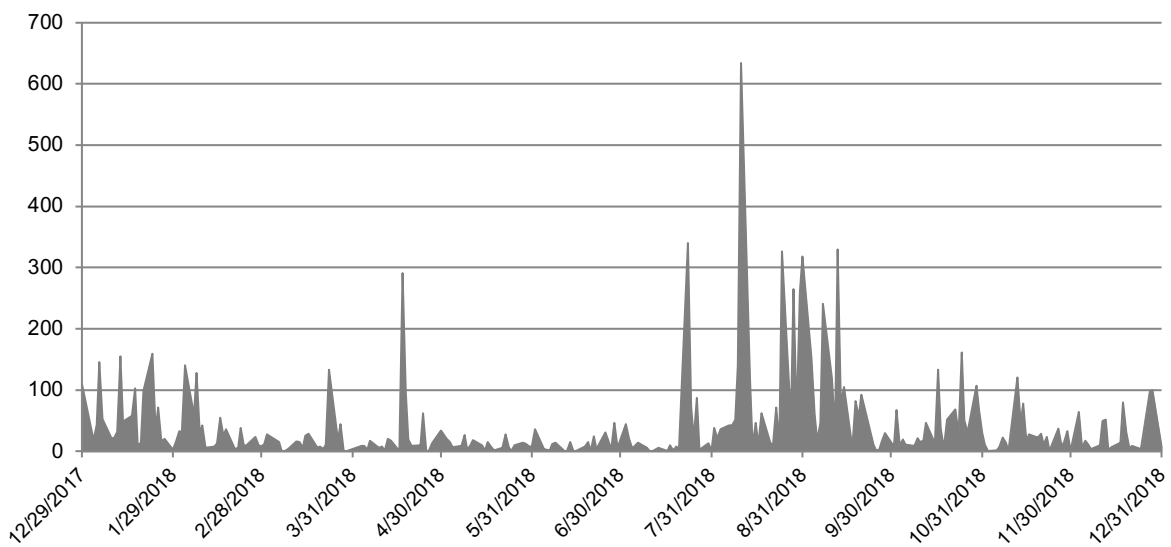
06 | MARTIFER SHARE PERFORMANCE

SHARE PERFORMANCE | 2018



Source: Reuters

TRADED VOLUME | 2018 – '000 shares



Source: Reuters

The year 2018 was a year in which the international markets registered considerable depreciation. The European stock markets, at the end of the year, were marked by the considerable uncertainty about *Brexit* and the Italian budget, by the trade war between the USA and China, and by the political and social tensions in France. An example of this is the European Stoxx 50 Index, which ended the year with a 13.2% decrease - thus being the year with the most significant decrease since 2011. At the same time, the indices of Italy and Germany, whose valuations reached 16.2% and 18.1% respectively, should also be noted. As for the Portuguese Index, PSI-20, it remained in line with the European trend, closing the year with a 14.4% depreciation - translating an inversion of the trend, after a valuation of 13.8% in 2017. According to the economic projections of the European Central Bank, real annual GDP growth in the Euro area is expected to grow annually by 2.0% in the respective year. The S&P Goldman Sachs Commodities Index, the most significant commodity index and one of the most widely recognised benchmarks, ended the year with a devaluation of 15.4%.

In 2018, there was an appreciation of the shares of Martifer, SGPS S.A .. Their value increased from the first quarter of the year, closing the year with an appreciation of around 31.9%.

During the year, the maximum share price was 0.572 euros per share (in August), while the minimum price was 0,325€ euros per share (in March). At the end of 2018, the Martifer share traded at 0.43 euros per share.

Throughout the year 2018 10,245,881 shares were traded, with a daily average of 40.497. The highest daily transaction volume occurred in August (634,250 shares). In 2017, 13,339,214 shares were traded.

PURCHASE OF OWN SHARES

In accordance with CMVM Regulation no. 5/2008, namely article 11, numbers 1 and 2, we confirm that Martifer SGPS, SA did not purchase own shares on the Stock Exchange during 2018.

Therefore, the position was not changed, holding a total of 2,215,910 own shares, representing 2.22% of its share capital.

**MANAGEMENT
REPORT**

**FUTURE
PROSPECTS**

07 | FUTURE PROSPECTS

The year 2018 marked the beginning of a new cycle in the Group, with the implementation of a new governance model more independent from the reference shareholders and the definition of a new Strategic Plan for the coming years.

In 2019, and following years we seek, in particular:

- To execute the Strategic Plan approved in 2018 that is based on the following pillars:
 - Reinforcement of the organisational culture and consolidation of the governance model;
 - Increased operational efficiency, planning and productivity in particular in Metallic Constructions,
 - Consolidation in the Naval Industry and reinforcement of sustainable growth strategy in Renewables; and
 - Consolidation of the financial stabilisation trajectory.
- Strengthen the export profile of the Group, boosting the industrial capacity in Portugal to foreign markets where the Group is present;
- Evaluate opportunities for diversification, particularly in the oil & gas sector and in O&M;
- Keep the bet on the Renewables segment, either through asset rotation or from exploiting opportunities in wind and solar projects;
- Consolidation of the investment in training, knowledge and innovation.

Concerning the outlook for the world economy and for the Group's activity, in particular, we hope that 2019 will continue to be a year of growth of the leading economies, albeit at a slower pace than in 2018, according to estimates presented by various international organisations. We also hope that the United Kingdom, one of the most important markets for the Group, does not leave the European Union without a deal; that Angola and Mozambique, markets on which we bet, stabilize their financial situation and reduce the constraints to the circulation and export of currency; and that the recovery in the construction sector in Portugal is more visible and fast. We also expect that more countries bet on renewable energies and that Portugal will strengthen this bet.

In the particular case of the Group, our perspectives are to continue the consolidation in the Naval Industry, a sector where we have an Order Book relevant in value and challenging in what concerns the complexity of the projects. In Metallic Constructions we want to improve the profitability and be awarded more projects that give value to the quality of execution at the expense of low price, be awarded at least another contract in the oil & gas sector, and in Renewables to strengthen the development of solar and wind projects, in the O&M of wind energy projects and in asset rotation.

**MANAGEMENT
REPORT**

MAIN RISKS

08 | MAIN RISKS

FINANCIAL RISKS

A) PRICE RISK

The volatility of the price of raw materials constitutes a risk for the Group in the Metallic Constructions, Aluminium and Naval Industry segments. The antidumping measures/ fees already implemented by the European Union on steel and aluminium products from China caused a significant increase in the price, which affected the operational activity of the metallic constructions business area.

As a result of these measures, but also as the result of the trade war between the USA and China which has led to the implementation of fees on the import of steel and aluminium from third countries, there has been a sharp rise in the price of Steel that has reached values close to historic highs in September 2018. Between the end of 2018 and the first quarter of 2019, there was stabilisation of prices of this *commodity* at lower levels. However, maintaining some uncertainty in relation to the variation of prices, with the maintenance of the trend for the implementation of protectionist policies in the European Union which began early 2019 with the announcement of the imposition of limits on the import of steel from Brazil, and with the expectation that there will be an increase in the demand for Steel which, according to World Steel Association, is expected to increase around 1.4% in 2019.

Martifer has sought to mitigate this risk, through rigorous planning of the purchase of raw materials, which enabled the achievement of economies of scale in the quantity purchased and consequent price-fixing. On the other hand, it has mitigated this risk through contracts with clients that allow the reflection of price changes of the raw material in the amount paid by the client.

Historical evolution of the price of Steel



SOURCE: TRADINGECONOMICS.COM | OTC

Source: <https://tradingeconomics.com/commodity/steel>

B) FOREIGN EXCHANGE RISK

Foreign exchange risk has a strong interdependence with the other types of risk, with reference to the risk of countries, through the evolution of economies and its impact on inflation and interest rates and on credit risk, due to the possibility of recording losses or gains as a result of changes in exchange rates between different currencies.

Martifer Group is exposed to foreign exchange risk due to its geographical diversification, currently developing its operational activities in subsidiaries present in 4 different continents.

Therefore, there is an exposure to transaction risk associated with operating activities (in which expenses, income, assets and liabilities are indicated in currencies other than the reporting currency) of transactions carried out between these subsidiaries and other Group companies and the existence of transactions carried out by the operating companies in a currency other than the Group's reporting currency.

The exchange rate risk management policy followed by the Group has as its ultimate objective to decrease the maximum sensitivity of its results to exchange rate fluctuations.

In what concerns the operational activity of all subsidiaries, the company strives for transactions to be carried out in their local currency. For the same reason, the loans contracted by foreign subsidiaries are preferably contracted in the local currency, thus allowing the matching of the cash flows locally and the consequent annulment of exchange risk of an economic nature.

In relation to the coverage of exchange rate risk, hedging operations are sporadic because their cost is sometimes considered excessive compared to the risk level involved. However, whenever considered appropriate, the Group hires the coverage of exchange rates in order to cover the risk.

In 2018, the cycle of the scarcity of tradable currencies in Angola remained, but between the end of 2018 and the beginning of 2019 some signs of recovery of the Angolan economy were visible. The resumption of financial flows in tradable currencies occurred due to the political stabilisation of the country. It is expected that in 2019 the Angolan economy may begin a recovery cycle.

Martifer Group has mitigated this risk, seeking a natural exchange coverage through contracts fixing the payment in tradable currency, with lesser volatility and simultaneously used in the payment of the raw materials.

The year 2018 was marked by a negotiation process of the exit of the United Kingdom from the European Union, also maintaining a high climate of uncertainty regarding the future evolution of the British economy and consequently the Pound, given the uncertainty about the model that country will adopt to leave the European Union. The Group has been able to circumvent the risk of exposure to these currencies by taking advantage of the fact that many of the supplies are contracted in this currency and seeking to introduce safeguard clauses in the contracts signed with its clients.

C) INTEREST RATE RISK

Interest rate risk reflects the possibility of fluctuations in the amount of future financial charges on borrowings due to the evolution of the level of market interest rates.

The cost of the financial debt contracted by the Group is indexed to short-term reference rates, reviewed on a period of less than one year (especially the Euribor 6m) and added risk premiums promptly. Thus, variations in interest rates can affect the results of the Group.

The Group's exposure to interest rate risk comes from financial liabilities contracted in more than 99,6% of the cases at a variable rate, so changes to the level of the interest rate have a direct impact on the amount of interest, causing, therefore, variations in the company's treasury.

During the year 2018, the reference interest rates in the Eurozone remained at very low levels in line with what has been occurring in recent years. With the recovery of the European economy, the expectation was created of a possible rise in interest rates in the Euro area for the next few years. However, at the end of 2018, the world economy showed signs of deceleration that remained in

the first quarter of 2019, which together with the monetary policy of the European Central Bank give the perspective of maintaining the interest rates in negative terrain for the years 2019 and 2020.

Thus, in accordance with the projections of the European Central Bank, published in March 2019 ("*ECB staff macroeconomic projections for the euro area, March 2019*"), the short-term interest rates shall remain negative until 2020, maintaining the levels near zero until 2021, contrary to the projections of early 2018 that pointed to a smooth growth rate from 2020 onwards.

Martifer Group's exposure to interest rate risk is currently very limited, not only by the expected maintenance of reference interest rates at very low levels but also as a consequence of the restructure agreements signed with banks in 2015 which enabled the temporal stability of the spreads at very competitive levels.

D) LIQUIDITY RISK

Liquidity risk reflects the Group's ability to satisfy its financial responsibilities with the financial resources available.

The main objective of the liquidity risk management policy is to ensure that the Group has at its disposal, at any time, sufficient financial resources to meet its responsibilities and to pursue the strategies outlined, honouring all commitments made with third parties through adequate management of the cost-maturity relationship of the financing.

Currently, the Group maintains the levels of adequacy of the maturity of the debt to the degree of permanence of its long-term assets, allowing the cash surpluses to be sufficient to comply with their responsibilities, as the result of the implementation of the Group's Strategic Plan which included the signing of the restructuring of the financial debt plan with banks in 2015.

Thus, given the nature of medium/long-term investments made, the debt service shall accompany the maturity of the associated assets, not jeopardizing the commitment deriving from its short-term operational activity in pursuit of the objective of the Group to match the maturity of the inflows of the operational activity and of the investment/divestment to the outflows from the financing activity.

The financial management department monitors the implementation of the risk management policies defined by the Board, in order to ensure that economic and financial risks are identified, measured and managed in accordance with such policies.

E) CREDIT RISK

The global economic conditions or hardships that affect the economies at a local scale, national or international, may lead to the inability of Martifer Group's Clients to meet their obligations, with possible negative effects on the results of the Group. Despite the economic recovery which started in 2017, in Portugal and at global level, the grant of credit by Banks is still fairly contained, particularly for companies that operate in sectors strongly affected by the previous crisis.

The Group is subject to credit risk concerning its operational activity, and the exposure mainly stems from clients and other debtors.

Aware of this reality, the Group seeks to assess the credit risk of all its clients for the establishment of the amount of credit to be granted, with the ultimate goal to ensure the effective recovery of the credit within the established deadlines.

With this objective in mind, the Group uses financial information and credit assessment agencies and performs regular risk analysis and credit control, as well as collection and management of processes in litigation. These are essential procedures to manage the credit activity and to minimize the occurrence of irrecoverable amounts.

OPERATIONAL RISKS

A) METALLIC CONSTRUCTIONS

The operational risks in the area of metallic constructions, currently grouped in three risk sources - client risk, supplier risk and external risk, which in turn are subdivided into specific problems.

At the client risk, for example, issues can be identified that may occur at the contracting level, as the lack of convergence in the interpretation and application of the contractual provisions, the displeasure or dissatisfaction with the service/product and also the risk of default in the payment of the stipulated price after the delivery of the projects.

Concerning the volatility of demand, it shall be noted that the business area depends, in part, on tenders for public infrastructures (e.g., bridges, airports, stations). In what concerns public tenders, Martifer is subject to the complex regulations of each country, in particular in what regards the submission of proposals and the preparation of the administrative *dossier*, regarding the *tender dossier* set by the contracting entity, which may represent additional costs to Martifer Group. It should be highlighted that, despite the dependence on public tenders, Martifer has had the ability to capture business from private entities, reducing its exposure to this risk.

In the supplier risk, it should be noted that Martifer Construções, as an expert in engineering projects, many times subcontracts other companies, which in turn may fail in the execution of its contracts and may compromise in a domino effect the compliance with the deadline for delivery of the projects. These eventual delays in the delivery of works, associated with construction, with inherent contractual penalties, are also a risk.

Finally, in the context of external risks, and since the metallic constructions area has a strong correlation with the growth of the economy and with the gross formation of fixed capital, it is sensitive to the economic situation. In this sense, the not yet surpassed sovereign debt crisis in Europe and the difficulties experienced by some economies where the Group is present, such as Angola and Mozambique, also raise other issues, in particular by weak public and private investment and a significant liquidity reduction of the entire financial system, which often leads to, despite the existence of attractive projects, not existing the corresponding capital which allows their implementation.

The way that the metallic constructions area found to mitigate these external risks was through the dispersal of business in different geographies, in particular entering markets that have registered higher growth rates in the construction sector.

B) THE NAVAL INDUSTRY

The companies in the Naval Industry segment are exposed to:

- risks related to the innovation capacity to meet the needs of the market and new and innovative projects. In this context, the difficulty to capture highly qualified staff due to foreign competition from Northern European countries must also be pointed out;
- client risk, especially as regards the proper execution of the projects, contractual compliance, within the deadlines set and causing satisfaction. Based on these issues, there is always the risk of incurring in penalties;
- risk in the fluctuation of the price of raw material, particularly the steel price, this being one of the primary material in the production of components to be incorporated in the works to be carried out;
- risk related to the level of competitiveness of ship repair versus national and foreign competition;
- risk concerning subcontractors and suppliers that may not fulfil their contractual obligations and can jeopardise the implementation and quality of the projects;
- risk in the labour aspect because, currently, there is a lack of qualified personnel for two primary reasons: on the one hand there is not a sufficient number of trained employees to cater the needs of West Sea, even though the company is making an internal effort in this direction; on the other hand the competitive pressure from Spain, more specifically from Galicia, and its shipyards that, given the geographical proximity and offering inflated conditions, they are capturing a large number of professionals in the region.

C) RENEWABLES

The indices of productivity linked to the renewable energy business depend not only on operational costs, but also on revenues (price and the amount of energy produced by the assets). The equipment used and some exogenous factors, such as the wind, which in turn depend on the location of wind farms, influence the production of energy and consequently the results. Whenever the wind speed is above or below the limits of the equipment, energy stops being produced. These limits vary from manufacturer to manufacturer and on the type of wind turbines. Additionally, each wind generator has its power curve that determines the power generated at each wind speed.

The availability of the equipment and the power curve of each wind turbine are contractually guaranteed, and indemnities are payable by suppliers if availability is not met or if the power curve is not reached.

This risk is also mitigated through the geographical distribution of the wind turbines in the wind farms, allowing the set-off of wind velocity variations on each farm and ensuring the relative stability of the volume of the total produced energy.

In what concerns solar photovoltaic energy, the exogenous factors are more easily foreseen, so that the variation of the revenue ends up being minimized.

LICENSING:

Wind farms and solar parks are subject to strict regulation in terms of development, construction, licensing and operation of power plants. If the relevant authorities in the jurisdictions in which the Group operates cease to continue to support or reduce their support in the development of wind farms and solar parks, such actions may have a significant impact on the activity.

REGULATION:

The production of electricity from renewable sources of energy has been promoted in Europe through mechanisms of Feed-In Tariffs (in Portugal, in Germany, in Denmark and France, for example) or through Green Certificate schemes (in Italy, in the United Kingdom, in Romania, in Poland, etc.). These mechanisms allowed the remuneration of producers of renewable energy above the prices of the wholesale market but have resulted, in some countries, in an excessive cost that has led to legislative changes in the incentive systems for renewable energy. In some cases, such as in Spain and Romania, these changes have affected not only the new projects but also the projects in operation, having affected their profitability significantly.

The technological evolution in recent years has allowed a significant reduction of the costs of electricity production from renewable energy sources and the majority of the countries implemented a tender system that covers wind and solar energy; thus, ensuring that the price to be paid for electricity generated by new wind farms and solar parks is aligned with (or even below) the price of the electricity wholesale market.

LEGAL RISKS

Martifer is subject to national and local laws and regulations relating to the multiple geographies and markets where it is present and that seek to ensure, among other things, workers' rights, the protection of the environment and spatial planning and maintenance of an open and competitive market. Thus, the legislative and regulatory changes that may involve the conditions of the Group's activities and, consequently, impair or impede the fulfilment of strategic objectives imply the constant adaptation by the companies to the new regulation reality.

Legal risk management is carried out by the Legal department of the Holding and each of the Group's business areas and is monitored within the scope of legal and tax advisory services dedicated to the respective activities, which operate in the dependence of the administration and management, developing their competencies in articulation with the other tax and financial departments, so as to ensure the protection of the interests of the Group and, ultimately, of the stakeholders, in strict compliance with the fulfillment of their legal duties.

The members comprising the abovementioned legal departments and consultants have specialised training and regularly participate in training and updating sessions.

Legal and tax advice is also guaranteed, nationally and internationally, by external professionals, selected from reputed firms and according to high standards of competence, ethics and experience.

**MANAGEMENT
REPORT**

**PROPOSAL
OF RESULTS
ALLOCATION**

09 | PROPOSAL OF RESULTS ALLOCATION

The Board of Directors recommends to the General Shareholders Board, the allocation of the negative net profit resulting from the Individual Financial Statement totalling of 5,951,497.29 euros, recorded in 2018, as follows:

- Retained Earnings 5,951,497.29 euros negative.

Oliveira de Frades, 17 April 2019

The Board of Directors,

Carlos Manuel Marques Martins
(President)

Arnaldo José Nunes da Costa Figueiredo
(Vice President)

Jorge Alberto Marques Martins
(Vice President)

Pedro Miguel Rodrigues Duarte
(Member of the Board of Directors)

Pedro Nuno Cardoso Abreu Moreira
(Member of the Board of Directors)

Maria Sílvia da Fonseca Vasconcelos da Mota
(Member of the Board of Directors)

Vítor Manuel Álvares Escária
(Member of the Board of Directors)

Mariana França Gouveia
(Member of the Board of Directors)

**MANAGEMENT
REPORT**

**OTHER
INFORMATION**

10 | OTHER INFORMATION

ACTIVITY DEVELOPED BY NON-EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS

In addition to incorporating Martifer SGPS, SA's Board of Directors, almost every non-executive board member integrates, at least, one of the Committees nominated by the Board (Corporate Governance Committee, Ethics and Conduct Committee or Risk Committee). Each of these Committee's regulation is published in the Group's website, and the functions and activities developed throughout 2018 are outlined in the Corporate Governance Report.

Throughout the year, the non-executive members of the Board have shared and expressed relevant opinions regarding specific business areas based on their performance, the risks associated and the future outlook, maintaining regular communication with the Executive Board Members, and the Board Members and Directors of the business areas.

PERMITS GIVEN TO BUSINESS TRANSACTIONS BETWEEN THE COMPANY AND ITS BOARD MEMBERS, ACCORDING TO ARTICLE NO. 397 OF THE PORTUGUESE COMPANIES CODE

In 2018 there are no transactions subject to the regime of article no. 397 of the Commercial Companies Code.

OTHER INFORMATION

Martifer SGPS, S.A. does not present any debt to the State or any other public entity, including Social Security.

In addition to the audit services, the Chartered Accountant provided the following services to the Group permitted by law and by the regulations in force:

- Review of covenants calculation of the company Eviva Nalbant
- Tax support services in Angola
- Support services for the transition to IFRS for the company Saudi Martifer in Saudi Arabia



**INFORMAÇÃO
OBRIGATÓRIA**



MANDATORY INFORMATION

SHAREHOLDINGS OF THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

In accordance with article no. 447 of the Portuguese Companies Code, the securities issued by Martifer, SGPS, SA and companies dominated by it or in a group relationship, held by members of the governing bodies in the period from 1 January 2018 to 31 December 2018, are the following:

HOLDER	CORPORATE BODY	NO. SHARES HELD ON 31/12/2018
Carlos Manuel Marques Martins*	Board of Directors	305.542
Jorge Alberto Marques Martins	Board of Directors	230.260
I'M – SGPS, S.A. **	Board of Directors	42.405.689
Arnaldo José Nunes da Costa Figueiredo	Board of Directors	3.000
MOTA-ENGIL, SGPS, S.A. ***	Board of Directors	37.500.000
Pedro Miguel Rodrigues Duarte	Board of Directors	-
Pedro Nuno Cardoso Abreu Moreira	Board of Directors	-
Maria Silvia da Fonseca Vasconcelos da Mota	Board of Directors	-
Vitor Manuel Alvares Escaria	Board of Directors	-
Mariana Machado França Gouveia Sande Nogueira	Board of Directors	-
Paulo Sérgio Jesus das Neves	Supervisory Board	-
Américo Agostinho Martins Pereira	Supervisory Board	-
Mária Maria Machado Lapa de Barros Peixoto	Supervisory Board	-
António Baia Engana	Supervisory Board	-
António Joaquim Brochado Correia	Statutory Auditor, representing PriceWaterhouseCoopers	-
José Joaquim Neiva Nunes de Oliveira	General Meeting	-
Luis Leitão Marques Vale Lima	General Meeting	-
Luis Neiva de Oliveira Nunes de Oliveira	General Meeting	-

* Shares held by the company Black & Blue Investimentos, S.A. (Carlos Manuel Marques Martins is a Director of this company, and together with his family, they are sole shareholders).

Board Members of Martifer, Carlos Manuel Marques Martins and Jorge Alberto Marques Martins are the majority shareholders of the company I'M SGPS, S.A., holding respectively shares representing 48% and 50% of its share capital.

*** Arnaldo José Nunes da Costa Figueiredo is a member of the Board of Directors of MOTA-ENGIL, SGPS, S.A.

Transactions by the members of the governing bodies in 2018:

NAME OF THE MEMBER OF THE CORPORATE BODY	DATE	ACQUISITIONS	SALE	AVERAGE PRICE
Carlos Manuel Marques Martins*	23-07-2018	-	15.000	0,42 €
Carlos Manuel Marques Martins*	10-08-2018	-	100.000	0,45 €

* Acquisitions made by the company Black & Blue Investimentos, S.A. (Carlos Manuel Marques Martins is a shareholder and board member of this company).

HOLDERS OF QUALIFYING SHAREHOLDINGS

In accordance with article no. 8, paragraph no. 1, subparagraph (b) of the Portuguese Securities Market Commission (CMVM) Regulation no. 5/2008, the list of holders of qualifying holdings, with the number of shares held and the corresponding percentage of voting rights, calculated pursuant to article no. 20 of the Portuguese Securities Code on 31 December 2018 are:

SHAREHOLDER	NO. SHARES	% OF SHARE CAPITAL	% OF VOTING RIGHTS ¹
I'M – SGPS, S.A.	42.405.689	42,41%	43,37%
Carlos Manuel Marques Martins*	305.542	0,31%	0,31%
Jorge Alberto Marques Martins*	230.260	0,23%	0,24%
Total imputável à I'M – SGPS, S.A.	42.941.491	42,94%	43,91%
Mota-Engil – SGPS, S.A.	37.500.000	37,50%	38,35%
Arnaldo José Nunes da Costa Figueiredo **	3.000	0,00%	0,00%
Total Imputável à Mota-Engil, SGPS, S.A.	37.503.000	37,50%	38,35%

1) % of voting rights = no. of Shares Held / (no. of Total Shares - Own Shares)

* Member of the Board of I'M SGPS, S.A.

** Member of the Board of Mota-Engil SGPS, S.A.



**STATEMENT OF COMPLIANCE ACCORDING TO ARTICLE NO. 245,
PARAGRAPH 1, SUBPARAGRAPH (C) OF THE SECURITIES CODE (CMVM)
(FREE TRANSLATION FROM THE ORIGINAL IN PORTUGUESE)**

Dear Shareholders,

According to article no.245, paragraph 1, subparagraph (c) of the Securities Code (CMVM) and to the best of our knowledge:

(i) the information contained in the consolidated management report faithfully reports the evolution of trading, the performance and the position of Martifer, SGPS, SA and of the companies in its consolidation perimeter and contains a description of the main risks and uncertainties that it faces; and

(ii) The information contained in the separate and consolidated financial statements and accompanying notes was prepared in accordance with the applicable accounting practices, giving a true and fair view of the assets, liabilities, financial position and results of Martifer, SGPS, SA and of the companies included in its consolidation perimeter.

Oliveira de Frades, 17 April 2019

The Board of Directors,

Carlos Manuel Marques Martins
(President)

Arnaldo José Nunes da Costa Figueiredo
(Vice President)

Jorge Alberto Marques Martins
(Vice President)

Pedro Miguel Rodrigues Duarte
(Member of the Board of Directors)

Pedro Nuno Cardoso Abreu Moreira
(Member of the Board of Directors)

Maria Sílvia da Fonseca Vasconcelos da Mota
(Member of the Board of Directors)

Vítor Manuel Álvares Escária
(Member of the Board of Directors)

Mariana França Gouveia
(Member of the Board of Directors)



**CONSOLIDATED
FINANCIAL
INFORMATION**



**CONSOLIDATED FINANCIAL
INFORMATION**

**CONSOLIDATED
FINANCIAL
STATEMENTS**

11 | CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENTS FOR THE FINANCIAL YEARS AND SEMESTERS ENDED ON 31 DECEMBER 2018 AND 2017

€	NOTES	FY 2018	FY 2017	2 ND HALF 2018 (NON AUDITED)	2 ND HALF 2017 (NON AUDITED)
Sales and services rendered	3, 4	200,590,363	176,871,771	103,588,628	83,158,240
Other income	4, 5	16,851,261	8,679,443	9,766,499	5,879,322
Cost of goods sold	6	(74,008,195)	(60,957,152)	(36,845,295)	(31,537,786)
Subcontracts	7	(46,572,386)	(38,550,542)	(25,622,974)	(12,806,447)
External supplies and services	8	(30,893,417)	(32,849,790)	(16,404,864)	(17,804,666)
Staff costs	9	(34,603,270)	(34,493,254)	(17,117,289)	(17,015,669)
Other expenses	10	(16,117,043)	(10,192,642)	(7,935,272)	(4,329,644)
	3	15,247,313	8,507,835	9,429,433	5,543,350
Amortizations	3, 18, 19	(8,771,899)	(10,621,737)	(4,274,649)	(5,522,514)
Provisions	3, 11, 34	1,270,361	(3,462,853)	(1,578,681)	(3,373,116)
Impairment losses	3, 11	-	(8,844,174)	-	1,510,143
	3	7,745,775	(14,420,929)	3,576,103	(1,842,137)
Financial income	12	3,662,259	13,946,566	1,519,495	3,103,274
Financial expenses	12	(9,250,494)	(7,932,513)	(3,417,092)	(3,859,491)
Gains / (losses) on associate companies and joint arrangements	3,13	1,130,660	12,511,243	845,697	777,915
Net monetary gain (loss)	43	(33,251)	(1,062,251)	(22,640)	(1,062,251)
Profit before tax		3,254,949	3,042,116	2,501,563	(2,882,690)
Income tax	14	(1,660,968)	731,562	(1,099,422)	2,159,532
Profit for the year	3	1,593,982	3,773,677	1,402,141	(723,158)
Attributable to:					
non-controlling interests	30	287,017	(2,768,618)	463,915	(1,587,228)
owners of Martifer	16	1,306,965	6,542,295	938,227	864,068
Earnings per share:	16				
Basic and diluted		0.0134	0.0669	0.0096	0.0088

The accompanying notes are part of these financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS AND SEMESTERS ENDED ON 31 DECEMBER 2018 AND 2017

€	FY 2018	FY 2017	2 ND HALF 2018 (NON AUDITED)	2 ND HALF 2017 (NON AUDITED)
Profit for the year	1,593,982	3,773,677	1,402,141	(723,158)
Amounts that will not be reclassified by results				
Adjustments to equity on associate companies and joint arrangements	-	(6,277,237)	-	(6,277,237)
	-	(6,277,237)	-	(6,277,237)
Amounts that will be reclassified by results				
Exchange differences arising on (i) translating foreign operations; (ii) net investment in subsidiaries and (iii) goodwill	(5,017,589)	(1,440,756)	(675,061)	(634,169)
Adjustments to equity on associate companies and joint arrangements	1,686,098	(801,484)	1,205,947	(714,114)
	(3,331,492)	(2,242,240)	530,887	(1,348,282)
Total comprehensive income for the period	(1,737,510)	(4,745,800)	1,933,029	(8,348,679)
Attributable to:				
non-controlling interests	(1,085,146)	(3,258,432)	100,357	(1,755,998)
owners of Martifer	(652,364)	(1,487,368)	1,832,671	(6,592,681)

The accompanying notes are part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ON 31 DECEMBER 2018 AND 2017

€	NOTES	FY 2018	FY 2017
ASSETS			
Non-current assets			
Goodwill	17	14,115,669	10,980,675
Intangible assets	18	2,231,520	2,832,161
Tangible fixed assets	19	107,010,349	117,258,806
Investment properties	20	20,826,300	20,826,300
Financial assets under the equity method	3, 21	8,570,878	12,228,126
Financial assets at fair value through profit or loss	22	4,585,742	-
Available for sale investments	23	-	5,961,419
Trade receivables and other receivables	25	13,686,344	24,559,968
Deferred tax assets	14	8,885,615	5,780,459
		179,912,418	200,427,916
Current assets			
Inventories	24	13,954,322	9,627,614
Financial assets at fair value through profit or loss	22	1,664,470	-
Trade receivables and other receivables	25	55,849,234	86,926,501
Contracts Assets	27	10,158,269	-
Prepayments	25	2,590,628	5,429,583
Income tax	14, 26	967,862	787,546
Current tax assets	26	11,375,953	6,330,328
Other current assets	28	9,829,789	20,221,138
Cash and cash equivalents	29	33,414,830	46,346,599
Derivatives	39	-	3,221
		139,805,358	175,672,530
Total assets	3	319,717,776	376,100,446
EQUITY			
Issued capital		50,000,000	50,000,000
Treasury stock		(2,868,519)	(2,868,519)
Reserves and Retained Earnings		(62,306,001)	(60,093,602)
Profit for the year		1,306,965	6,542,295
Equity attributable to owners of Martifer		(13,867,555)	(6,419,826)
Non-controlling interests		(35,857,959)	(30,748,263)
Total equity	30	(49,725,514)	(37,168,089)
LIABILITIES			
Non-current liabilities			
Borrowings	31	197,382,922	204,906,931
Obligation under finance leases	32	12,761,461	12,876,453
Trade payables and Other payables	33	4,588,818	11,570,417
Provisions	34	18,507,817	30,570,438
Other non-current liabilities	38	4,455,191	-
Deferred tax liabilities	14	4,215,765	2,944,375
		241,911,975	262,868,614
Current liabilities			
Borrowings	31	8,783,585	17,826,240
Obligation under finance leases	32	114,992	-
Trade payables and Other payables	33	54,419,918	60,252,826
Contracts Liabilities	37	44,750,097	-
Income tax	14, 36	1,228,512	656,730
Current tax liabilities	36	3,502,466	2,659,390
Other current liabilities	38	14,731,745	69,004,735
		127,531,315	150,399,921
Total liabilities	3	369,443,290	413,268,535
Total equity and liabilities		319,717,776	376,100,446

The accompanying notes are part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED ON 31 DECEMBER 2018 AND 2017

€	NOTES	ISSUED CAPITAL	SHARE PREMIUM	TREASURY STOCK	FOREIGN CURRENCY TRANSLATION RESERVES	OTHER RESERVES AND RETAINED EARNINGS	NET PROFIT	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance on 1 st January 2017		50,000,000	186,500,000	(2,868,519)	(22,397,808)	(175,392,235)	(43,585,139)	(7,743,700)	(30,169,515)	(37,913,215)
Appropriation of the profit of 2016		-	-	-	-	(43,585,139)	43,585,139	-	-	-
COMPREHENSIVE INCOME FOR THE YEAR										
Profit for the period		-	-	-	-	-	6,542,295	6,542,295	(2,768,618)	3,773,677
Exchange differences arising on (i) translating foreign operations and (ii) net investment in subsidiaries		-	-	-	(1,134,932)	-	-	(1,134,932)	(305,823)	(1,440,756)
Equity method application effect		-	-	-	-	(6,894,731)	-	(6,894,731)	(183,990)	(7,078,721)
Total comprehensive income for the year		-	-	-	(1,134,932)	(6,894,731)	6,542,295	(1,487,368)	(3,258,432)	(4,745,800)
Hyperinflationary restatement		-	-	-	-	3,642,119	-	3,642,119	2,535,582	6,177,701
Dividends distribution		-	-	-	-	-	-	-	(164,181)	(164,181)
Other changes in equity of parent company and subsidiaries		-	(186,500,000)	-	-	186,284,353	-	(215,647)	23,768	(191,879)
Changes in the consolidation perimeter		-	-	-	-	(573,477)	-	(573,477)	229,763	(343,714)
Non-controlling interests transactions		-	-	-	-	(41,753)	-	(41,753)	54,753	13,000
Balance on 31st December 2017		50,000,000	-	(2,868,519)	(23,532,740)	(36,560,863)	6,542,295	(6,419,826)	(30,748,263)	(37,168,089)
First adoption of IFRS 9 (net of tax)	1.2	-	-	-	-	(7,102,918)	-	(7,102,918)	(2,586,738)	(9,689,656)
Balance on 1st January 2018		50,000,000	-	(2,868,519)	(23,532,740)	(43,663,781)	6,542,295	(13,522,744)	(33,335,001)	(46,857,745)
Appropriation of the profit of 2017		-	-	-	-	6,542,295	(6,542,295)	-	-	-
COMPREHENSIVE INCOME FOR THE YEAR										
Profit for the period		-	-	-	-	-	1,306,965	1,306,965	287,017	1,593,982
Exchange differences arising on (i) translating foreign operations and (ii) net investment in subsidiaries		-	-	-	(3,663,157)	-	-	(3,663,157)	(1,406,002)	(5,069,159)
Exchange differences arising on goodwill		-	-	-	51,570	-	-	51,570	-	51,570
Equity method application effect		-	-	-	-	1,652,258	-	1,652,258	33,840	1,686,098
Total comprehensive income for the year		-	-	-	(3,611,587)	1,652,258	1,306,965	(652,364)	(1,085,146)	(1,737,510)
Hyperinflationary restatement		-	-	-	(925,117)	690,040	-	(235,077)	(613,511)	(848,588)
Other changes in equity of parent company and subsidiaries		-	-	-	-	274,605	-	274,605	126,693	401,298
Changes in the consolidation perimeter		-	-	-	-	268,026	-	268,026	(950,996)	(682,970)
Balance on 31st December 2018		50,000,000	-	(2,868,519)	(28,069,444)	(40,778,852)	1,306,965	(13,867,555)	(35,857,959)	(49,725,514)

The accompanying notes are part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENTS FOR THE FINANCIAL YEARS AND SEMESTERS ENDED ON 31 DECEMBER 2018 AND 2017

€	NOTES	FY 2018	FY 2017	2 ND HALF 2018 (NON AUDITED)	2 ND HALF 2017 (NON AUDITED)
OPERATING ACTIVITIES					
Receipts from customers		208,592,512	187,754,671	104,841,607	56,515,398
Payments to suppliers		(167,285,853)	(144,394,047)	(85,877,749)	(62,438,086)
Payments to employees		(34,772,044)	(34,235,250)	(17,373,163)	(16,859,012)
Cash generated from operations		6,534,615	9,125,375	1,590,694	(22,781,700)
Income tax paid / received		(807,517)	(1,059,666)	(90,373)	(164,879)
Other receipts/(payments) relating to operating activities	44	5,266,098	31,922,879	1,231,401	38,180,955
Cash generated from other operating activities		4,458,581	30,863,213	1,141,028	38,016,076
Net cash generated by operating activities (1)		10,993,196	39,988,587	2,731,722	15,234,376
INVESTING ACTIVITIES					
Receipts arising from:					
Financial assets	44	1,961,627	202,500	1,961,627	-
Tangible fixed assets		935,392	4,388,993	402,381	4,171,558
Loans to related parties		612,373	-	612,373	-
Interest and similar income		51,746	345,714	40,661	55,670
Others		41,579	58,938	5,658	26
		3,602,717	4,996,145	3,022,700	4,227,254
Payments arising from:					
Financial assets	44	(1,323,460)	(35,225)	(600,799)	(35,225)
Tangible fixed assets		(1,789,002)	(2,616,284)	(835,458)	(1,467,731)
Intangible assets		(57,125)	(21,238)	(40,967)	(18,158)
Loans to related parties		(1,134,751)	-	(1,134,751)	-
Others		(43,697)	(120,710)	(11,744)	(1,095)
		(4,348,035)	(2,793,457)	(2,623,719)	(1,522,209)
Net cash generated by investing activities (2)		(745,318)	2,202,688	398,981	2,705,045
FINANCING ACTIVITIES					
Receipts arising from:					
Borrowings	31	2,612,083	2,447,617	1,000,514	891,509
Others		65	404,372	(4,558)	322,891
		2,612,148	2,851,989	995,956	1,214,400
Payments arising from:					
Borrowings	31	(19,178,747)	(43,616,758)	(3,710,228)	(16,106,503)
Leasings		-	(44,919)	-	(11,226)
Interest and similar costs		(4,657,330)	(4,996,688)	(2,107,168)	(1,660,152)
Others		(254,705)	(752,350)	104,294	(478,101)
		(24,090,782)	(49,410,715)	(5,713,102)	(18,255,982)
Net cash generated by financing activities (3)		(21,478,634)	(46,558,726)	(4,717,146)	(17,041,582)
Net increase in cash and cash equivalents (4)=(1)+(2)+(3)		(11,230,756)	(4,367,451)	(1,841,148)	897,839
Changes in the consolidation perimeter and others		2,527,472	(398,793)	836,725	(108,940)
Effect of foreign exchange currencies		(4,228,485)	(1,974,851)	(1,056,777)	(728,778)
Cash and cash equivalents at the beginning of the period	29	46,346,599	53,087,694	35,476,030	46,286,478
Cash and cash equivalents at the end of the period	29	33,414,830	46,346,599	33,414,830	46,346,599

The accompanying notes are part of these financial statements.

**CONSOLIDATED FINANCIAL
INFORMATION**

**NOTES TO THE
CONSOLIDATED
FINANCIAL
STATEMENTS**

12 | NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

0. INTRODUCTORY NOTE

Martifer SGPS, SA, with headquarters in Zona Industrial, Apartado 17, Oliveira de Frades, Portugal ('Martifer SGPS' or 'Company'), and its subsidiaries ('Group') have as their main activities Metallic Constructions (metallic structures, aluminium and glass façades and infrastructures for oil & gas), the Naval Industry and the promotion and development of wind projects (Note 3).

Martifer SGPS was incorporated on 29 October 2004, and its share capital was performed through the delivery of all the shares, valued at market value, that the shareholders of Martifer Group held in Martifer - Construções, S.A., a subsidiary incorporated in 1990, and which at the time was the parent company of the now Martifer Group.

From June 2007 onwards, and following the successful Initial Public Offer (IPO), the Group started trading on the Portuguese Stock Exchange, Euronext Lisbon.

On 31 December 2018, the Group develops its activity mainly in Western Europe (Portugal, Spain, France and the United Kingdom), in Eastern Europe (Poland and Romania), in the Middle East (Saudi Arabia), in Latin America (Brazil, Colombia and Argentina), in sub-Saharan Africa (Angola and Mozambique) and in Algeria.

All the amounts presented in these explanatory notes are stated in Euros (rounded to the unit) unless otherwise indicated.

1. BASIS OF PREPARATION AND CONSOLIDATION, AND ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

These accompanying financial statements relate to the consolidated financial statements of the Martifer Group companies and were prepared in accordance with the International Financial Reporting Standards ("IFRS"), as adopted by the European Union, in force at the beginning of the economic period started on 1 January 2018. These correspond to the International Financial Reporting Standards, issued by the International Accounting Standards Board ("IASB"), and to the interpretations issued by the IFRS Interpretations Committee or by the previous Standing Interpretations Committee ("SIC") that have been endorsed by the European Union.

The annexed consolidated financial statements were prepared from the accounting records of the Company and its subsidiaries (Note 2), under the assumption of continuity of operations, despite the fact that Equity is presented negative, because as is referred in Note 1.4 xxix(d), the Group has sufficient funds to meet its responsibilities, and based on the historical cost, except for the revaluation of certain non-current assets and specific financial instruments, which are recorded at fair value.

The accounting policies and mensuration criteria adopted by the Group in the 2018 financial period were consistent with those applied by the Group in the preparation of the financial information of the previous financial period, presented for comparative purposes, except regarding the standards and interpretations entering into force on or after 1 January 2018, the adoption of which has not had a significant impact on the Group's comprehensive income or on the Group's financial position, except for IFRS 9 and IFRS 15 whose impacts are presented in Note 1.2.

Amendments to the effective standards as of 1 January 2018:

	EFFECTIVE DATE
IFRS 15 – Revenue from contracts with customers	01-01-2018
Amendments to IFRS 15 - Revenue from contracts with customers	01-01-2018
IFRS 9 – Financial instruments	01-01-2018
IFRS 4 – Insurance Contracts (Applying IFRS 4 with IFRS 9)	01-01-2018
IFRS 2 – Share-based payments	01-01-2018
IAS 40 – Investment property	01-01-2018
Annual improvements to IFRS 2014 - 2016	01-01-2018

IFRS 15 (new) – 'Revenue from contracts with customers'. This new standard applies only to contracts for the delivery of products or rendering of services to clients, and requires the entity to record revenue when the contractual obligation to deliver assets or render services is satisfied, for the amount that reflects the consideration to which the entity is entitled, as provided in the "five-step methodology".

Amendment to IFRS 15 – 'Revenue from contracts with customers'. This amendment refers to the additional indications to be followed in determining the performance obligations of a contract, to the moment of recognition of revenue from an intellectual property license, to the review of the indicators for the classification of the principal versus agent relationship, and to the new regimes foreseen to simplify the transition.

The impacts of the implementation of IFRS 15 and the amendments to IFRS 15 are presented in Note 1.2.

IFRS 9 (new) – 'Financial instruments'. IFRS 9 replaces the requirements of IAS 39 for (i) the classification and calculation of financial assets and liabilities; (ii) the recognition of impairment on receivables (through the expected loss model); and (iii) the requirements for the recognition and classification of hedge accounting.

The impacts of the implementation of IFRS 9 are presented in Note 1.2.

IFRS 4 – 'Insurance contracts' (application of IFRS 4 with IFRS 9) This amendment gives the entities that negotiate insurance contracts the option of recognising in Other Comprehensive Income, instead of in the Income Statement, the volatility that may result from the application of IFRS 9 before the new insurance contract standard is published.

In addition, a temporary exemption is granted to the application of IFRS 9 until 2021 to entities whose predominant activity is that of an insurance company. This exemption is optional and does not apply to the consolidated financial statements that include an insurance entity. Given the activity of Martifer Group, it is not applicable.

Amendment to IFRS – 'Classification and calculation of payment transactions based on shares'. This amendment clarifies the calculation basis for cash-settled share-based payment transactions and the accounting for changes to a share-based payment plan that changes its classification from cash-settled to equity-settled. In addition, it introduces an exception to the principles of IFRS 2, which require that a share-based payment plan be treated as if it were fully equity-settled when the employer is required to withhold a tax amount from the employee and to pay that amount to the tax authority. The adoption of this amendment did not cause significant changes in the presented consolidated financial statements.

Amendment to IAS 40, 'Transfer of investment properties'. This amendment clarifies that assets can only be transferred to and from the investment property category when there is evidence of change in use. Only the change in management intent is not sufficient to effect the transfer. The adoption of this amendment did not cause significant changes in the presented consolidated financial statements.

Annual improvements to IFRS 2014 - 2016. This cycle of improvements affects the following regulations: IFRS 1, 12 and IAS 28. The adoption of these improvements did not cause significant changes in the presented consolidated financial statements.

(New) standards (and amendments) which become effective on or after 1 January 2019, already endorsed by the EU:

	EFFECTIVE DATE
IFRS 16 – Leases	01-01-2019
Amendments to IFRS 9 – Financial instruments	01-01-2019

IAS 16 (new) - 'Leases' (to be applied for annual periods beginning on or after 1 January 2019). This new standard replaces IAS 17, with a significant impact on accounting by lessees who are now required to recognise a lease liability reflecting future lease payments and a "right of use" asset for all lease contracts, except for certain short-term and low-value asset leases. The definition of a lease has also been changed, based on the "right to control the use of an identified asset". As regards the transitional regime, the new standard can be applied retrospectively, or a modified retrospective approach can be followed.

Amendments to IFRS 9, 'Negative Offset Prepayment Elements' (effective for annual periods beginning on or after 1 January 2019). This amendment introduces the possibility of classifying financial assets with prepayment conditions with a negative offset at amortised cost, provided that specific conditions are verified, instead of being classified at fair value through profit or loss.

To this date, in addition to the estimated effects arising from the adoption of IFRS 16, no significant impacts are expected resulting from the adoption of the standards and amendments referred to above.

As a result of the adoption of IFRS 16, using the retrospective modified model with the initial cumulative effect recognised in retained earnings on 1 January 2019, and considering, on that date, the lease liabilities equal to the right of use, the estimated increase in assets and liabilities on 1 January 2019 will provisionally be 10,000 thousand euros.

Additionally, in the abovementioned calculation, the Group only considered the contracts whose residual maturity was more than 12 months (counted after 31 December 2018) and goods whose unit value was more than 5,000 dollars.

(New) standards (and amendments) that become effective on or after 1 January 2019, not yet endorsed by the EU:

	EFFECTIVE DATE
IAS 19 – Employee benefits	01-01-2019
IAS 28 – Investments in associates and joint ventures	01-01-2019
IFRS 3 – Business combinations	01-01-2020
IAS 1 – Presentation of financial statements; IAS 8 – Accounting policies, changes in accounting estimates and errors	01-01-2020
Annual improvements to IFRS 2015 – 2017	01-01-2019
Conceptual framework - Amendments to references to other IFRS	01-01-2020
IFRS 17 – Insurance contracts	01-01-2021

Amendment to IAS 19, 'Defined benefit plan changes, reductions and settlements' (to be applied in the fiscal periods that start on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. This amendment to IAS 19 requires that an entity: (i) uses updated assumptions to determine the current service cost and the net interest for the remaining period after the change, reduction or settlement of the plan; and (ii) recognises the result of the fiscal period as part of past service cost, or as a gain or loss in the settlement of any reduction in the surplus of coverage, even though the surplus of coverage has not been previously recognised due to the asset ceiling impact. The asset ceiling impact is always recorded in Other comprehensive income, and cannot be recycled by the result of the fiscal period.

Amendment to IAS 28, 'Long-term investments in associates and joint ventures' (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. This amendment clarifies that the long-term investments in associates and joint ventures (components of an entity's investment in associates and joint ventures), which are not being measured using the equity method, are accounted for under IFRS 9. The long-term investments in associates and joint ventures are subject to the impairment of estimated losses approach, before being added for impairment testing to the overall investment in an associate or joint venture, when there are impairment indicators.

Amendment to IFRS 3, 'Definition of business' (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. This amendment constitutes a revision of the definition of business for accounting concentrations of business activities. The new definition requires that acquisition includes an *input* and a substantial process that together generate *outputs*. The *outputs* are now defined as goods and services that are provided to clients that generate income from financial investments and other income, excluding the returns in the form of cost reductions and other

economic benefits for shareholders. Concentration testing is now allowed to determine if a transaction refers to the acquisition of an asset or a business.

Amendments to IAS 1 and IAS 8, 'Definition of material' (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. This amendment introduces a change to the concept of material. It includes clarifications regarding the reference to unclear information, corresponding to situations in which the effect is similar to omit or distort such information, within the overall context of the financial statements; and also clarifications regarding the term 'principal users of financial statements', these being defined as 'current and future investors, lenders and creditors' that depend on the financial statements to obtain a significant part of the information that they need.

Annual improvements to 2015 - 2017 (effective for annual periods beginning on or after 1 January 2019). This cycle of improvements is still subject to endorsement by the European Union. This cycle of improvements affects the following regulations: IAS 23, IAS 12, IFRS 3 and IFRS 11.

Conceptual framework, 'Amendments to references to other IFRS' (to be applied in fiscal periods that start on or after 1 January 2020). These amendments are still subject to approval by the European Union. As a result of the publication of the new Conceptual Structure, IASB introduced changes to the text of various standards and interpretations, such as: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32 in order to clarify the application of the new definitions of assets/liabilities and of expense/income, in addition to some of the characteristics of financial information. These amendments are of retrospective application, except if impracticable.

IFRS 17 (new), 'Insurance contracts' (valid for annual periods beginning on or after 1 January 2021). This standard is still subject to endorsement by the European Union. This standard replaces IFRS 4 and applies to all entities issuing insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. IFRS 17 is based on the current calculation of technical liabilities at each reporting date. The current calculation can be based on a complete 'building block approach' or 'premium allocation approach'. The recognition of the technical margin is different depending on whether it is positive or negative. IFRS 17 is of retrospective application. This standard does not apply to Martifer Group.

The Management is analysing the impact, if any, on the consolidated financial statements.

Interpretations that become effective on the date stated below:

	EFFECTIVE DATE
IFRIC 22 – Foreign currency transactions and advance consideration	01-01-2018
IFRIC 23 – Uncertainty over income tax treatments	01-01-2019

IFRIC 22 (new), 'Foreign currency transactions and advance consideration'. It is an interpretation to IAS 21 'The effects of changes in foreign exchange rates' and refers to the determination of the 'transaction date', being when an entity pays or receives in advance the consideration of contracts denominated in foreign currency. The 'transaction date' determines the exchange rate to be used to convert the transactions in foreign currency. The adoption of this interpretation did not cause significant changes in the presented consolidated financial statements.

IFRIC 23 (new), 'Uncertainty over income tax treatments' (to be applied in the fiscal years that start on or after 1 January 2019). It is an interpretation of IAS 12 - 'Income Tax', referring to the requirements of calculation and recognition to be applied when there are uncertainties regarding the acceptance of a particular tax treatment by the Tax Authorities concerning Income tax. In case of uncertainty regarding the position of the Tax Authorities on a specific transaction, the entity shall make its best estimate and register the tax assets or liabilities on income in accordance with IAS 12 and not IAS 37 - 'Provisions, contingent liabilities and contingent assets', based on the expected value or on the most probable value. The application of IFRIC 23 can be retrospective or retrospectively modified. No significant impacts are expected to arise from the application of this interpretation on the consolidated financial statements.

The consolidated financial statements are presented in euro since it is the main currency of the Group's operations. The financial statements of subsidiaries in foreign currency were converted into euro in accordance with the accounting policies described in Note 1.4 (xiv).

In the preparation of the consolidated financial statements, in accordance with IAS/IFRS, the Group's Board of Directors adopted certain assumptions and estimates that can affect the assets and liabilities reported, as well as the profits and losses incurred in the

reported periods (Note 1.4 xxv). All of the Board of Directors' estimates and assumptions were made taking into consideration the best knowledge available at the financial statements' approval date based on the information available at that time.

1.2 COMPARABILITY OF INFORMATION

Martifer Group's consolidated financial statements on 31 December 2018 were prepared in accordance with the accounting policies and methods of calculation similar to those presented in the 2017 Consolidated Annual Report, except the effects resulting from the adoption of IFRS 9 and the IFRS 15.

Concerning the new standards that became effective in the fiscal period started on 1 January 2018, the main comments on their adoption are presented, as well as the impact caused by them in the annexed consolidated financial statements.

a) Adoption of IFRS 9 - 'Financial Instruments'

IFRS 9 now defines new criteria for the classification, measurement and derecognition of financial instruments, also introducing changes to: (i) the classification of financial assets; (ii) the calculation of impairment in financial assets; and (iii) the designation of coverage relations.

IFRS 9 introduces a new approach to the classification and calculation of financial assets which now reflects the business model used in its management and the characteristics of the contractual cash flows. Thus, IFRS 9 established three new categories for the classification of financial assets: (i) measured at amortised cost; (ii) at fair value through other comprehensive income; and (iii) at fair value through profit or loss and eliminated the categories: (i) loans and receivables; (ii) held to maturity; and (iii) held for sale provided for in IAS 39.

With the adoption of IFRS 9, the Group assessed which business models applied to their financial assets and the characteristics of the contractual cash flows, the date of initial application of IFRS 9 (1 January 2018). On 31 December 2017, the financial assets recognised by the Group referred mainly to (i) Loans and receivables; and (ii) Financial assets held for sale.

From the analysis carried out, the result was that the financial assets included in the category Loans and receivables (items: trade receivable and other debtors) should be allocated to the category "hold to collect" and be calculated at amortised cost. The reclassification of these assets had no impact on equity on 1 January 2018, since the implementation of the new criteria for the classification of IFRS 9 did not alter the asset measurement model before impairment losses, and the amortised cost continued to be applied.

In what concerns the financial assets held for sale, they started being recorded at fair value and allocated to the category 'at fair value through profit or loss'. No impact on Martifer's equity arose from this reclassification.

The reclassified assets were the following:

TYPOLOGY OF FINANCIAL ASSETS	CLASSIFICATION IN ACCORDANCE WITH IAS 39	CLASSIFICATION IN ACCORDANCE WITH IFRS 9	ACCOUNTING VALUE BY IAS 39	ACCOUNTING VALUE BY IFRS 9
Green Certificates non-current	Available-for-sale financial assets	Fair value through profit or loss	5,846,199	5,846,199
Others Assets non-current	Available-for-sale financial assets	Fair value through profit or loss	115,220	115,220
Green Certificates current	Available-for-sale financial assets	Fair value through profit or loss	947,943	947,943
Others Assets current	Available-for-sale financial assets	Fair value through profit or loss	15,539	15,539

As regards the remaining financial assets and liabilities, they remained at amortised cost.

In relation to impairments, the application of IFRS 9 requires the determination of impairment losses based on the expected credit loss model, instead of the evaluation carried out based on the losses incurred as foreseen in IAS 39. So, Martifer Group chose the application of a historical matrix of uncollectability (simplified model) for the determination of the new impairment on its receivables (including the assets of contracts with clients), recognising the estimate of impairment losses for the entire life cycle of credits.

Thus, in a first phase, the actual incurred losses over a historical period considered statistically relevant were determined, having been concluded that they were not very significant. Thus, potential impairment on credits that on 31 December 2017 and 2018 (in the case of 2017 invoicing) was overdue and not yet received was chosen to be considered. However, each of the credits in this situation was analysed, and the following were excluded:

- Credits with entities that are simultaneously suppliers and which also present values to be received;
- Credits on Group companies, even if they do not consolidate according to the full consolidation method, and companies belonging to the reference shareholders.

The analysis resulted in a matrix with estimated loss rates by company and by type of clients.

As a result of the adoption of IFRS 9 concerning impairments, Martifer Group's equity on 1 January 2018 suffered a reduction of around 9.7 million euros. This impact was caused mainly by the Metallic Constructions segment.

Finally, for the adoption of IFRS 9, the Group decided to use the powers provided for in the transitional regime of that standard, i.e., the retrospective application with the cumulative initial recognised effect in retained earnings on 1 January 2018.

The impacts resulting from the adoption of IFRS 9 on the date of initial application (1 January 2018) can be analysed as follows:

€	BALANCES AT 31 st DECEMBER 2017	RECLASSIFICATIONS	REMENSURATIONS	BALANCES AT 1 st JANUARY 2018
ASSETS				
Non-current assets				
Goodwill	10,980,675	-	-	10,980,675
Intangible assets	2,832,161	-	-	2,832,161
Tangible fixed assets	117,258,806	-	-	117,258,806
Investment properties	20,826,300	-	-	20,826,300
Financial assets under the equity method	12,228,126	-	-	12,228,126
Financial assets at fair value through profit or loss	-	5,961,419	-	5,961,419
Available for sale investments	5,961,419	(5,961,419)	-	-
Trade receivables and other receivables	24,559,968	-	-	24,559,968
Deferred tax assets	5,780,459	-	1,496,763	7,277,222
	200,427,916	-	1,496,763	201,924,679
Current assets				
Inventories	9,627,614	-	-	9,627,614
Financial assets at fair value through profit or loss	-	963,482	-	963,482
Trade receivables and other receivables	86,926,501	-	(11,186,419)	75,740,082
Prepayments	5,429,583	-	-	5,429,583
Income tax	787,546	-	-	787,546
Current tax assets	6,330,328	-	-	6,330,328
Other current assets	20,221,138	(963,482)	-	19,257,656
Cash and cash equivalents	46,346,599	-	-	46,346,599
Derivatives	3,221	-	-	3,221
	175,672,530	-	(11,186,419)	164,486,111
Total assets	376,100,446	-	(9,689,656)	366,410,790
EQUITY				
Issued capital	50,000,000	-	-	50,000,000
Treasury stock	(2,868,519)	-	-	(2,868,519)
Reserves and Retained Earnings	(60,093,602)	-	(7,102,918)	(67,196,520)
Profit for the year	6,542,295	-	-	6,542,295
Equity attributable to owners of Martifer	(6,419,826)	-	(7,102,918)	(13,522,744)
Non-controlling interests	(30,748,263)	-	(2,586,738)	(33,335,001)
Total equity	(37,168,089)	-	(9,689,656)	(46,857,745)
LIABILITIES				
Non-current liabilities				
Borrowings	204,906,931	-	-	204,906,931
Obligation under finance leases	12,876,453	-	-	12,876,453
Trade payables and Other payables	11,570,417	-	-	11,570,417
Provisions	30,570,438	-	-	30,570,438
Deferred tax liabilities	2,944,375	-	-	2,944,375
	262,868,614	-	-	262,868,614
Current liabilities				
Borrowings	17,826,240	-	-	17,826,240
Trade payables and Other payables	60,252,826	-	-	60,252,826
Income tax	656,730	-	-	656,730
Current tax liabilities	2,659,390	-	-	2,659,390
Other current liabilities	69,004,735	-	-	69,004,735
	150,399,921	-	-	150,399,921
Total liabilities	413,268,535	-	-	413,268,535
Total equity and liabilities	376,100,446	-	(9,689,656)	366,410,790

The impact on total equity arising from the adoption of IFRS 9 on 1 January 2018 can be analysed as follows:

	BALANCES AT 1 st JANUARY 2018
Total equity	(37,168,089)
Balances IAS 39	(37,168,089)
Impairment record for expected losses	(9,689,656)
Adjustments for First adoption of IFRS 9	(9,689,656)
Balances IFRS 9	(46,857,745)

b) Adoption of IFRS 15 - 'Revenue from contracts with customers'

IFRS 15 ("Revenue from contracts with customers") entered into force on 1 January 2018 and replaced, among others, IAS 11 ("Construction Contracts") and IAS 18 ("Revenue"). The fundamental principle of this Standard is that an entity should recognise the revenue in the transfer of goods and services promised to clients in an amount that reflects the consideration that the entity expects to receive in exchange for those goods and services.

Revenue should be recognised in accordance with the fundamental principle, and the '5-step approach' should be applied. The '5-step approach' includes the following:

- Identify the contract(s) with the client;
- Identify the performance obligations set out in the contracts;
- Determine the price of the transaction;
- Allocate the price of the transaction;
- Recognise revenue when (or as) the performance obligations are met.

For the application of this standard, Martifer proceeded to the identification of the main transactions that originate the register of revenue, having also identified the following primary sources of revenue:

- (a) Contracts for the supply and assembly of metallic structures and façades in aluminium and the supply of wind towers;
- (b) Contracts for the maintenance of oil & gas facilities;
- C) Shipbuilding contracts;
- (d) Contracts for ship repair;
- (e) Contracts for the operation and maintenance of wind farms and solar parks; and
- (f) Contracts for the sale of energy.

Subsequently, the Group proceeded to the analysis of existing contracts, both in terms of identification of performance obligations, as well as in terms of the moment of recognition of the respective revenue, having reached the following conclusions:

- i. The contracts concerning metallic constructions and shipbuilding and ship repair, identified above in paragraphs a), c) and d), generally correspond to a single performance obligation so the respective revenue should be recognised over time, in an approach similar to the one recommended in IAS 11 - Construction contracts, which was the Group's approach to this type of contract. Therefore, the transition from IAS 11 to IFRS 15 has no impact on the method of register of the revenue of these contracts;
- ii. The contracts for the maintenance of oil & gas facilities contemplate a set of services that are highly correlated, so they are treated as a single performance obligation, and revenue should be recognised over time. The accounting processing of these contracts does not substantially differ from what was recommended in IAS 18 - Revenue; therefore, there is no impact in these contracts compared to the methodology adopted until the entry into force of IFRS 15;
- iii. For contracts on the operation and maintenance of wind farms and solar parks what was referred to in subparagraph (ii) above applies, to the extent that they are similar in their contractual structure and inherent obligations and only differ in the object on which they focus, which falls under the renewable energy segment;
- iv. In the case of contracts on the sale of energy, the revenue should be recorded on the date on which the energy is transferred to the client, and this was the same approach that was advocated by IAS 18, so, also in this case, there is no impact compared to the methodology previously adopted;

- v. No compound contracts were identified (contracts that include multiple performance obligations);
- vi. No materially relevant situations were identified regarding contractual amendments;
- vii. Regarding the components of variable prices, the following were identified:
 - Several penalties for contractual default. Given that the history of the Group in what concerns the penalties incurred due to contractual default are residual, no adjustment was made in this context;
 - Performance bonuses in contracts for the operation and maintenance of wind parks. In accordance with IFRS 15, the values associated with the variable prices should only be recognised at the time that it is predicted that they are highly likely to be revenue. So, since this requirement is not fulfilled, no adjustment was made.
- viii. As regards the existence of contracts with a significant financial component, some advance payments received from clients were identified, which had not given rise to any adjustment since the period between the performance and the payment is less than one year or because the values are materially minor;
- ix. Material costs were not identified with the acquisition of contracts subject to being capitalised.

Finally, for the adoption of IFRS 15, Martifer used the transitional regime of the standard, i.e., proceeded with the retrospective application with initial cumulative effect recognised in retained earnings on 1 January 2018, with the adoption of the following practical proceedings:

- Application only to contracts not completed on 1 January 2018; and
- No restatement of contracts modified before 1 January 2017.

As a result of the adoption of IFRS 15, the Group's equity on 1 January 2018 did not suffer any change.

The impacts resulting from the adoption of IFRS 15 on the date of initial application (1 January 2018) can be analysed as follows:

€	BALANCES AT 31 st DECEMBER 2017	RECLASSIFICATIONS	BALANCES AT 1 st JANUARY 2018
ASSETS			
Non-current assets			
Goodwill	10,980,675	-	10,980,675
Intangible assets	2,832,161	-	2,832,161
Tangible fixed assets	117,258,806	-	117,258,806
Investment properties	20,826,300	-	20,826,300
Financial assets under the equity method	12,228,126	-	12,228,126
Available for sale investments	5,961,419	-	5,961,419
Trade receivables and other receivables	24,559,968	-	24,559,968
Deferred tax assets	5,780,459	-	5,780,459
	200,427,916	-	200,427,916
Current assets			
Inventories	9,627,614	-	9,627,614
Trade receivables and other receivables	86,926,501	-	86,926,501
Contracts Assets	-	11,044,611	11,044,611
Prepayments	5,429,583	-	5,429,583
Income tax	787,546	-	787,546
Current tax assets	6,330,328	-	6,330,328
Other current assets	20,221,138	(11,044,611)	9,176,527
Cash and cash equivalents	46,346,599	-	46,346,599
Derivatives	3,221	-	3,221
	175,672,530	-	175,672,530
Total assets	376,100,446	-	376,100,446

€	BALANCES AT 31 st DECEMBER 2017	RECLASSIFICATIONS	BALANCES AT 1 st JANUARY 2018
EQUITY			
Issued capital	50,000,000	-	50,000,000
Treasury stock	(2,868,519)	-	(2,868,519)
Reserves and Retained Earnings	(60,093,602)	-	(60,093,602)
Profit for the year	6,542,295	-	6,542,295
Equity attributable to owners of Martifer	(6,419,826)	-	(6,419,826)
Non-controlling interests	(30,748,263)	-	(30,748,263)
Total equity	(37,168,089)	-	(37,168,089)
LIABILITIES			
Non-current liabilities			
Borrowings	204,906,931	-	204,906,931
Obligation under finance leases	12,876,453	-	12,876,453
Trade payables and Other payables	11,570,417	-	11,570,417
Provisions	30,570,438	-	30,570,438
Deferred tax liabilities	2,944,375	-	2,944,375
	262,868,614	-	262,868,614
Current liabilities			
Borrowings	17,826,240	-	17,826,240
Trade payables and Other payables	60,252,826	(10,277,056)	49,975,770
Contracts Liabilities	-	59,210,938	59,210,938
Income tax	656,730	-	656,730
Current tax liabilities	2,659,390	-	2,659,390
Other current liabilities	69,004,735	(48,933,882)	20,070,853
	150,399,921	-	150,399,921
Total liabilities	413,268,535	-	413,268,535
Total equity and liabilities	376,100,446	-	376,100,446

If the Group were still to apply IAS 18 on 31 December 2018, there would be no differences in the calculation and register in the consolidated income statements.

1.3 BASIS OF CONSOLIDATION

The consolidation methods adopted by the Group are the following:

a) Group Companies

Financial holdings in companies controlled by the Group were included in the consolidated financial statements annexed, by the full consolidation method. The Group controls an investee when it is exposed, or it is the holder of rights concerning variable results through its relationship with the investee, and it can affect these results due to the power it has over the investee.

Equity and the net result of these companies, corresponding to the participation of third parties in them, are presented in the consolidated financial position statement (under the heading 'own capital – non-controlling interests') and on the consolidated profit and loss statement (included in the consolidated net profit attributable to non-controlling interests'), respectively. Companies included in the consolidated financial statements by the full consolidation method are detailed in Note 2.

In business combinations that occurred after 1 January 2004 and until 31 December 2010, the assets and liabilities of each subsidiary (including contingent liabilities) are identified at their fair value on the date of acquisition as stipulated in IFRS 3. Any surplus/ deficit in the acquisition cost compared to the fair value of the net assets and liabilities acquired is recorded, respectively, as the difference of positive acquisition of the asset (*Goodwill*, or to be added to the respective item, which originated the difference, when identified) and in case there is a negative acquisition of the asset (*Badwill*), after reconfirmation of the process of recovery of the fair value and in case this is maintained, in the profit and loss statement of the period. Non-controlling interests include the proportion of third parties in the fair value of the assets, liabilities and contingent liabilities identifiable at the date of acquisition of the subsidiaries.

In the combinations of business activities that occurred on or after 1 January 2011 (IFRS 3R), the excess of acquisition cost, the fair value of any share held prior to the acquisition of control and the value of non-controlling interests, over the fair value of the assets, liabilities and identifiable contingent liabilities is recorded as *Goodwill*. If the acquisition cost, the fair value of any share held before

the acquisition of control and the value of non-controlling interests is less than the fair value of the net assets of the acquired subsidiary, the difference is directly recorded in the income statement of the period under 'Other operating income'. The transaction costs relating to business combinations that occurred after this date are recorded in expense when incurred.

Transactions on the sale or acquisition of shareholdings in non-controlling interests that do not affect the control exercised by the Group do not result in the record of gains, losses or Goodwill, and any determined difference between the value of the transaction and the book value of the transacted shareholding recognised in equity.

The negative results generated in each period by the subsidiaries which have non-controlling interests are allocated in the percentage held to the non-controlling interests, regardless of becoming negative.

The results of subsidiaries acquired or sold during the year are included in the financial statements since the date of their acquisition or up to the date of their sale. Gains or losses recognised as a result of the loss of control of the subsidiaries are presented under the headings 'Other operating income' or 'Other operating expenses'.

Where necessary, adjustments are made to the financial statements of subsidiaries to adequate their accounting policies to those used by the Group. The transactions, balances and the dividends distributed between Group companies are eliminated in the consolidation process. In situations in which the Group holds, in substance, the control of other entities created with specific purposes, even if they do not have capital holdings in these entities, they are consolidated by the full consolidation method. On 31 December 2018 and 2017, there were no entities in this situation.

b) Associated Companies and jointly controlled Companies

Investments in associates (companies where the Group holds a significant influence but does not control them through the participation in making financial and operating policies in the Company - usually investments representing between 20% to 50% of the share capital of a company) and in jointly controlled companies (companies where the group shares control with other partners) are recorded following the equity method under the item 'Investments in associates and jointly controlled companies'.

According to the equity method, the financial contributions are recorded at their acquisition cost, adjusted by the amount corresponding to the Group's participation in the variations in Equity and the net results of subsidiaries, by contrast to other comprehensive income, of profit or loss for the financial year, respectively, and the dividends received, net of accumulated impairment losses.

The assets and liabilities of each subsidiary (including contingent liabilities) are identified at their fair value on the date of acquisition. Any excess in the cost of acquisition compared to the fair value of the net assets and liabilities acquired is recorded as a difference of a positive acquisition (Goodwill), being added to the value of the balance of the financial asset and its recovery reviewed annually as an integral part of the financial asset and, in case of a difference of negative acquisition (*Badwill*), after reconfirmation of the process of recovery of fair value and if case this is kept the same, the income statement of the exercise.

An evaluation of the investments in associate companies and jointly controlled companies is done when there are signs that the asset may be impaired. In that case, a loss is recorded in the financial statement.

When the proportion of the Group in the accumulated losses of the associate or jointly controlled company exceeds the value at which the investment is recorded, the investment is reported by null value while the equity of the associate or jointly controlled company is not positive, except when the Group made commitments to the entity, registering in such cases a provision under the item Liabilities 'Provisions' to meet those obligations.

The unrealised gains on transactions with associates and jointly controlled companies are eliminated, in proportion to the interest of the Group in them, in return for the investment in these entities. The unrealised losses are similarly eliminated, but only to the extent that the loss does not evidence that the transferred asset is in an impairment situation.

Companies included in the consolidated financial statements under the equity method are detailed in Note 2.

1.4 MAIN ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

The main accounting policies, judgements and estimates used in the preparation of the Group's consolidated financial statements, for the years presented, are as follows:

i) Positive acquisition differences (Goodwill)

The positive differences between the acquisition cost of investments in Group companies, jointly controlled entities and associates and the fair value of the identifiable assets and liabilities (including contingent liabilities) of those companies on the date of their acquisition are recorded under the heading '*Goodwill*' (in the case of investments in Group companies) or the value of investment in associates and jointly controlled entities (in the case of investments in associates and jointly controlled entities).

Goodwill generated before the date of transition to IFRS (1 January 2004), or the result from the constitution of the Group remains registered by its net book value, determined in accordance with the Official Accounting Plan, being subject to impairment testing at the end of each year, from that date onwards.

The value of *Goodwill* is not amortised, being annually tested at the end of each financial year to check if there are any impairment losses, i.e., if *Goodwill* is not recorded by a superior value to its recoverable amount. Impairment losses of *Goodwill*, verified in the period, are recorded in the income statement under the item 'impairment losses'. The recoverable amount is the highest between the two: net sale price and value in use. The net selling price is the amount that would be obtained with the sale of the asset in a transaction within reach of the parties involved, less expenses directly attributable to the sale. Value in use is the present value of the estimated future cash flows that are expected to result from the continued use of the asset and its disposal at the end of its useful life. The recoverable amount is estimated for each asset individually or, if it is not possible, for the cash-generating unit to which the asset belongs.

Impairment losses relating to *Goodwill* may not be reverted.

Goodwill arising from investments in companies of the Group, jointly controlled entities and associates, headquartered abroad and the fair value of the identifiable assets and liabilities of those companies on the acquisition date are recorded in the operating currency of those companies, being translated into the reporting currency of the Group (Euro) at the exchange rate in force on the date of the financial position statement. Exchange differences arising from the conversion are recorded under the item Equity - 'currency conversion reserves'.

ii) Non-Current assets classified as held for sale

Non-current assets are classified as held for sale when their value is recovered through a sales transaction, instead of during its continued use. However, this classification requires that the sale be highly probable, that the asset is available for immediate sale, that the Board of Directors of the Group is committed to its alienation and that it occurs in the short term (usually, but not exclusively, within a year).

Non-current assets classified as held for sale are recorded at the lowest of their book value, or their fair value, minus the expenses with their alienation, and, in the case of fixed assets affected to the operating unit held for sale, the depreciation is interrupted during that period.

iii) Intangible assets

Intangible assets are recorded at acquisition cost, minus amortisation and any accumulated impairment losses, and are only recognised if they are identifiable, if their value can be reasonably measured and if the Group has control over them.

Intangible assets are basically constituted by industrial property rights and software, and they are amortised by the straight-line method over a period of three years, as well as the expenses incurred with obtaining licenses to operate wind farms, which are amortised according to the period of the granted licenses (currently between 20 and 25 years).

The expenses incurred with the licensing of wind farms are capitalised in intangible assets only when the following requirements are met:

- the economic viability studies demonstrate that there will be future economic benefits;
- the Group has the technical and financial capacity to carry out the installation and operation of wind farms; and
- the expenditure related to the stage of licensing of wind farms is reliably measured.

The expenses incurred by the Group during the research phase of wind farms are recorded in the income statement at the moment in which they are incurred.

The remaining research costs are recorded as an expense in the year in which they are incurred.

The intangible assets identified in the acquisition of a subsidiary are recorded separately from the item 'Goodwill' if its fair value can be reliably estimated. The initial cost of such intangible assets is their fair value on the acquisition date.

After their initial recognition, intangible assets arising from the acquisition of a subsidiary are recorded at acquisition cost, minus amortisation and any accumulated impairment losses, in the same way as the intangible assets acquired by the Group. These assets are amortised by the straight-line method, usually during the period in which economic benefits are expected to occur.

iv) Tangible assets

Tangible assets are recorded at their acquisition cost, net of depreciation and accumulated impairment losses.

The Group did not register provisions for the decommissioning of wind farms or solar parks since the Group does not currently have any legal or contractual obligation to dismantle those assets.

Depreciation is ascribed on a systematic basis over the estimated useful lives of the assets, and land is not depreciable.

The tangible assets in course represent assets still in the construction/ development phase, and they are recorded at acquisition cost, minus accumulated impairment losses. These tangible assets are depreciated from the moment in which the underlying assets are available for use and are in the necessary conditions in terms of technical quality and reliability to operate. Depreciation is ascribed on a systematic basis by the straight-line method over its useful life which is determined taking into account the expected usage of the asset by the Group, the expected natural wear and tear and the fact that it is subject to predictable technical obsolescence.

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

Buildings:	20 to 50 years
Equipment:	
Basic equipment	3 to 7 years
Transportation equipment	4 to 5 years
Tools and utensils	3 to 5 years
Office equipment	3 to 10 years
Other tangible fixed assets:	
Wind farms and solar parks	15 to 20 years
Other tangible fixed assets	3 to 10 years

Maintenance and repair costs that neither increase the useful life nor create significant improvements in tangible fixed assets are recorded as costs in the year in which they are incurred.

v) Leases

The leasing contracts are classified as (i) financial leases, if by them all the risks and rewards inherent to the ownership of the asset under lease are substantially transferred and as (ii) operating leases, if by them all the risks and rewards inherent to the ownership of the asset under the lease are not substantially transferred.

The classification of leases as financial or operating depends on the economic substance and not the form of the contract.

The tangible assets acquired through lease contracts, as well as the corresponding responsibilities, are accounted for by the financial method, recording the tangible fixed asset, the corresponding depreciation, as defined in policy iv) above and the outstanding debts in accordance with the financial contract plan.

In addition, the interest included in the value of rents and the depreciation of tangible fixed assets is recognised as an expense in the P&L statement for the period to which they relate.

In the leases considered as operating, the rents payable are recorded as an expense in the income statement on a straight-line basis over the period of the lease contract.

vi) Investment Properties

The investment properties essentially comprise real estate and land held to earn income or capital appreciation, or both, and not for use during the current activity of the business.

The investment properties are initially recorded at acquisition cost, plus acquisition charges and ownership registration fees. After initial recognition, investment properties are measured at their fair values, with the record of changes in fair value in the results for the year in which they occur.

The expenses incurred (maintenance, repairs, insurance and taxes on properties), as well as revenues and rents obtained with the investment properties, are recognised in the income statement for the year to which they relate.

vi) Financial assets and liabilities

Martifer adopted IFRS 9 in the year 2018, and the cumulative effect of its initial implementation was recorded as an adjustment to the opening balance of the item 'Retained earnings' in the consolidated statement of financial position on 1 January 2018. Hence, the comparative information regarding the year 2017 was not restated and was submitted in accordance with IAS 39.

vii.a) Accounting policy adopted by the Group in 2018 in relation to financial assets and liabilities (under IFRS 9)

Financial assets and liabilities are recognised in the Group's consolidated statement of financial position when it is a contractual party of the instrument.

The financial assets and liabilities are initially measured at their fair value. The transaction costs directly attributable to the acquisition or the issue of financial assets and liabilities (which are not financial assets or liabilities calculated at fair value through profit or loss) are added to or deducted from the fair value of the asset or financial liability, as the case may be, on initial recognition.

The transaction costs directly attributable to the acquisition of assets or liabilities are recorded at fair value through profit or loss immediately in the consolidated income statement.

vii.a.1) Financial assets

All purchases and sale of financial assets are recorded at the date of signing of the respective sale and purchase agreements, regardless of the date of their financial settlement.

All recorded financial assets are subsequently calculated at amortised cost, or at their fair value, depending on the business model adopted by the Group and the characteristics of their contractual cash flows.

Classification of financial assets:

a) Debt instruments and accounts receivable

Debt instruments of fixed income and accounts receivable that comply with the following conditions are measured subsequently at amortised cost:

- (i) the financial asset is held taking into account a business model whose goal is to keep it in order to receive their contractual cash flows; and
- (ii) the contractual terms of the financial asset give rise, on specific dates, to cash flows that are solely payments of capital and interest on the amount of capital in debt.

The effective interest rate method is a method of calculating the amortised cost of a financial instrument and to allocate the respective interest during the period of its validity.

For financial assets that are not acquired or originated with impairment (i.e., impaired assets on initial recognition), the effective interest rate is the rate that discounts exactly the estimated future cash flows (including fees and commissions paid or received, which are an integral part of the effective interest rate, transaction costs and other premiums or discounts) during the expected life cycle of the instrument in its gross carrying amount on the date of its initial recognition.

The amortised cost of a financial asset is the amount by which it is measured in the initial recognition deducted from capital repayments, plus the accumulated amortisation, using the effective interest rate method, of any difference between that initial amount and the amount of its repayment, adjusted in any possible impairment losses.

The income associated to interest is recorded in the consolidated income statement under the item 'Financial income and gains', through the method of effective interest rate, for financial assets recorded subsequently at amortised cost or fair value through the income statement. The interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset.

Debt instruments and accounts receivable that comply with the following conditions are subsequently calculated at fair value through other comprehensive income:

- (i) the financial asset is held taking into account a business model whose objective foresees the receipt of its contractual cash flows and its divestiture; and
- (ii) the contractual terms of the financial asset give rise, on specific dates, to cash flows that are solely payments of capital and interest on the amount of capital in debt.

(b) Capital instruments designated at fair value through other comprehensive income

On initial recognition, the Group may make an irrevocable choice (financial instrument by financial instrument) to designate certain investments in equity instruments (shares) at fair value through other comprehensive income. The designation at fair value through other comprehensive income is not permitted if the investment is held for trading purposes or if it is the result of recognised contingent consideration in the context of a combination of business activities.

An equity instrument is held for trading, if:

- (i) it is purchased mainly with the purpose of alienation in the short term;
- (ii) on initial recognition, it is part of a portfolio of identified financial instruments that Martifer administers together and in which there is evidence of a recent real pattern of obtaining profits in the short term; or
- (iii) if it is a derivative financial instrument (except if it is assigned to a hedging operation).

Investments in equity instruments recognised at fair value through other comprehensive income are measured initially at their fair value plus transaction costs. Subsequently, they are measured at their fair value with gains and losses arising from their variation recorded in other comprehensive income. At the moment of their sale, the accumulated gain or loss generated with these financial instruments is not reclassified for the consolidated income statement, but transferred only to the item 'Other reserves and retained earnings'.

Dividends associated with investments in equity instruments recorded at fair value through other comprehensive income are recorded in the consolidated income statement at the moment they are assigned/ determined unless they clearly represent a recovery of part of the investment cost. Dividends are recorded in the consolidated statement of results under the item 'Income and financial gains'.

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

Financial assets that do not meet the criteria for being calculated at amortised cost or fair value through other comprehensive income are calculated at fair value through profit or loss.

Financial assets recorded at fair value through profit or loss are calculated at fair value determined at the end of each reporting period, being the respective gains or losses recognised in the consolidated income statement, except if they are part of a hedging relation.

d) Green certificates

Green Certificates are instruments that approve the production of a given amount of electricity from renewable energy sources.

In Romania green certificates of two types were awarded until 2017: green certificates that could be traded until the end date of the Romanian renewable incentive scheme, which is by 2032, and suspended green certificates (which could be traded between 2018 and 2025). Since 2018, only one green certificate for each MW produced is awarded to Martifer Renewables, and they are traded on the free market.

At the date of publication of the financial statements, there is no accounting standard or an interpretation in the International Financial Reporting Standards ('IFRS') which deals specifically with the accounting of emissions or certificates of renewable energy.

When the certificates are received, the company recognises an asset in 'Financial assets at fair value through profit or loss' (current or non-current, depending on the period in which they will be sold) and the corresponding 'Deferred Income'. The revenue is recognised in a P&L statement caption when the certificates are sold. After initial recognition, the certificates are valued at the transactionable price available to date. At the end of each period, these are evaluated using the fair value at that date, which corresponds to market rates. The resulting difference is recorded under the same heading "Deferred income". The value of the reversed certificates, for not having been used within the term of validity, shall be recorded in 'financial expenses and losses'.

Impairment of financial assets

The Group recognises expected impairment losses for debt instruments measured at amortised cost or at fair value through other comprehensive income, such as accounts receivable from clients, other debtors and assets associated with contracts with clients.

The amount of expected impairment losses for the financial assets mentioned above is updated at every reporting date to reflect changes in credit risk occurred since the initial recognition of the respective financial assets.

The expected impairment losses for credit granted (receivables from customers and other debtors and assets associated with contracts with customers) are estimated using a matrix of uncollectability based on the credit history of the Group's debtors in the last four years (three years for the financial year 2017), adjusted by specific factors attributable to debtors, as well as by macroeconomic conditions that are estimated for the future. For this purpose, the balances of clients and other debtors were grouped taking into account the similar credit risk profiles (country, business unit, type of debtor - public or private, etc.) and maturity intervals. (see Note xxix (e)).

The Group recognises impairment losses expected for credit granted for the entire life cycle of receivables from clients and other debtors, as well as for the assets associated with contracts with clients.

As regards balances receivable from jointly controlled companies and associates, which are not considered part of the financial investment in those companies, the credit impairment is assessed taking into account the following criteria: (i) if the balance receivable is payable on demand; (ii) if the balance receivable is of low risk; (iii) if its term is less than 12 months.

In the cases in which the balance receivable is payable on demand and the related party has the ability to pay, the probability of default was considered close to 0%, and therefore the impairment was considered equal to zero. In the cases in which the balance receivable is not payable on demand, the credit risk of the related company is assessed and if it is 'low' or if the term is less than 12 months, Martifer only assesses the probability of occurrence of default for the cash flows that are due in the following 12 months. For all other situations and types of balances receivable, the Group applies the general approach of the impairment model, assessing on each reporting date if there has been a significant increase in the credit risk since the date of the initial recognition of the asset. If there has not been an increase in the credit risk, Martifer calculates an impairment corresponding to the amount equivalent to the expected losses in 12 months. If there has been an increase in the credit risk, the Group calculates an impairment corresponding to the amount equivalent to the expected losses for all contractual cash flows until the asset's maturity. The assessment of the credit risk is carried out according to the criteria disclosed in the credit risk management policies included in Note xxix (e).

Write-offs Policy

Martifer shall write-off a financial asset when there is information that demonstrates that the debtor is in a very fragile financial situation, mainly when it is in the process of liquidation or bankruptcy and when there are no realistic prospects of credit recovery. However, the cancelled financial assets may still be subject to recovery procedures by the Group. Any subsequent recoveries will be recorded in the consolidated income statement.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the asset's cash flows expire, or when it transfers the financial asset and substantially all the risks and benefits associated with its ownership to another entity. If the Group does not transfer or retain substantially all the risks and benefits associated with the ownership of a financial asset but continues to control it, the Group records its interest in the retained asset and an equivalent liability in the amount that it will have to return. If the Group

substantially retains all the risks and benefits associated with the ownership of a transferred financial asset, the Group continues to record it and additionally records a loan in the amount received in the meantime.

In the derecognition of a financial asset calculated at amortised cost, the difference between its recorded amount and the sum of the consideration received and receivable is recorded in the consolidated income statement.

vii.a.2) Financial liabilities and equity instruments

Classification as a financial liability or as an equity instrument

Financial liabilities and equity instruments are classified as liabilities or as equity according to the contractual substance of the transaction.

Equity

The Group considers equity instruments those in which the contractual support of the transaction shows that the Group holds a residual interest in a group of assets after deducting a set of liabilities.

Equity instruments issued by the Group are recorded in the amount received, net of the costs directly attributable to their issue.

The repurchase of equity instruments issued by the Group (own shares) is accounted for by its acquisition cost as a deduction from equity. The gains or losses inherent to the alienation of own shares are registered under the item 'Other reserves and retained earnings'.

Financial liabilities

After initial recognition, all financial liabilities are subsequently calculated at amortised cost or fair value through profit or loss.

Financial liabilities are recorded at fair value through profit or loss when:

- (i) the financial liabilities result from a contingent consideration due to a concentration of business activities;
- (ii) when the liability is not held for trading; or
- (iii) when the liability is designated to be recorded at fair value from profit or loss.

A financial liability is classified as held for trading if:

- (i) it is acquired mainly for disposal in the short term; or
- (ii) on initial recognition, if it is part of a portfolio of identified financial instruments that the Group manages together and where there is evidence of a recent real pattern of obtaining profit in the short term; or
- (iii) if it is a derivative financial instrument (except if it is affected to a hedging operation).

The financial liabilities recorded at fair value through results are measured at fair value with the respective gains or losses arising from their variation recognised in the consolidated income statement, except if they are affected to hedging transactions.

Financial liabilities measured subsequently to the amortised cost

The financial liabilities that are not designated for registration at fair value through profit or loss are measured subsequently at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating the respective interest during its validity period.

The effective interest rate is the rate that discounts exactly the estimated future cash flows (including fees and commissions paid or received, which form an integral part of the effective interest rate, transaction costs and other premiums or discounts) during the expected life cycle of the financial liability in its carrying amount at the date of its initial recognition.

Types of financial liabilities

Loans in the form of commercial paper emissions are classified as non-current liabilities when they have a guarantee of placement for a period exceeding one year, and it is the Group's Board of Directors' intention to use this source of funding also for a period exceeding one year.

The other financial liabilities mainly relate to factoring and financial leasing operations, which are initially recorded at their fair value. These financial liabilities are, after their initial recognition, measured at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the obligations of the Group are settled, have been cancelled or have expired.

The difference between the derecognised carrying amount of the financial liability and the consideration paid or payable is recorded in the consolidated income statement.

When the Group exchanges with a particular creditor a debt instrument for another with substantially different terms, this exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Similarly, the Group accounts the substantial modifications in terms of existing liability, or part of it, with a termination of the original financial liability and the recognition of a new financial liability. The terms are assumed to be substantially different if the present value discounted of the cash flows of the renegotiated financial liability, including any fees paid net of any commissions received, discounted using the original effective interest rate, is at least 10 per cent divergent of the present value of discounted cash flows remnant of the original financial liability.

If the modification is not substantial, the difference between: (i) the carrying amount of the liability before the modification and (ii) the present value of future cash flows after the modification is recorded in the income statement as a gain or loss of the modification, in financial income/ expenses.

vii.a.3) Financial derivatives

The Group uses financial derivatives to manage its financial risks solely as a means of hedging these risks, and financial derivatives are not used for the purpose of speculation. The use of financial derivatives has been duly regulated by the Group.

Financial derivatives are initially recorded at their fair value at the date on which they are contracted, being subsequently recalculated at their fair value at each reporting date. The resulting gain or loss is recorded immediately in the income statement unless the financial derivative is designated as a hedging instrument, in which case the recognition in the income statement depends on the nature of the hedging relationship.

As mentioned above, the financial derivatives used by the Group are hedging instruments of interest rate and exchange rate mainly associated with obtained loans. The loan amounts, the interest maturity dates and the repayment plans are generally similar to the conditions set for interest rate and exchange rate hedging instruments, so hedging is usually highly effective.

The criteria used by the Group in the initial recognition to classify financial derivatives as cash flow hedging instruments are the following:

- (a) The hedging relationship is composed only by eligible hedging instruments and eligible hedged items;
- (b) At the beginning of the hedging relationship, there is a formal description and documentation regarding the hedging relationship and the risk management goal and strategy of the entity to make the hedging; and
- (c) The hedging relationship satisfies all the following requirements of hedging effectiveness:
 - (i) There is an economic relationship between the hedged item and the hedging instrument;
 - (ii) The credit risk effect does not dominate the changes in value that result from that economic relationship; and
 - (iii) The hedging ratio of the hedging relationship is the same that results from the amount of the hedged item that an entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that amount of the hedged item.

The financial derivatives for interest rate and exchange rate hedging are initially recorded at their fair value. Subsequent changes in the fair value of financial derivatives assigned to cash flow hedges, associated with the actual hedging part, are recorded in the consolidated statement of other comprehensive income under the caption "variation, net of taxes, at fair value of financial derivatives of cash flow hedge" and are transferred to results in the same period in which the instrument object of hedging affects the results.

Any potential hedging inefficiencies are recorded under the items "Income and financial gains" and "Expenses and financial losses" of the consolidated income statement of the period.

The accounting of cash flows hedging should be discontinued if the hedging instrument matures or terminates early, if the hedging ceases to be effective or if it is decided to terminate the designation of the hedging relationship. In these cases, the accumulated gain or loss resulting from the hedging instrument should remain recorded separately in equity, being reflected in results in the same time period of the recognition in results of gains or losses on the hedged item.

A financial derivative with a positive fair value is recorded as a financial asset, whereas a financial derivative with negative fair value is recorded as a financial liability.

Financial derivatives are not compensated in the consolidated financial statements unless the Group has a legal right and the intention to compensate them.

A financial derivative is presented as a non-current asset or non-current liability if its residual maturity term does not exceed 12 months from the report date, and it is not expected that it is materialised or settled within 12 months from the date referred to above. The remaining financial derivatives are presented as current assets or current liabilities.

vii.a.4) Fair value of financial assets and liabilities

In determining the fair value of a financial asset or liability, if there is an active market, the market price is applied.

This is level 1 of the hierarchy of fair value as defined in IFRS 13 - Fair Value: calculation and disclosure.

In case there isn't an active market, which is the case for certain financial assets and liabilities, assessment techniques which are generally accepted by the market are used, based on market assumptions. This is level 2 of the hierarchy of fair value as defined in IFRS 13.

The Group applies evaluation techniques for the unlisted financial instruments, such as derivatives, financial instruments at fair value through profit or loss and for financial assets held for sale. The valuation models that are most often used are models of discounted cash flows and option valuation models that incorporate market information such as interest rate curves.

For some types of financial instruments that are more complex, more complex evaluating models are used containing assumptions and data that are not directly observable in the market, for which the entity uses internal estimates and assumptions. This is level 3 of the hierarchy of fair value as defined in IFRS 13.

The assets and liabilities measured at fair value are the following:

- Investment properties (level 3);
- Other Financial Assets/ Green Certificates (level 1).

vii.b) Accounting policy adopted by the Group until 31 December 2017 in relation to financial assets and liabilities (under IAS 39)

Financial assets and liabilities are recorded in the consolidated balance sheet when the Group becomes a contractual party of the respective financial instrument.

vii.b.1) Financial instruments

The Group classifies financial assets in the following categories: 'Financial assets at fair value through profit or loss', 'Borrowings and receivables', 'Held-to-maturity investments' and 'Held for sale financial assets'. The classification depends on the intention inherent to the investment's acquisition.

The classification is made at the initial recognition date:

- Borrowings and other receivables: This category includes non-derivative financial assets with fixed or variable repayments and with maturity set or within the view that they are not quoted in active/net markets. These financial assets arise when the Group provides money, goods or services directly to a debtor with no intention of trading the debt. "Borrowings and receivables" are classified as current assets, except in case their maturity is greater than 12 months from the date of the statement of financial position, a situation in which they are classified as non-current assets. This typology of financial assets are recorded in the statement of financial position under the item 'Clients and other debtors' in case of non-current assets, as well in the item "Trade Receivable" and "Other debtors" when they are current assets;
- Financial assets at fair value through profit or loss: this category is divided into two sub-categories: 'financial assets held for trade' and 'financial assets registered at fair value through profit or loss'. A financial asset is classified under this category, namely, if it is acquired to be sold in the short term. Derivatives are also classified as instruments held for trading, except if designated as an effective hedging instrument. Financial instruments in this category are classified as current if they are held for trading or if it is expected that they are going to be realised within twelve months of the balance sheet date;
- Held-to-maturity investments: this category includes financial assets, non-derivative, with fixed or variable reimbursements with a fixed maturity, and the Board of Directors intends to hold them to maturity;
- Held for sale financial assets: these include financial assets, non-derivative, that are designated as held for sale or those that are not and cannot be classified in the preceding categories. This category is classified as non-current unless the Board of Directors has the intention to sell the investment within 12 months of the balance sheet date.

All acquisitions and sale of financial assets are recorded on the transaction date, that is, on the date when the Group assumes all risks and obligations inherent to the acquisition or sale of the asset. Investments are initially recorded at fair value plus transaction costs; the only exception being the 'financial assets recorded at fair value through profit or loss'. In the latter case, the investments are initially recorded at fair value, and transaction costs are recorded in the income statement. Investments are derecognised when the right to receive financial flows has expired or has been transferred and, consequently, all risks and benefits associated with it have been transferred.

The 'financial assets held for sale' and the 'financial assets recorded at fair value through profit or loss' are subsequently calculated at fair value.

The gains and losses realised or not, arising from a change in the fair value of the 'financial assets recorded at fair value through profit or loss' are recorded in the income statement of the period. Gains and losses arising from a change in the fair value of investments classified as held for sale are recorded in the statement of comprehensive income in the item of 'fair value reserves' until the investment is sold, received, or by any other way disposed of; moment at which the accumulated gain or loss is recorded in the consolidated income statement.

The fair value of investments is based on common market prices. If the market in which the investments are in is not an active/net market (unlisted investments), the Group establishes the fair value through other evaluation techniques such as the use of transactions in substantially similar financial instruments, financial flow analyses and price adjusted option models to reflect the specific circumstances. The fair value of listed investments is calculated based on the closing price of the Euronext at the date of the demonstration of financial position.

In determining the fair value of an asset or financial liability, if there is an active market, the market quotation is applied. This is level 1 of the hierarchy of fair value as defined in IFRS 13 - Fair Value: calculation and disclosure.

In case there isn't an active market, which is the case for certain financial assets and liabilities, assessment techniques which are generally accepted by the market are used, based on market assumptions. This is level 2 of the hierarchy of fair value as defined in IFRS 13.

The Group applies evaluation techniques for the unlisted financial instruments, such as derivatives, financial instruments at fair value through profit or loss and for financial assets held for sale. The valuation models that are most often used are models of discounted cash flows and option valuation models that incorporate market information such as interest rate curves.

For some types of financial instruments that are more complex, more complex evaluation models are used containing assumptions and data that are not directly observable in the market, for which the entity uses internal estimates and assumptions. This is level 3 of the hierarchy of fair value as defined in IFRS 13.

The assets and liabilities measured at fair value are the following:

- Investment properties (level 3);
- Other Financial Instruments/ Green Certificates (level 1).

'Loans and accounts receivable' and 'Investments held to maturity' are recorded at amortised cost using the effective interest rate method.

The Group undertakes impairment tests at the date of each balance sheet statement whenever there is objective evidence that the book value of a financial asset is not recoverable. In case of equity instruments classified as held for sale, a significant or prolonged decline in their fair value to levels below their cost is indicative that the asset is impaired. For the remaining financial assets, objective evidence of impairment may include:

- significant financial difficulties on the counterparty's side to settle its debts;
- no timely compliance on the counterparty's side of credits granted by the Group;
- high probability that the counterparty enters a process of bankruptcy or debt restructuring.

For financial assets recorded at amortised cost, the amount of the impairment results from the difference between its accounting value and the present value of future cash flows, discounted at the original effective interest rate.

The accounting value of financial assets is directly reduced by detected impairment losses, except accounts receivable from clients and other debtors for which the Group constitutes a specific account for it 'accumulated impairment losses'. When an account receivable from clients and other debtors is considered irrecoverable, it is annulled by the account 'Accumulated impairment losses'. Subsequent receipts of accounts receivable from clients and other debtors annulled by the financial statements are credited to the P&L Statement of the period.

Changes in the account 'Accumulated impairment losses' are recorded in the P&L Statement of the period.

With the exception of 'Held for sale financial assets', which correspond to capital instruments in another entity, if in a subsequent year a decrease of accumulated impairment losses shall occur, and if this decrease is objectively due to an event occurring after the date of recognition of such impairment, this decrease is registered through the P&L Statement of the period.

vii.b.2) Trade receivables and other debtors

'Trade' and 'other current receivables' amounts have no implicit interest and are recorded at their nominal value less any impairment losses, recorded in the caption 'Accumulated Impairment losses', in order to reflect their net realisation value.

vii.b.3) Loans

Borrowings are recorded as liabilities at the nominal value received, net of commissions and fees relating to their issuance.

Financial expenses are calculated based on the effective interest rate and are recorded in the P&L statement on an accruals basis.

vii.b.4) Other accounts payable and other liabilities to third parties

Current accounts payable and receivables, which do not bear interest, are recorded at their nominal value which is substantially equivalent to their fair value.

vii.b.5) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified based on the contractual substance of the transaction. The Group considers equity instruments those in which the contractual support of the transaction shows that the Group holds a residual interest in a group of assets after deducting a set of liabilities. Financial liabilities are considered those in which payment of funds is expected to occur.

vii.b.6) Financial derivatives

The Group uses financial derivatives to manage its financial risks solely as a means of hedging those risks, and derivatives are not used for the purpose of trading. The Group's Board of Directors approved the use of derivative instruments.

Derivative financial instruments used by the Group, defined as cash flow hedging instruments, are exclusively related to interest rate and exchange rate hedging instruments on loans obtained. The number of loans, interest maturities and repayment plans for loans underlying interest rate and exchange rate hedging instruments are in all respects identical to the conditions established for the loans contracted, resulting in perfect hedges.

The criteria used by the Group to classify the derivative financial instruments as hedging instruments of cash flows are the following:

- It is expected that the coverage is highly effective in achieving offsetting changes in cash flows attributable to the hedged risk;
- The effectiveness of coverage can be reliably measured;
- There is proper documentation about the transaction to be hedged at the beginning of the hedging;
- The transaction object of the hedging is highly probable.

Interest rate hedging instruments (cash flow hedge) and exchange rate hedging instruments are initially recorded at fair value (if any) and subsequently revalued to their fair value. Changes in the fair value of these instruments, associated to the effective hedging portion, are recognised in the statement of comprehensive income under the caption 'Hedging reserves - Derivatives' and are transferred to results in the same period in which the hedged instrument affects the results. The part of the non-effective hedge is recorded in the P&L statement for the year, at the time it is calculated.

The measurement of derivative financial instruments is discontinued when the instrument matures or is sold. When a hedging instrument no longer qualifies for hedge accounting, the cumulative gain or loss that was deferred in the statement of comprehensive income in the caption 'Fair value reserves – Derivatives' is transferred to the income statement for the period, and the subsequent revaluations of the derivative are also recorded in the income statement. In situations where the derivative instrument no longer qualifies as a hedging instrument, the accumulated and deferred fair value differences recognised in the statement of comprehensive income in the item 'Fair value reserves - Derivatives' are retained in equity, and subsequent calculations are recorded directly in the items of the P&L Statement.

vii.b.7) Green Certificates

Green Certificates are instruments that approve the production of a given amount of electricity from renewable energy sources.

In Romania, green certificates are assigned to Martifer Renewables, and they can be of two types: certificates available to be traded (valid until the end of the renewables incentive system in Romania, i.e., until 2032) and suspended green certificates (that can be traded between 2018 and 2025).

On the date of publication of the financial statements, there is no accounting standard or an interpretation in International Financial Reporting Standards ('IFRS') which deals specifically with the accounting of emissions or certificates of renewable energy.

When the certificates are received, the company recognises an asset in 'Assets held for sale' or 'Other current financial assets' (depending on the type of certificate) and the corresponding 'Deferred revenue'. The income is recognised as a separate item in the P&L statement when the green certificates are sold. After initial recognition, the certificates are valued at the transactionable price available to date. At the end of each period, these are evaluated using the fair value at that date, which corresponds to market rates. The resulting difference is recorded as a separate item in the P&L statement, as 'income and financial gains' or as 'financial expenses and losses'. The value of the reversed certificates shall be recorded in 'financial expenses and losses' for not having been used within the term of validity.

vii.b.8) Discounted bills and receivables transferred in factoring

The Group derecognises financial assets from its financial statements only when the contractual right to cash flows inherent to such assets has expired or when the Group substantially transfers all the risks and benefits inherent to the ownership of those assets to a third party. If the Group substantially retains the risks and benefits inherent to the ownership of such assets, it continues to recognise them in its financial statements, registering in the liabilities the monetary consideration for the assets conceded, in the item 'Loans'.

Consequently, the balances of clients holders of deducted bills not yet overdue and accounts receivable transferred in factoring on the date of each statement of financial position, except operations of 'factoring without recourse', are identified in the financial statements of the Group until the time of their receipt.

viii) Cash and cash equivalents

The amounts included under the heading 'Cash and bank deposits' correspond to cash values, current and future bank deposits and other treasury applications (maturing in less than three months, readily convertible to a known amount of money, for which the risk of change in value is not significant).

ix) Inventories

Goods and raw material (subsidiary and for consumption) are valued at the lowest of the average acquisition cost, or of the respective market value (estimation of its sale price minus expenses to be incurred with its disposal). The finished and semi-finished products, the sub-products and the products and work in progress are valued at production cost, which is lower than its market value. The production costs include the cost of the incorporated raw material, direct labour and production overheads.

Impairments are recognised whenever it is estimated that the net realisable value is lower than the book value, and the impairments recorded in the item 'Other operating expenses' of the P&L Statement (Note 10).

x) Specialisation of periods

Revenue and expenses are recorded in the period to which they relate, regardless of their date of payment or receipt. The differences between the amounts received and paid for and the corresponding revenues and expenses are recorded under the caption 'Other current assets', 'Other non-current assets', 'Other current liabilities' and 'Other non-current liabilities'.

In the course of the year 2017, there was a change in the method of arriving at the profit or loss figure of construction works, performance calculation reports started to be used to calculate the percentage of completion instead of using the ratio between expenditure incurred in each project until a certain date and the sum of those costs with the estimated costs to complete the work. This meant that the costs and income accounted for reflect the physical evolution of the project leading to associated costs in these construction contracts that have to be specialised. This did not happen until the last fiscal year, where only the revenues were specialised. These costs are recorded in the sub-headings 'Deferred costs - Works in Progress' or 'Accrued expenses - Works in Progress', included in the items 'Other current assets' and 'Other current liabilities', respectively.

xi) Revenue

The Group adopted IFRS 15 in the year 2018, not coming from there any impact on their "retained earnings" of the consolidated statement of financial position on 1 January 2018. Thus, the comparative information regarding the year 2017 was not restated and is submitted in accordance with IAS 11 and IAS 18.

The revenue in the fiscal year 2018 began to be measured in accordance with the consideration specified in contracts with clients and excludes any amount received on behalf of third parties. So, the Group began to recognise revenue when transferring control over a particular good or service to the customer.

In the comparative period, revenue was calculated at the fair value of the consideration received or to be received and was recorded, in particular, when the significant risks and advantages associated with the ownership of the assets sold were transferred to the buyer.

The main business areas/ sources of income of the Group in the years 2017 and 2018 can be detailed as follows:

(i) Metallic Constructions/ Shipbuilding and ship repair - In this area, the Group develops projects of civil construction and public works, and the construction of various infrastructures must be highlighted, such as airports, ports, stadiums, residential and commercial buildings, among others. It also develops projects for shipbuilding and ship repair;

(ii) Operation and Maintenance - In this area, the services provided by the Group in the operation and/or maintenance of infrastructures, in particular infrastructures for oil & gas and wind farms and solar parks are included;

(iii) Sale of energy - This area includes, primarily, the activity of electricity generation and trading in Spain and Romania.

xi.a) Accounting policy adopted by the Group in 2018 concerning the recognition of revenue (under IFRS 15)

Nature, performance bonds and moment of recognition of revenue

(i) Metallic Constructions/ Shipbuilding and ship repair.

In this business area, the Group executes with public and private entities several contracts to render construction services that include several components/ tasks. Although in most cases, customers can benefit from the different components/ tasks independently, given that they are negotiated together, the promise of transfer of each one of them is not separately identifiable from the others. Additionally, given that the components/ tasks referred to above are typically highly interrelated and interdependent, the Group believes that they should be treated as a single performance obligation. This way, typically, each construction contract is treated as being a single performance obligation.

On the other hand, given that the customers have the capacity (control) to guide the use of the asset as it is being built and the capacity to substantially obtain all the economic benefits remaining therefrom, the Group's performance obligation in these cases is met over time, and revenue is recognised in accordance with the percentage of completion using as a method of preparation of performance calculation reports (described below).

Therefore, the Group recognises the results of construction contracts, contract by contract, in accordance with the percentage of completion that results from the method of the performance calculation reports (outputs method), which accurately reflects the physical evolution of the work on a given date. The differences obtained between the values resulting from the application of the performance measurement report and the values invoiced until that time are accounted for under the items assets/ liabilities related to contracts with clients. In addition, the Group's Board of Directors believes that the method of the performance calculation reports is the most appropriate method to be applied to measure the level of accomplishment of the performance obligations in construction contracts.

To apply performance calculation reports, the costs related to training, budgeting, travel, etc. are not considered, to the extent that they do not reflect the progress and the transfer of control to the client.

In order to cover the expenses incurred during the warranty period of the construction contracts, the Group records a provision to accommodate such legal obligation, which is calculated taking into account the historical production values and expenses incurred with contracts in the warranty period. Since the quality guarantees provided by the Group result solely from a legal obligation (both in their scope and their period of validity), they are not treated as autonomous performance obligations.

In situations in which the Group has the capacity (control) to guide the use of the asset as it is being built and the ability to substantially obtain all the economic benefits remnant of it (in particular in the real estate activity), revenue is recorded when the Group transfers the control of the asset to the client (usually at the time of signature of the deed of sales and purchase of the property).

(ii) Operation & Maintenance

In relation to the provision of operation and maintenance services of infrastructures, given that customers receive and consume at the same time the economic benefits arising from the performance of the Group as it develops its activity (maintenance of oil & gas facilities and operation and maintenance of wind farms and solar parks), the Group's performance obligation in these cases is met over time, and revenue is recognised at the moment when the Group has the right to invoice the rendered services.

(iii) Sale of Energy

In this business area, under the executed agreements, the Group sells, in particular to companies that manage energy networks, the energy that it produces. Thus, each agreement on the sale of energy is regarded as an autonomous performance obligation. On the other hand, given that clients receive and consume at the same time the economic benefits arising from the performance of the Group as it develops its activity (energy production), the Group's performance obligation in these cases is met over time, and the revenue is recognised at the moment that the Group has the right to invoice it.

Generally, and given the typology of services performed by the Group, the allocation of the price to the different performance obligations is detailed in the agreements executed with clients.

Significant financing components

Whenever there is a long delay (more than 12 months) between the time that an asset or service is made available to the client, and the time of its receipt, the Group assesses the existence of a significant financing component in the agreement. If there is one, that component is treated as an autonomous performance obligation, and the respective interest is recorded as revenue over the estimated financing period.

Additionally, the Group also assesses the existence of a significant financing component in the advance payments received from clients. If there is one, that component is treated as an autonomous performance obligation, and the respective interest is recorded as cost over the estimated financing period.

Variable revenue components

To determine the total price of the agreement, the Group takes into account all of its variable components, in particular, discounts, bonuses, price revisions, penalties, requests for recovery of costs incurred, among others. However, the Group only records revenue associated with the variable components when it is highly likely that its reversal will not occur in the future. Thus, as regards the price revisions, given that the calculation formula inherent to its calculation generally comprises some indices of difficult estimation, the associated revenue is only recorded in the moment in which it can be calculated with reliability. Similarly, given that the Group has not been subject to penalties imposed by its clients historically, they are only recorded when it is highly likely that they will occur. Finally, submission for recovery of costs incurred (which include, among others, claims) is only considered as revenue when it is highly likely that the client accepts such request and that the corresponding amount will not be reversed in the future.

Assets associated with agreements with customers

The assets associated with the contracts with customers match the performance obligations already fulfilled by the Group under the agreements established with clients for which the respective invoicing has not yet been issued (mostly production executed under construction agreements recorded by the method of work calculation reports). When the respective invoice is issued, and the right to its receipt is unconditional, the balance of this item is transferred to the item "Trade receivables and other debtors".

Liabilities associated with agreements with customers

The liabilities associated with agreements with clients correspond to advance payments received from customers regarding the performance obligations to be executed by the Group in the future or deferred income resulting from the adoption of the method of progress calculation reports, in particular, the construction agreements in progress.

Costs associated with the fulfilment of agreements with customers

The costs associated with the fulfilment of agreements with customers are recorded in the consolidated statement of financial position when:

- (i) they are related to an existing agreement or a specific future agreement;
- (ii) they create resources that will be used to fulfil one or more obligations of future performance;
- (iii) it is expected to be recoverable; and
- (iv) they are not already covered by the scope of another IFRS, for example, inventories, assets, tangible or intangible assets.

Thus, labour costs, costs of material and other indirect costs or other specific costs with the installation, mobilisation and demobilisation of work sites in construction agreements are recorded under this item.

The costs associated with the fulfilment of agreements with customers are recorded throughout the duration of the construction agreement in operational costs items.

When it is likely that the total expenditure foreseen in the construction agreement exceeds the income defined therein, the expected loss is recognised immediately in the consolidated P&L Statement as a provision for onerous agreements.

xi.b) Accounting policy adopted by the Group until 31 December 2017 concerning the record of revenue (under IAS 11 and IAS 18)

The revenue is recorded at the fair value of the assets received or receivable, net of discounts and expected returns.

xi.b.1) Record of expenses and income in projects (construction of metallic structures and construction of turnkey wind farms and solar parks)

The Group records the results of the projects contract by contract, in accordance with the percentage of completion using as a method of verification of the calculation reports, based on which the income and costs are registered, accurately reflecting the physical evolution of the project up until a certain date. The differences obtained between the values resulting from the application of the valuation and the values invoiced are accounted for under the sub-headings 'Work to be invoiced' or 'Invoice in advance', included in headings 'Other current assets' and 'Other current liabilities', respectively.

Variations in work compared to the amount of revenue agreed in the contract are recorded in profit or loss for the financial year when it is probable that the client will approve the amount of revenue arising from the variation, and this can be reliably measured.

Claims for the reimbursement of expenses not included in the price of the contract are included in contract revenue when negotiations reach an advanced stage in such a way that it is likely that the client accepts the claim, and that it is possible to measure it reliably.

To cope with the expenses to be incurred during the warranty period of the project, the Group records a provision to deal with such legal obligation, which is established taking into account the volume of annual production and the history of expenses incurred in the past with projects in the warranty period.

When it is probable that the total expenditure provided for in the construction contract exceeds the income defined therein, the expected loss is recorded immediately in the P&L Statement of the period, by a provision for onerous contracts (Note 1 xvii).

xi.b.2) Projects of short duration

In these contracts for the rendering of services, the Group records income and expenses whenever they are invoiced or incurred, whichever is the case.

xi.b.3) Record of expenses and income in real estate activity

The relevant expenses with real estate ventures are calculated, taking into account the direct construction costs, as well as all expenses associated with the preparation of projects and licensing of projects. The expenses attributable to the financing of the project are also added to the cost of real estate ventures, during the period in which they are in progress.

For capitalisation of financial charges, it is considered that the project is in progress if it is awaiting a decision of the concerned authorities, or if it is in the construction phase. If the venture is not in any of these phases, it is considered stopped, and the abovementioned capitalisation is suspended.

The revenue, in this type of operations, has been generated and recognised, essentially, at the time of the transfer of the rights and obligations associated with the assets, which, as a general rule, coincides with the execution of the deed of sale.

xi.b.4) Record of revenue on the sale of goods and finished products

The record of revenue resulting from the sale of goods and finished products occurs only when all the conditions described below are met:

- The Group has transferred to the buyer all significant risks and benefits inherent in possession of the goods sold;
- The Group does not retain any involvement or any continued control over the goods sold;
- The amount of revenue can be reliably estimated;
- It is probable that the economic benefits associated with the disposal of such goods will be received; and
- The expenses incurred or to be incurred with such a sale can be reliably estimated.

xii) Own work capitalised

The internal expenses (material, labour and general manufacturing overheads) incurred in the production of tangible fixed assets are capitalised only when the following requirements are met:

- the developed assets are identifiable;
- there is a strong likelihood that the assets will generate future economic benefits; and
- expenditure is reliably measured.

xiii) Expenditure with the preparation of proposals

Expenses incurred with the preparation of proposals in various tenders are recorded in the P&L Statement for the year in which they are incurred since the outcome of the proposals can not be controlled.

xiv) Balances and transactions expressed in foreign currency

In the preparation of the consolidated financial statements, the assets and liabilities of the financial statements of foreign entities of the Group are converted into Euro using the exchange rates at the date of closure of the financial position demonstration. The expenditures and revenues, as well as the cash flows, are also converted into Euro using the average exchange rate recorded in the year. In addition, some medium and long-term loans or without defined repayment term, granted to subsidiaries that operate in countries that do not adopt the Euro, were regarded as an integral part of the Group's net investment. Exchange differences arising from these conversions are recorded in the statement of comprehensive income under the heading 'currency translation reserves'. At the time of disposal of such foreign entities, the accumulated foreign exchange translation differences are recorded in the P&L Statement.

Goodwill and adjustments to the fair value of acquired assets and liabilities, resulting from the acquisition of foreign entities, are treated as assets and liabilities in foreign currency and are translated into Euro using the exchange rates at the date of closure of the financial position statement.

The following exchange rates were used in the preparation of the financial statements:

1 € EQUALS:	CLOSING RATE			AVERAGE RATE		
	FY 2018	FY 2017	EVOLUTION IN %	FY 2018	FY 2017	EVOLUTION IN %
Polish zloty	4.301	4.177	3.0%	4.261	4.257	0.1%
New Romanian leu	4.664	4.659	0.1%	4.654	4.569	1.9%
US dollar	1.145	1.199	-4.5%	1.181	1.130	4.5%
South African Rand	16.459	14.805	11.2%	15.619	15.049	3.8%
Brazilian real	4.444	3.973	11.9%	4.308	3.605	19.5%
Angolan kwanza	361.823	191.892	88.6%	361.823	191.892	88.6%
Moroccan dirham	10.952	11.223	-2.4%	11.075	10.943	1.2%
Pound sterling	0.895	0.887	0.8%	0.885	0.877	0.9%
Mozambique metical	70.360	70.090	0.4%	70.728	71.034	-0.4%
Saudi Riyal (Saudi Arabia)/ SAR	4.287	4.503	-4.8%	4.429	4.228	4.7%
(Ukraine) Hryvna	31.678	33.577	-5.7%	32.099	30.033	6.9%
Argentine peso	43.163	22.305	93.5%	43.163	18.742	130.3%
Swiss franc	1.127	-	0.0%	1.155	-	0.0%
Colombia Peso	3.722.038	3.577.050	4.1%	3.471.017	3.335.223	4.1%
United Arab Emirates Dirham	4.207	-	0.0%	4.336	-	0.0%
Peru Nuevo Sol	3.863	3.883	-0.5%	3.875	3.680	5.3%

xv) Income Taxes

The Income tax for the period includes current and deferred tax, in accordance with IAS 12. Current tax is calculated on the basis of the respective taxable income, in accordance with the tax rules in force in the country where each Group company has its registered office.

Deferred taxes are calculated based on the balance sheet liability method and refer to temporary differences between the number of assets and of liabilities for accounting purposes and their respective amounts for tax purposes, as well as to certain tax credits attributed to the Group.

Deferred tax assets and liabilities are calculated and annually evaluated using the tax rates in force or announced to be in force, at the date of reversal of the temporary differences.

Deferred tax assets are only recorded to the extent that there is a reasonable probability that taxable profits will be available against which to offset them. At the date of each financial position statement, deferred tax assets are reviewed and derecognised whenever it is probable that they will no longer have a future use.

Deferred tax liabilities are recognised for all taxable temporary differences, except those related to:

(i) the initial recognition of Goodwill; or (ii) the initial recognition of assets and liabilities, which do not result from a concentration of business activities, and which at the date of the transaction do not affect the accounting or tax result. However, with regards to the taxable temporary differences associated with investments in associates and jointly controlled companies, these should not be recorded to the extent that i) the parent company has the ability to control the period of the reversal of the temporary difference; and (ii) it is probable that the temporary difference will not be reversed in the near future.

The deferred tax amount that results from transactions or events recorded in equity is registered directly in those same captions, not affecting the net income for the period.

xvi) Interest fees on loans

The financial cost of loans obtained directly related to the construction of fixed assets and some inventories (real estate projects) are capitalised as part of the cost of the asset. The capitalisation of these charges starts after the beginning of the preparation of the construction activities or the development of the asset and is stopped after the beginning of use, at the end of production or construction of the asset or when the project in question is suspended.

The remaining financial charges related to obtained loans are recorded as an expense in the period in which they are incurred.

xvii) Provisions

Provisions are recorded when and only when the Group has a present obligation (legal or implicit) resulting from a past event. It is probable that for the resolution of this obligation, there will be an outflow of resources and the amount of the obligation can be reasonably estimated. The provisions are reviewed on the date of each financial position statement and are adjusted to reflect the best estimate on that date, taking into consideration all the risks and uncertainties inherent to such estimates. When a provision is determined using future cash flows estimated to settle the existing obligation, its carrying amount is the present value of those cash flows.

The provisions constituted by the company mainly result from:

a) Construction warranties

The Group records a provision for the estimated costs to be incurred in the future with the construction warranties provided on metallic structures or sold solar parks and wind farms. This provision is made on the date of the recognition of revenue, affecting the gain obtained by it. At the end of the warranty period (5 years in average) any remaining value of the provision is reversed by profit or loss of the period.

b) Onerous contracts

The Group records a provision for onerous contracts, on the date in which the cost incurred is determined to comply with the obligation that exceeds the estimated economic benefits. This analysis is carried out on an individual basis.

c) Judicial proceedings in progress

Provisions for legal proceedings are recorded when, due to actions filed by third parties, Martifer has a present obligation (legal or implicit) resulting from a past event, and it is probable that for the resolution of this obligation there will be an outflow of resources and the amount of the obligation can be reasonably estimated.

d) Financial assets in equity method

A provision is recorded whenever the subsidiary has negative equity, and it is considered that the Group took responsibility in addition to its participation in the share capital.

xviii) Subsidies granted by the State

Subsidies attributed to finance training sessions and support on recruitment are recorded as income during the period in which the Group incurs in the respective costs.

Subsidies attributed to finance investments in assets are recorded as deferred income and recorded in the P&L statement, under the item 'Other operating income', during the estimated useful life period for the subsidised goods.

xix) Impairment of assets that are not Goodwill

An impairment assessment is made on the date of each financial position statement whenever an event or change in the circumstances is identified that indicates that the amount for which an asset is registered may not be recovered. Whenever the amount for which an asset is recorded is greater than its recoverable amount, an impairment loss is recorded in the P&L statement under the caption 'Impairment losses'. The recoverable amount is the highest between the two: net sale price and value in use. The net selling price is the amount that would be obtained with the sale of the asset in a transaction within reach of the parties involved, less expenses directly attributable to the sale. Value in use is the present value of the estimated future cash flows that are expected to arise from the continued use of the asset and its disposal at the end of its useful life. The recoverable amount is estimated for each asset individually or, if it is not possible, for the cash-generating unit to which the asset belongs.

The reversal of impairment losses recorded in previous years is recorded when the underlying reasons that caused that entry are no longer applicable and, consequently, the asset is no longer impaired. The reversal of impairment losses is recognised in the P&L statement as operating income under the caption 'Impairment losses'. However, the reversal of an impairment loss is only recognised up to the amount that would be recorded (whether using the historical cost or the revalued amount, net of amortisation and depreciation), if the impairment loss had not been recorded in previous years.

xx) Employee benefits

Variable remuneration

According to the Articles of Association of some Group companies, the shareholders of those companies approve at the General Meeting, or a Remuneration Committee elected by shareholders, when elected, establishes the fixed and variable remuneration to be distributed to members of governing bodies. Variable remuneration is recorded in the results of the period to which it relates.

xxi) Classification in the financial position statement

Assets to be realised and liabilities to be settled twelve months after the financial reporting date are classified, respectively, as non-current assets and liabilities. Likewise, given their nature, 'Deferred tax' and 'Provisions' are classified as non-current assets and liabilities.

xxii) Contingent assets and liabilities

Contingent liabilities are not recorded in the financial statements. Instead, they are disclosed, unless the possibility of an outflow of funds affecting future economic benefits is remote.

Contingent assets are not recorded in the financial statements but are disclosed in the Notes when future economic benefits are probable.

xxiii) Cash Flow Statement

The consolidated cash flow statement is prepared, using the direct method, in accordance with IAS 7.

The cash flow statement is classified in operating, investment and financing activities. Operating activities include cash receipts from clients, payments to suppliers, payments to employees and other relating to operating activities. The cash flows in investing activities include, among other things, acquisitions and disposals of investments in subsidiaries and receipts and payments arising from the purchase and sale of tangible and intangible assets.

The cash flows covered in financing activities include, in particular, payments and receipts relating to loans obtained, leasing contracts, and payment of dividends.

xxiv) Subsequent events

Events occurring after the date of the financial statements that provide additional information on conditions that existed at the date of the financial statements (adjustable events) are reflected in the consolidated financial statements.

Events after the date of the financial statements that provide information on conditions to occur after the date of the financial statements (non-adjustable events), if material, are disclosed in the notes to the consolidated financial statements.

xxv) Judgements and estimates

In preparing the consolidated financial statements, the Board of Directors used its best knowledge and accumulated experience of past and/ or current events in making certain assumptions as to future events.

The most significant accounting estimates reflected in the consolidated financial statements for the periods ended on 31 December 2018 and 2017 include:

- a) useful lives of tangible assets (see Note 1.4. iv);

The useful life of an asset is the time during which an entity expects that an asset is 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 method of amortisation/ depreciation to be applied and the estimated losses deriving from the replacement of equipment before the end of its useful life, due to technological obsolescence, is essential to determine the amount of amortisation/ depreciation to be recorded in the consolidated P&L statement of each period.

These three parameters are defined in accordance with the best estimate by the management, for the assets and businesses in question, also considering the practices adopted by companies that have the same operating segments as the Group has.

- b) the fair value of investment property (see Note 1.4. vi);

The investment properties are measured at their fair value, which is determined based on assessments made by independent specialised entities and in accordance with generally accepted valuation criteria for the real estate market. These ratings are based on observable market data and require judgment by the evaluator as regards the transaction conditions of each property in the market, which may differ from the results calculated in the future.

The information on the most relevant assumptions used in determining the fair value for the main property held by the Group is disclosed in Note 20.

- c) impairment to Goodwill (see Note 1.4. i);

Goodwill is subject to an annual impairment test or whenever there are indications of a possible loss of value. The recoverable value of the units that generate cash flows to which Goodwill is assigned is determined based on the expected cash flows. These calculations require the use of estimates by the Board of Directors regarding the future evolution of the activity and the discount rates considered.

The information on the most relevant assumptions used in the analysis of impairment, as well as the sensitivity of the results regarding some changes of assumptions is disclosed in Note 17.

- d) provisions and contingent liabilities (see Note 1.4. xvii and Note 1.4. xxii);

The Group regularly analyses any obligations arising from past events, and that should be recorded or disclosed. The subjectivity inherent in the determination of the probability of the existence of this responsibility and the number of internal resources necessary for the payment of obligations may lead to significant adjustments, either by varying the assumptions used or by the future recognition of provisions previously disclosed as contingent liabilities.

- e) impairment of assets that are not Goodwill (See Note 1.4. xix);

The determination of a possible impairment loss can be triggered by the occurrence of various events, many of which are outside the Group's sphere of influence, such as the future availability of financing, the cost of capital or any other changes.

The identification of impairment indicators, the estimate of future cash flows and the determination of the recoverable amount of assets imply a high degree of judgment by the Board in relation to the identification and evaluation of different indicators of impairment, expected cash flows, applicable discount rates, useful lives and residual values.

The information on the most relevant assumptions used in the analysis of impairment, as well as the sensitivity of the results regarding some changes of assumptions is disclosed in Note 19.

- f) impairment losses of accounts receivable (see Note 1.4. vii.a);

The impairment losses on accounts receivable are calculated as indicated in Note 1.4. Thus, the determination of impairment through the individual analysis corresponds to the judgment of the Group on the economic and financial situation of their clients and its estimate of the value assigned to any existing warranties, with the consequent impact on expected future cash flows. On the other hand, expected impairment losses in credit granted are calculated taking into account a set of historical information and assumptions, which may not be representative of future uncollectability of debtors of the Group.

The information on the most relevant assumptions used in the determination of impairment losses on accounts receivable is disclosed in Note 1.4 xxix (e) and in Note 25.

- g) recognition of revenue on projects in progress and warranties (see Note 1.4. xi);

The Group records the results of construction contracts in accordance with the percentage of completion method, which is obtained through valuation, which accurately reflects the physical evolution of the project on a certain date. The assessment of the degree of completion of each contract is reviewed periodically taking into consideration the latest production indicators.

- h) recognition of deferred tax assets arising from tax losses (see Note 1.4. xv)

Deferred tax assets are recorded only when there is reasonable expectation that there will be future taxable profit available for the use of temporary differences, or when there are deferred tax liabilities whose reversal is expected in the same period in which the deferred tax assets are reversed. The evaluation of deferred tax assets is made by the management at the end of each financial period, taking into account the expected future fiscal performance (Nota 14).

The estimates were based on the best information available at the date of the preparation of the consolidated financial statements. However, events may subsequently occur that since they were not predictable on that date, they were not considered in these estimates. Changes to these estimates that occur after the date of the consolidated financial statements will be adjusted in the income statement prospectively, in accordance with IAS 8.

xxvi) Subsidiaries whose functional currency is the currency of a hyperinflationary economy

As a result of high levels of inflation registered in the last 3 years from 2015 to 2017 which reached in cumulative terms 100%, and analysing some qualitative aspects of the Angolan economy (the use of USD as a reference currency), Angola was qualified as a hyperinflationary economy in 2017. This qualification requires that entities that report in the Angolan currency (Kwanza) apply standard IAS 29 - 'financial reporting in hyperinflationary economies' in the financial statements since the beginning of the reporting period in which the existence of hyperinflation is identified, which in this case means 1 January 2017.

In 2018, a similar situation was observed with Argentina, which had inflation levels, in the period of 3 years from 2016 to 2018, approaching in cumulative terms 100%, so it was qualified as a hyperinflationary economy in 2018. This qualification requires that entities that report in the Argentinian currency (Argentinian Peso) apply standard IAS 29 - 'Financial reporting in hyperinflationary economies' in the financial statements since the beginning of the reporting period in which the existence of hyperinflation is identified, which in this case means 1 January 2018.

The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy, whether they are based on historical costs or current costs, should be expressed in terms of the current measuring unit at the end of the reporting period. The gain or loss on the net monetary position should be included in the profits or losses and disclosed separately.

The restatement of financial statements in accordance with IAS 29 requires the application of specific procedures, such as:

- a) Selection of the general price index to be used

All entities that report in the currency of the same economy must use the same index.

For the purposes of determining the abovementioned general price index, the Group used the information disclosed by the National Bank of Angola and the Central Bank of the Republic of Argentina on the levels of inflation verified in Angola and Argentina in recent years. Those indexes are briefly the following:

PRICE INDEX 2018		
DATE	ANGOLA	ARGENTINA
31-12-2014	242.121	290.608
31-03-2015	237.083	286.497
30-06-2015	229.407	276.586
30-09-2015	221.081	265.246
31-12-2015	211.883	247.984
31-03-2016	191.772	211.596
30-06-2016	174.025	195.554
30-09-2016	158.532	188.899
31-12-2016	149.257	184.255
31-03-2017	139.115	173.584
30-06-2017	131.944	164.738
30-09-2017	124.373	156.717
31-12-2017	118.219	147.646
31-03-2018	113.730	138.428
30-06-2018	109.821	127.243
30-09-2018	104.331	111.509
31-12-2018	100.000	100.000

- b) Financial Position Statement

- i) Segregation of monetary and non-monetary items:

- monetary items do not have to be restated;
- non-monetary items have to be restated, except those that are measured at net realisable value or fair value, on the reporting date.

(ii) Restatement of non-monetary items: use of the accumulated increase of inflation since the date of the original registration until the date of report. When information is not available, an estimate is made based on the exchange rate variations between the reporting currency and the currency of reference.

(iii) Restatement of items of equity: at the beginning of the first period of application of IAS 29, the items of equity, except retained earnings, are restated by applying a general index from the dates on which the components were constituted or emerged. The restated retained earnings are derived from all the other amounts in the restated financial position statement. At the end of the first period and in subsequent periods, all components of equity are restated by applying a general price index from the beginning of the period or the date of its constitution if later.

c) P&L Statement and the Statement of Other Comprehensive Income

(i) Statement of Other Comprehensive Income: restatement of items of other comprehensive income by applying the change in the general price index from the dates on which the items of income and expenses were initially recorded in the financial statements.

(ii) P&L Statement: restatement of items of the results of the period, by applying the change in the general price index from the dates on which the items of income and expenses were initially recorded in the financial statements.

(iii) Other items of income or expense, such as interest income and expense of foreign exchange differences related to invested funds or received from loans, are also restated, although partially "offsetting" the inflation effect.

(iv) The determination of the rate of inflation to be applied, taking into account the date of registration of each transaction, may require a very significant level of disaggregation of information, so monthly averages are allowed as an approximation to the inflation rate to be applied to each transaction.

d) Reconciliation of gains/ losses of the restatement due to hyperinflation**e) Cash Flow Statement**

All items in the cash flow statement are restated by applying a general index from the dates on which the transactions occurred and the end of the reporting period.

f) Reporting to the Group

The financial statements of a subsidiary that reports in the currency of a hyperinflationary economy need to be restated by applying a general price index of the country whose currency is being reported before they are included in the consolidated financial statements. The restated financial statements are translated at closing rates.

In accordance with IAS 21, when the amounts are translated into the currency of a hyperinflationary economy, the comparative amounts should be those that have been presented as amounts of the current year in the relevant financial statements of the previous year. Thus, there should be no restatement of comparatives and the first period of application of IAS 29 to Argentina is 1 January 2018, and the adjustments on this date recorded in equity under the item 'Other reserves and retained earnings'.

xxvii) Segment Reporting

A business segment is a group of assets and operations involved in the supply of products or services that are subject to risks and benefits that are different from one business segment to the other.

A geographical segment is a group of assets and operations involved in the supply of products or services within a particular economic environment, which is subject to risks and benefits different from those operating in other economic environments.

The Group presents as operating segments business segments that coincide with the segments in which the Administration conducts business.

xxviii) Earnings per share

The basic result per share is calculated by dividing the result attributable to holders of ordinary shares of Martifer SGPS, S.A., by the weighted average number of ordinary shares in circulation during the period.

The result diluted per share is calculated by dividing the adjusted result attributable to holders of ordinary shares of Martifer SGPS, S.A., by the weighted average number of ordinary shares in circulation during the period, adjusted by the potential dilutive ordinary shares.

The potential dilutive ordinary shares may result from stock options and other financial instruments issued by the Group, convertible into shares of the Company.

xxix) Financial risk management

Uncertainty, a characteristic of the financial markets, has a number of risks to which the activities of Martifer Group are exposed, namely price risk, foreign exchange risk, interest rate risk, liquidity risk and credit risk.

a) Price risk

The volatility of the price of raw materials constitutes a risk for the Group in the segment of Metallic Constructions and Aluminium.

The antidumping measures/ fees already implemented by the European Union on steel and aluminium products from China caused a significant increase in the price, which affected the operational activity of the metallic constructions business area.

As a result of these measures, but also as the result of the trade war between the US and China which has led to the implementation of fees on the import of steel and aluminium from third countries, there has been a sharp rise in the price of steel which has reached values close to historic highs in September 2018. Between the end of 2018 and the first quarter of 2019, there was stabilisation of prices of this commodity at lower levels. However, maintaining some uncertainty in relation to the variation of prices, with the maintenance of the trend for the implementation of protectionist policies in the European Union which began early 2019 following the announcement of the imposition of limits on the import of steel from Brazil, and with the expectation that there will be an increase in the demand for Steel which, according to World Steel Association, is expected to increase around 1.4% in 2019.

Martifer has sought to mitigate this risk, through rigorous planning of raw material purchases, which enabled the achievement of economies of scale in the quantity purchased and consequent price-fixing. On the other hand, it has mitigated this risk through contracts with clients that allow the reflection of price changes of the raw material in the amount paid by the client.

b) Foreign exchange risk

Foreign exchange risk has a strong interdependence with the other types of risk, with reference to the risk of countries, through the evolution of economies and its impact on inflation and interest rates and credit risk, due to the possibility of recording losses or gains as a result of changes in exchange rates between different currencies.

Martifer Group is exposed to foreign exchange risk due to its geographical diversification, currently developing its operational activities in subsidiaries that are present in 3 different continents.

Therefore, there is an exposure to transaction risk associated with operating activities (in which expenses, income, assets and liabilities are indicated in currencies other than the reporting currency) of transactions carried out between these subsidiaries and other Group companies and the existence of transactions carried out by the operating companies in a currency other than the Group's reporting currency.

The exchange rate risk management policy followed by the Group has as its ultimate objective to decrease the maximum sensitivity of its results to exchange rate fluctuations.

In what concerns the operational activity of all subsidiaries, the company strives for transactions to be carried out in their local currency. For the same reason, the loans contracted by foreign subsidiaries are preferably contracted in their local currency, thus allowing the local matching of the cash flows and the consequent annulment of the exchange risk of an economic nature.

About the coverage of exchange rate risk, hedging operations are sporadic because their cost is sometimes considered excessive compared to the level of the risks involved. However, whenever considered appropriate, the Group hires the coverage of exchange rates in order to cover the risk.

In 2018, the cycle of the scarcity of tradable currencies in Angola remained, but between the end of 2018 and the beginning of 2019 some signs of recovery of the Angolan economy were visible. The resumption of financial flows in tradable currencies occurred due to the political stabilisation of the country. It is expected that in 2019 the Angolan economy may begin a recovery cycle.

Martifer Group has mitigated this risk, seeking to make a natural exchange coverage through contracts fixing the payment in tradable currency, with lesser volatility and simultaneously used in the payment of the raw materials.

The year 2018 was marked by a process of negotiation of the exit of the United Kingdom from the European Union, also maintaining a high climate of uncertainty regarding the future evolution of the British economy and consequently the Pound, given the uncertainty about the model that the country will adopt to leave the European Union. The Group has been able to circumvent the risk of exposure to these currencies by taking advantage of the fact that many of the supplies are contracted in this currency and seeking to introduce safeguard clauses in the contracts signed with its customers.

The number of assets and liabilities (in Euros) of the Group, registered in a currency other than Euro that are materially relevant can be summarised as follows:

	ASSETS		LIABILITIES	
	FY 2018	FY 2017	FY 2018	FY 2017
New leu (Romania)	111,452,450	119,876,409	64,506,954	65,877,805
Zloty (Poland)	31,774,898	8,596,875	68,318,011	28,098,964
Swiss Franc (Switzerland)	2,797,096	-	2,691,178	-
Kwanza (Angola)	26,101,333	52,314,412	27,472,030	42,825,827
Real (Brazil)	4,932,715	14,077,898	2,253,191	6,200,426
Moroccan dirham (Morocco)	1,082,710	1,446,373	1,587,056	2,263,834
Pound sterling (United Kingdom)	14,165,587	9,422,172	13,654,382	7,614,566
Saudi Riyal (Saudi Arabia)	6,821,282	12,160,265	5,205,125	10,061,539

An analysis of fluctuations in exchange rates that occurred between 2017 and 2018 was done, and consequently projected potential reductions that will occur in 2019. The potential impacts generated in the financial statements of the Group due to translating the financial statements of its subsidiaries that report in a currency other than Euro, considering the average values of the depreciation of the exchange rates referred to above, can be summarised as follows (amounts in Euro):

	LOCAL CURRENCY CHANGE AGAINST EURO	FY 2018		FY 2017	
		IMPACT ON PROFITS	IMPACT ON EQUITY	IMPACT ON PROFITS	IMPACT ON EQUITY
New leu (Romania)	3%	117,873	(1,367,345)	394,023	(1,572,775)
Zloty (Poland)	3%	53,742	1,064,363	35,449	568,022
Swiss Franc (Switzerland)	1%	(1,034)	(1,049)	-	-
Pound sterling (United Kingdom)	3%	37,755	(14,889)	(52,048)	(52,649)
Moroccan dirham (Morocco)	5%	(15,698)	24,016	13,198	38,927
Kwanza (Angola)	12%	213,852	146,860	514,965	(1,016,634)
Real (Brazil)	12%	116,114	(287,092)	(5,080)	(844,015)
Saudi Riyal (Saudi Arabia)	12%	(84,306)	(173,160)	(37,536)	(224,864)

c) Interest rate risk

Interest rate risk reflects the possibility of fluctuations in the amount of future financial charges on borrowings due to the evolution of the level of market interest rates.

The cost of the financial debt contracted by the Group is indexed to short-term reference rates, reviewed on a period of less than one year (especially the Euribor 6m) and added risk premiums promptly. Thus, variations in interest rates can affect the Group's results.

The Group's exposure to interest rate risk comes from financial liabilities contracted in more than 99,6% of the cases at a variable rate, so changes to the level of the interest rate have a direct impact on the amount of interest; therefore, causing variations in the company's treasury.

During the year 2018, the reference interest rates in the Euro zone remained at very low levels in line with what has been occurring in the last years. With the recovery of the European economy, a possible rise in interest rates in the Euro zone for the next few years is expected. However, at the end of 2018, the world economy showed signs of deceleration that remained in the first quarter of 2019, which together with the monetary policy of the European Central Bank give the perspective of maintaining the interest rates in negative terrain for the years 2019 and 2020.

Thus, in accordance with the projections of the European Central Bank, published in March 2019 ('ECB staff macroeconomic projections for the euro area, March 2019'), the short-term interest rates shall remain negative until 2020, maintaining the levels near zero until 2021, contrary to the projections of early 2018 that pointed to a smooth growth rate from 2020 onwards.

Martifer Group's exposure to interest rate risk is currently very limited, not only by the expected maintenance of reference interest rates at very low levels but also as a consequence of the restructure agreements signed with banks in 2015 which enabled the temporal stability of the spreads at very competitive levels.

A sensitivity analysis on the variation of more or less 0.5 p.p. in the interest rate is presented in Note 31 - Borrowings.

d) Liquidity Risk

Liquidity risk reflects the Group's ability to satisfy its financial responsibilities with the available financial resources.

The main objective of the liquidity risk management policy is to ensure that the Group has at its disposal, at any time, sufficient financial resources to meet its responsibilities and to pursue the outlined strategies, honouring all commitments made with third parties through adequate management of the financing cost-maturity relationship.

Currently, the Group maintains the levels of adequacy of the maturity of the debt to the degree of permanence of its long-term assets, allowing the cash surpluses to be sufficient to comply with their responsibilities, as the result of the implementation of the Group's Strategic Plan which included the signing of the restructuring of the financial debt plan with banks in 2015.

Thus, given the medium/long-term nature of the investments that were made, the debt service shall accompany the maturity of the associated assets, not jeopardising the commitment deriving from its short-term operational activity in pursuit of the objective of the Group to match the maturity of the inflows of the operational activity and of the investment/divestment to the outflows from the financing activity.

The financial management department monitors the implementation of the risk management policies defined by the Board, in order to ensure that economic and financial risks are identified, measured and managed in accordance with such policies.

As a result of the measures previously mentioned, it appears that on 31 December 2018 the current assets surpass the current liabilities. Thus, the liquidity risk is greatly reduced, given Martifer's capacity to transform its short-term assets in liquidity, which can be shown as follows:

	FY 2018	FY 2017
Current Assets	139,805,358	175,672,530
Current Liabilities	(127,531,315)	(150,399,921)
Operational cash-flows (2019)	6,501,290	10,993,196
Estimated Net Interests (2019)	(5,747,005)	(4,605,584)
Total	13,028,328	31,660,221

The table below analyses the financial liabilities of the Group, by relevant maturity groups based on the remaining period up until the contractual maturity at the date of the financial reporting. The amounts shown in the table are future cash flows contractualized but not discounted:

FY 2018	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS
Financial institutions borrowings:			
- Bank loans	7,912,199	144,249,070	52,310,003
- Bank overdrafts	391,648	-	-
- Authorized overdrafts	457,406	-	-
- Interest estimated to maturity, not discounted	2,693,003	9,805,483	1,977,115
Other borrowings	22,332	609,852	213,997
Suppliers and Other Creditors, non Group	54,419,918	4,588,818	-
	65,896,506	159,253,223	54,501,115

FY 2017	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS
Financial institutions borrowings:			
- Bank loans	14,045,057	140,169,607	63,891,144
- Bank overdrafts	558,716	-	-
- Authorized overdrafts	3,143,776	-	-
- Interest estimated to maturity, not discounted	3,071,500	10,093,001	3,499,925
Other borrowings	78,691	377,644	468,537
Suppliers and Other Creditors, non Group	59,977,391	3,726,473	-
	80,875,131	154,366,725	67,859,606

e) Credit Risk

The global economic conditions or hardships that affect the economies at a local scale, national or international, may lead to the inability of Martifer Group's clients to meet their obligations, with possible negative effects on the Group's results. Despite the economic recovery which started in 2017, in Portugal and at global level, the grant of credit by Banks is still fairly contained, particularly for companies that operate in sectors strongly affected by the previous crisis.

The Group is subject to credit risk concerning its operational activity, and the exposure mainly stems from clients and other debtors.

Aware of this reality, the Group seeks to assess the credit risk of all its clients for the establishment of the amount of credit to be granted to ensure the effective recovery of the credit within the established deadlines.

With this objective in mind, the Group uses financial information and credit assessment agencies and performs regular risk analysis and credit control, as well as collection and management processes in litigation; these are essential procedures to manage the credit activity and to minimize the occurrence of irrecoverable amounts.

The Group operates in several countries, spread over 4 continents, and in 3 business segments that include different types of products and services and, therefore, do not have a significant concentration of credit risk. In many of the projects, particularly in the metallic constructions segment, the Group receives advance payments from clients who also allow the mitigation of credit risk. As a general rule, a significant part of the Group's clients does not have an assigned external credit rating.

The Group considers the likelihood of default with the initial recognition of the asset and depending on the occurrence of significant increases in the credit risk continuously in each reporting period. In order to assess whether there was a significant increase in credit risk, the Group compares the default risk occurring by reference to the date of report with the default risk assessed by reference to the date of initial recognition.

In order to assess whether there was a significant increase in credit risk, the Group takes into account, among others, the following indicators:

- Internal credit risk;
- External credit risk (if available);
- Current or expected adverse changes at the level of the operating results of the debtor;
- Meaningful increases in the credit risk of other financial instruments of the debtor;
- Significant changes in the value of collaterals on the responsibilities, or the quality of guarantees to third parties;
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment conditions to the level of the Group to which the debtor belongs.

Regardless of the above analysis, a significant increase in credit risk is assumed if a debtor is overdue more than 90 days from the contractual date of payment. Default is considered when the debtor does not comply with the contractual payments up to 360 days from the date of expiration of the invoices.

The Group applies the simplified approach to calculate and record the estimated credit losses as required by IFRS 9, which allows the use of impairments for estimated losses for all balances for "Trade Receivables" and "Other debtors". In the calculation of estimated credit losses, the balances of "Trade Receivables", "Other debtors" and "Assets associated with contracts with clients" are aggregated based on credit risk characteristics and seniority. A risk matrix is applied to the balances in question, calculated as explained in Note 1.2 and impairments are calculated for estimated losses. This analysis is done individually by each of the Group's companies.

In 2018 the risk matrix with the estimated average loss rates (excluding companies that calculate intangible rates) was the following:

FY 2018	NOT DUE	PAST DUE			
		UNTIL 90 DAYS	90 TO 180 DAYS	180 TO 360 DAYS	MORE THAN 360 DAYS
Estimated Average Rates of Impairment	3.46%	4.45%	13.80%	21.72%	47.58%

The Group's maximum exposure to credit risk is as follows:

	FY 2018	FY 2017
Trade Receivables (Note 25)	80,864,522	95,014,709
Other debtors (Note 25)	13,991,308	38,664,787
Contracts Assets (Note 27)	10,158,269	-
Other current assets (Note 28)	2,823,611	13,689,059
Bank Deposits (Note 29)	33,361,098	46,293,259
Total	141,198,808	193,661,814

The rating of financial institutions on the Group's availabilities is as follows:

RATING MOODY'S	CASH AND CASH EQUIVALENTS VALUES	
	FY 2018	FY 2017
Not assigned*	4,139,614	8,769,360
A1	-	1,319,492
A2	26,788	45,248
A3	960,360	51,425
AA1	-	201,570
AA3	9,375	15,376
B1	-	6,209,751
B2	-	295,266
B3	3,524,545	665,356
BA1	3,142,450	3,437,017
BA3	-	176,257
BAA1	1,332,304	659,715
BAA2	4,401,879	357,825
BAA3	3,280,853	5,167,726
BBB-	-	85,688
BBB+	-	1,199,256
CAA1	12,596,660	17,693,491
Total	33,414,830	46,349,820

*In 'Not assigned' 2.6 million Euros of Angolan financial institutions are considered in 2018 (8,3 million Euros in 2017).

xxx) Management of operational risks**a) Metallic Constructions**

The operational risks in the area of metallic constructions, currently grouped in three risk sources - client risk, supplier risk and external risk, which in turn are subdivided into specific problems.

At the client risk, there can be identified, for example, issues that may occur at the contracting level, as the lack of convergence in the interpretation and application of the contractual provisions, the displeasure or dissatisfaction with the service/ product and also the risk of default in the payment of the stipulated price after the delivery of the projects.

In what regards the volatility of demand, it shall be noted that the business area depends, in part, on tenders for public infrastructures (e.g., bridges, airports, stations). In what concerns public tenders, Martifer is subject to complex regulations of each country, in particular in what concerns the submission of proposals and the preparation of the administrative dossier, respecting the tender dossier set by the contracting entity, which may represent additional costs to Martifer Group. It should be noted that, despite the dependence on public tenders, Martifer has had the ability to capture business from private entities, reducing its exposure to this risk.

In the supplier risk, it should be noted that Martifer Construções, as an expert in engineering projects, subcontracts other companies many times, which in turn may fail in the execution of its contracts and compromise in a domino effect the compliance with the delivery deadline of the projects. That is, associated with construction, eventual delays in the delivery of works, with the inherent contractual penalties, is also a risk.

Finally, in the context of external risks, and since the metallic constructions area has a strong correlation with the growth of the economy and with the gross formation of fixed capital, it is sensitive to the economic situation. In this sense, the not yet surpassed sovereign debt crisis in Europe and the difficulties experienced by some economies where the group is present, such as Angola and Mozambique, also raise other issues, in particular by weak public and private investment and a significant liquidity reduction of the entire financial system, which often leads, despite the existence of attractive projects, to not existing the corresponding capital which allows its implementation.

The way that the metallic constructions area found to mitigate these external risks was through the dispersal of business in different geographies, in particular entering markets that have registered higher growth rates in the construction sector.

b) The Naval Industry

Companies in the Naval Industry segment (West Sea and Navalria) are exposed to:

- risks related to the innovation capacity to meet the needs of the market and new and innovative projects. In this context, the difficulty in capturing highly qualified staff due to foreign competition from Northern European countries must also be pointed out;
- client risk, especially as regards the proper execution of the projects, contractual compliance, within the deadlines set and causing satisfaction. Based on these issues, there is always the risk of incurring in penalties;
- risk in the fluctuation of the price of raw-material, particularly in steel price, this being one of the main material in the production of components to be incorporated in the works to be carried out;
- risk related to the level of competitiveness of ship repair versus national and foreign competition;
- risk concerning subcontractors and suppliers that may not fulfil their contractual obligations and can jeopardise the implementation and quality of the projects;
- risk in the labour aspect since that currently there is a lack of qualified personnel for two significant reasons: on the one hand there is not a sufficient number of trained employees to cater the needs of West Sea, even though the company is making an internal effort in this direction; on the other hand, the competitive pressure from Spain, more specifically from Galicia, and its shipyards that, given the geographical proximity and offering inflated conditions are capturing a large number of professionals in the region.

c) Renewables

The indices of productivity linked to the renewable energy business depend not only on operational costs but also on revenues (price and the amount of energy produced by the assets). The equipment used and some exogenous factors, such as the wind, which in turn depend on the location of wind farms, influence the production of energy and consequently the results. Whenever the wind speed is above or below the limits of the equipment, energy stops being produced. These limits vary from manufacturer to

manufacturer and on the type of wind turbines. Additionally, each wind generator has its power curve that determines the power generated at each wind speed.

The availability of the equipment and the power curve of each wind turbine are contractually guaranteed, and indemnities are payable by suppliers if availability is not met or if the power curve is not reached.

This risk is also mitigated through the geographical distribution of the wind turbines in the wind farms, allowing the set-off of wind velocity variations on each farm and ensuring the relative stability of the volume of the total produced energy.

In what concerns solar photovoltaic energy, the exogenous factors are more easily foreseen, so that the variation of the revenue ends up being minimised.

LICENSING:

Wind farms and solar parks are subject to strict regulation in terms of development, construction, licensing and operation. If the relevant authorities in the jurisdictions in which the Group operates cease to continue to support or reduce their support for the development of wind farms and solar parks, such actions may have a significant impact on the activity.

REGULATION:

Electricity generation from renewable sources has been promoted in Europe through mechanisms of Feed-In Tariffs (in Portugal, in Germany, in Denmark and France, for example) or through Green Certificate schemes (in Italy, in the United Kingdom, in Romania, in Poland, etc.). These mechanisms allowed the remuneration of producers of renewable energy above the prices of the wholesale market but have resulted, in some countries, in an excessive cost that has led to legislative changes in the incentive systems for renewable energy. In some cases, such as in Spain and Romania, these changes have affected not only the new projects but also the projects in operation, having significantly affected their profitability.

The technological evolution in recent years has allowed a significant reduction of the costs of electricity generation from renewable sources and the majority of the countries implemented a tender system that covers wind and solar energy; thus, ensuring that the price to be paid for electricity generated by new wind farms and solar parks is aligned with (or even below) the price of the electricity wholesale market.

xxxi) Management of legal risks

Martifer is subject to national and local laws and regulations of the multiple countries and markets where it is present and that seek to ensure, among other things, workers' rights, the protection of the environment and spatial planning and maintenance of an open and competitive market. Thus, the legislative and regulatory changes that may involve the conditions of the Group's activities and, consequently, impair or impede the fulfilment of strategic objectives imply constant adaptation by the Company to the new regulation reality.

Legal risk management is carried out by the legal department of the Holding and each of the Group's business areas and is monitored within the scope of legal and tax advisory services dedicated to the respective activities, which depend on the administration and management, developing their competencies in articulation with the other tax and financial departments, so as to ensure the protection of the Company's interests and, ultimately, those of the stakeholders, in strict respect for the fulfilment of their legal duties.

Those comprising the abovementioned legal and advisory departments have specialised training and regularly participate in training sessions.

Legal and tax advice is also guaranteed, nationally and internationally, by external professionals, selected from reputed firms and according to high standards of competence, ethics and experience.

xxxii) Capital management

The objective of the Group regarding capital management is to maintain an optimal capital structure, through the prudent use of debt, seeking thereby to reduce its cost.

Debt contracting is analysed periodically through the weighting of factors such as financing costs and the investment needs of the operational companies of the Group.

On 31 December 2018, the Group's consolidated Equity is negative in 49.7 million euros.

As mentioned in Note 1.4 xxix (d), the Group has sufficient funds to meet its responsibilities.

Regarding indebtedness, it decreased significantly compared to the previous year (gross debt registered a reduction of 17 million euros).

On 31 December 2018, bank indebtedness represents 59% of the liabilities (57% in the year 2017).

2. COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

On 31 December 2018 and 2017, the companies included in the consolidation, their methods of consolidation, as well as their head offices and proportion of capital held, are as follows:

COMPANIES CONSOLIDATED BY THE FULL CONSOLIDATION METHOD

COMPANY	HEAD OFFICE	COUNTRY	DESIGNATION	SHARE CAPITAL HELD PERCENTAGE BY MARTIFER SGPS			FY 2017
				DIRECTLY	INDIRECTLY	TOTAL	TOTAL
Martifer SGPS, S.A.	Oliveira de Frades	Portugal	Martifer SGPS	Holding			
Martifer Metallic Constructions SGPS, S.A.	Oliveira de Frades		Martifer Metallic Constructions	75.00%	-	75.00%	75.00%
Martifer - Construções Metalomecânicas, S.A.	Oliveira de Frades	Portugal	Martifer Construções	-	75.00%	75.00%	75.00%
Martifer Mota-Engil Coffey Construction Joint Venture Limited	Dublin	Ireland	MMECC ¹⁾	-	45.00%	45.00%	45.00%
Martifer Alumínios Angola, S.A.	Luanda	Angola	Martifer Alumínios Angola	-	75.00%	75.00%	75.00%
Martifer Aluminium Limited	Dublin	Ireland	Martifer Aluminium Irlanda	-	75.00%	75.00%	75.00%
Martifer Aluminium UK Limited	London	United Kingdom	Martifer Aluminium Reino Unido	-	75.00%	75.00%	75.00%
Martifer Aluminium SAS	Rungis	France	Martifer Aluminium França	-	-	-	75.00%
Promoquatro – Investimentos Imobiliários, Lda.	Oliveira de Frades	Portugal	Promoquatro ⁶⁾	-	75.00%	75.00%	37.50%
Martifer Construções Sucursal Genebra	Geneva	Switzerland	MTC Sucursal Genebra	-	75.00%	75.00%	-
Martifer – Construcciones Metálicas España, S.A.	Madrid	Spain	Martifer Espanha	-	75.00%	75.00%	75.00%
Martifer – Construções Metálicas Angola, S.A.	Luanda	Angola	Martifer Angola	-	59.06%	59.06%	59.06%
Martifer Construction Limited	Dublin	Ireland	Martifer Irlanda	-	75.00%	75.00%	75.00%
Jubimax Sp. Zo.o.	Gliwice	Poland	Jubimax ⁴⁾	-	75.00%	75.00%	75.00%
Martifer Constructions, SAS	Rungis	France	Martifer França	-	75.00%	75.00%	75.00%
Martifer Romania SRL	Bucharest	Romania	Martifer Romania	2.00%	73.50%	75.50%	75.50%
Liszki Green Park, Sp. Zo.o	Gliwice	Poland	Liszki Green Park ⁶⁾	-	67.50%	67.50%	33.75%
Park Logistyczny Biskupice	Gliwice	Poland	Biskupice	-	75.00%	75.00%	75.00%
M City Gliwice Sp. Zo.o	Gliwice	Poland	M City Gliwice ⁶⁾	-	75.00%	75.00%	37.50%
Savimex Sp. z o.o.	Gliwice	Poland	Savimex ⁵⁾	-	75.00%	75.00%	75.00%
Sociedade de Madeiras do Vouga, S.A.	Albergaria-a-Velha	Portugal	Madeiras do Vouga	-	75.00%	75.00%	75.00%
Martifer Retail & Warehousing Angola, S.A.	Luanda	Angola	Martifer Retail Angola	-	75.00%	75.00%	75.00%
Martifer UK Limited	London	United Kingdom	Martifer UK	-	75.00%	75.00%	75.00%
MT Construction Maroc, S.A.R.L.	Tangier	Marocco	Martifer Marrocos	-	75.00%	75.00%	75.00%
Saudi Martifer Constructions LLC	Riyadh	Saudi Arabia	Martifer Arábia Saudita	-	75.00%	75.00%	75.00%
Martifer Consulting DWC LLC	Dubai	United Arab Emirates	Martifer Consulting	-	75.00%	75.00%	-
Martifer Beteiligungsverwaltungs GmbH	Vienna	Austria	Martifer GmbH	-	-	-	100.00%
Martifer Energia S.R.L.	Bucarest	Romania	Martifer Energia	-	75.00%	75.00%	75.00%

COMPANY	HEAD OFFICE	COUNTRY	DESIGNATION	SHARE CAPITAL HELD PERCENTAGE BY MARTIFER SGPS			FY 2017
				DIRECTLY	INDIRECTLY	TOTAL	TOTAL
			Roménia				
Martifer Energia LLC	Kiev	Ukraine	Martifer Energia Ucrânia	-	75.00%	75.00%	75.00%
Martifer Energy Systems PTY	Cape Town	South Africa	Martifer Energia África do Sul	-	63.75%	63.75%	63.75%
Navalria – Docas, Construções e Reparações Navais, S.A.	Aveiro	Portugal	Navalria	-	75.00%	75.00%	75.00%
West Sea - Estaleiros Navais, Lda.	Oliveira de Frades	Portugal	West Sea	-	75.00%	75.00%	75.00%
Martifer Construcciones Peru, S.A.	Lima	Peru	Martifer Peru	-	75.00%	75.00%	75.00%
Martifer Amal, S.A.	Oliveira de Frades	Portugal	Martifer Amal	-	-	-	75.00%
Global Holding Limited	Zebbug	Malta	Global Holding Limited	-	75.00%	75.00%	75.00%
Global Engineering & Construction Limited	Zebbug	Malta	Global Engineering	-	75.00%	75.00%	75.00%
Martifer Solar SGPS, S.A.	Oliveira de Frades	Portugal	Martifer Solar SGPS	100.00%	-	100.00%	100.00%
Martifer Renewables SGPS, S.A.	Oliveira de Frades	Portugal	Martifer Renewables SGPS	100.00%	-	100.00%	100.00%
Martifer Renewables, S.A.	Oliveira de Frades	Portugal	Martifer Renewables SA	-	100.00%	100.00%	100.00%
Martifer Renewables ETVE, S.A.U.	Madrid	Spain	Martifer Renovables	-	100.00%	100.00%	100.00%
Eurocab FV 1 S.L.	Madrid	Spain	Eurocab 1	-	100.00%	100.00%	100.00%
Eurocab FV 2 S.L.	Madrid	Spain	Eurocab 2	-	100.00%	100.00%	100.00%
Eurocab FV 3 S.L.	Madrid	Spain	Eurocab 3	-	100.00%	100.00%	100.00%
Eurocab FV 4 S.L.	Madrid	Spain	Eurocab 4	-	100.00%	100.00%	100.00%
Eurocab FV 5 S.L.	Madrid	Spain	Eurocab 5	-	100.00%	100.00%	100.00%
Eurocab FV 6 S.L.	Madrid	Spain	Eurocab 6	-	100.00%	100.00%	100.00%
Eurocab FV 7 S.L.	Madrid	Spain	Eurocab 7	-	100.00%	100.00%	100.00%
Eurocab FV 8 S.L.	Madrid	Spain	Eurocab 8	-	100.00%	100.00%	100.00%
Eurocab FV 9 S.L.	Madrid	Spain	Eurocab 9	-	100.00%	100.00%	100.00%
Eurocab FV 10 S.L.	Madrid	Spain	Eurocab 10	-	100.00%	100.00%	100.00%
Eurocab FV 11 S.L.	Madrid	Spain	Eurocab 11	-	100.00%	100.00%	100.00%
Eurocab FV 12 S.L.	Madrid	Spain	Eurocab 12	-	100.00%	100.00%	100.00%
Eurocab FV 13 S.L.	Madrid	Spain	Eurocab 13	-	100.00%	100.00%	100.00%
Eurocab FV 14 S.L.	Madrid	Spain	Eurocab 14	-	100.00%	100.00%	100.00%
Eurocab FV 15 S.L.	Madrid	Spain	Eurocab 15	-	100.00%	100.00%	100.00%
Eurocab FV 16 S.L.	Madrid	Spain	Eurocab 16	-	100.00%	100.00%	100.00%
Eurocab FV 17 S.L.	Madrid	Spain	Eurocab 17	-	100.00%	100.00%	100.00%
Eurocab FV 18 S.L.	Madrid	Spain	Eurocab 18	-	100.00%	100.00%	100.00%
Eurocab FV 19 S.L.	Madrid	Spain	Eurocab 19	-	100.00%	100.00%	100.00%
Eviva Energy S.R.L.	Bucharest	Romania	Eviva Roménia	-	100.00%	100.00%	100.00%
Eviva Nalbant S.R.L.	Bucharest	Romania	Eviva Nalbant	-	100.00%	100.00%	100.00%
Eviva Agighiol S.R.L.	Bucharest	Romania	Eviva Agighiol	-	100.00%	100.00%	100.00%
Eviva Casimcea S.R.L.	Bucharest	Romania	Eviva Casimcea	-	100.00%	100.00%	100.00%
Martifer Renewables, S.A.	Gliwice	Poland	Eviva Polónia	-	100.00%	100.00%	100.00%
PV Sol 1 Sp. Zo.o	Krakow	Poland	PV Sol 1	-	100.00%	100.00%	100.00%
PV Sol 2 Sp. Z o.o	Krakow	Poland	PV Sol 2	-	100.00%	100.00%	100.00%
PV Sol 3 Sp. Z o.o	Krakow	Poland	PV Sol 3	-	100.00%	100.00%	100.00%
PV Sol 4 Sp. Zo.o	Krakow	Poland	PV Sol 4	-	100.00%	100.00%	-
PV Sol 5 Sp. Z o.o	Krakow	Poland	PV Sol 5	-	100.00%	100.00%	-
PV Sol 6 Sp. Z o.o	Krakow	Poland	PV Sol 6	-	100.00%	100.00%	-
Eviva Beteiligungsverwaltungs GmbH	Vienna	Austria	Eviva GmbH	-	100.00%	100.00%	100.00%
Eviva Hidro S.R.L.	Bucharest	Romania	Eviva Hidro	-	-	-	100.00%

COMPANY	HEAD OFFICE	COUNTRY	DESIGNATION	SHARE CAPITAL HELD PERCENTAGE BY MARTIFER SGPS			FY 2017
				DIRECTLY	INDIRECTLY	TOTAL	TOTAL
Martifer Deutschland GmbH	Berlin	Germany	Martifer Deutschland	-	100.00%	100.00%	100.00%
Wind Farm Bukowsko Sp. Zo.o	Gliwice	Poland	Wind Farm Bukowsko	-	100.00%	100.00%	100.00%
Wind Farm Markowa Sp. Zo.o	Gliwice	Poland	Wind Farm Markowa	-	100.00%	100.00%	100.00%
Wind Farm Lada Sp. Zo.o	Gliwice	Poland	Wind Farm Lada	-	100.00%	100.00%	100.00%
Wind Farm Jawornik Sp. Zo.o	Gliwice	Poland	Wind Farm Jawornik	-	100.00%	100.00%	100.00%
Wind Farm Piersno Sp. Zo.o	Gliwice	Poland	Wind Farm Piersno	-	100.00%	100.00%	100.00%
Wind Farm Oborniki Sp. Zo.o	Gliwice	Poland	Wind Farm Oborniki	-	100.00%	100.00%	100.00%
FW Warta Sp. Z.o.o	Krakow	Poland	Warta ⁶⁾	-	100.00%	100.00%	50.00%
Martifer Renewables Italy BV	Amsterdam	Netherlands	Renewables Italy Holanda	-	100.00%	100.00%	100.00%
Cedilhas ao Vento S.A.	Oliveira de Frades	Portugal	Cedilhas ao Vento	-	100.00%	100.00%	100.00%
Martifer Renewables Brasil LTDA	Fortaleza	Brazil	Martifer Renewables Brasil	-	100.00%	100.00%	100.00%
Martifer Renováveis - Geração de Energia e Participações S.A.	Fortaleza	Brazil	Ventania	-	-	-	55.00%
MSPAR Energia e Participações, SA	Barueri	Brazil	MSPAR	-	100.00%	100.00%	100.00%
Floresta I, Geração de Energia S.A.	Areia Branca	Brazil	Floresta I	-	99.00%	99.00%	99.00%
Floresta II, Geração de Energia S.A.	Areia Branca	Brazil	Floresta II	-	99.00%	99.00%	99.00%
Floresta III, Geração de Energia S.A.	Areia Branca	Brazil	Floresta III	-	99.00%	99.00%	99.00%
Floresta IV, Geração de Energia S.A.	Areia Branca	Brazil	Floresta IV	-	99.00%	99.00%	99.00%
Martifer Renewables O&M Sp. z o.o.	Gliwice	Poland	Martifer Renewables O&M	-	52.00%	52.00%	52.00%
Eviva Energy Co S.A.S	Bogota	Colombia	Eviva Energy CO	-	100.00%	100.00%	100.00%
Martifer MPC Renewable Energies Development S.A.S	Bogota	Colombia	Martifer MPC ^{2) 3)}	-	-	-	100.00%
Eviva Energy AR S.A	Buenos Aires	Argentina	Eviva Energy AR	-	100.00%	100.00%	100.00%
Palermo Generacion de Energia, S.A	Buenos Aires	Argentina	Palermo	-	100.00%	100.00%	100.00%
Recoleta Generación Energía S.A	Buenos Aires	Argentina	Recoleta	-	100.00%	100.00%	100.00%
Puerto Madero Generación de Energía S.A	Buenos Aires	Argentina	Puerto Madero	-	100.00%	100.00%	100.00%
Cordillera Solar VIII, SA	Buenos Aires	Argentina	Cordillera Solar ⁷⁾	-	-	-	-

- 1) The consolidation of this company by the full consolidation method is justified to the extent that the Group holds shares "in ladder form" with control at each level.
- 2) Los Rosales Generación de Energia SAS changed its name to Martifer MPC Renewable Energies Development SAS.
- 3) This company ceased to consolidate by the full consolidation method due to share capital increase as a result of the new shareholder MPC Renewable Energies GmbH, a company that is not a part of Martifer Group.
- 4) This company has changed its name from Martifer Polska Sp. Zo.o. to Jubimax Sp. Zo.o.;
- 5) And this company ceased to be Martifer Konstrukcje Sp. Z o.o. , and became Savimex Sp. Zo.o.;
- 6) These companies in 2017 were consolidated by the Equity Method and in 2018 they became consolidated by the Full Consolidation Method due to the strengthening of the financial shares in them;
- 7) This company was acquired and sold during 2018.

COMPANIES CONSOLIDATED BY THE EQUITY METHOD

The companies consolidated by the equity method, their headquarters and proportion of held capital are as follows:

COMPANY	HEAD OFFICE	COUNTRY	DESIGNATION	SHARE CAPITAL HELD PERCENTAGE BY MARTIFER SGPS			FY 2017
				DIRECTLY	INDIRECTLY	TOTAL	TOTAL
Metallic Constructions							
<i>Associate companies:</i>							
Liszki Green Park, Sp. Zo.o	Gliwice	Poland	Liszki Green Park ³⁾	-	-	-	33.75%
Amal Construções Metálicas Moçambique, S.A.	Maputo	Mozambique	Amal Moçambique	-	-	-	37.50%
Martifer-Visabeira, S.A.	Nacala	Mozambique	Martifer-Visabeira ⁴⁾	-	37.50%	37.50%	37.50%
Martimetal Spa	Algiers	Algeria	Martimetal	-	36.75%	36.75%	36.75%
<i>Joint control companies:</i>							
Promoquatro – Investimentos Imobiliários, Lda.	Oliveira de Frades	Portugal	Promoquatro ³⁾	-	-	-	37.50%
M City Gliwice Sp. Zo.o	Gliwice	Poland	M City Gliwice ³⁾	-	-	-	37.50%
Naval Industry							
<i>Joint control companies:</i>							
CNA Chantier Naval d'Arzew , SPA	Arzew	Algeria	CNA Chantier Naval d'Arzew	-	36.75%	36.75%	36.75%
Renewables							
<i>Joint control companies:</i>							
Ventinveste, S.A.	Lisbon	Portugal	Ventinveste SA	6.00%	42.50%	48.50%	48.50%
Parque Eólico de Vale Grande. S.A.	Lisbon	Portugal	PE Vale Grande	-	48.50%	48.50%	48.50%
SPEE 3 – Parque Eólico do Baião, S.A.	Lisbon	Portugal	SPEE 3	-	50.00%	50.00%	50.00%
SPEE 2 – Parque Eólico de Vila Franca de Xira, S.A.	Oliveira de Frades	Portugal	SPEE 2	-	50.00%	50.00%	50.00%
Martifer MPC Renewable Energies Development S.A.S	Bogota	Colombia	Martifer MPC ¹⁾	-	50.00%	50.00%	100.00%
FW Warta Sp. Z.o.o	Krakow	Poland	Warta ³⁾	-	-	-	50.00%
Others							
Duelobrigatório, S.A.	Oliveira de Frades	Portugal	Duelobrigatório ²⁾	55.00%	-	55.00%	55.00%
Martifer Solar Inc.	S. Francisco CA	USA	Martifer Inc. ²⁾	-	-	-	55.00%
MT Silverado Fund I LLC	S. Francisco CA	USA	Silverado ²⁾	-	-	-	55.00%

- 1) This company ceased to consolidate by the full consolidation method due to the share capital increase as a result of the new shareholder MPC Renewable Energies GmbH, a company that is not a part of Martifer Group.
- 2) In July 2016 these companies stopped being part of Martifer Solar Group and were acquired by Duelobrigatório, S.A., a subsidiary 55% held by Martifer SGPS; there is, however, shared control in the context of this operation; therefore, they ceased to be consolidated by the full consolidation method and started being consolidated by the equity method.
- 3) These companies began to consolidate by the full consolidation method during the year 2018;
- 4) This company has changed the name Martifer Amal, S.A. to Martifer-Visabeira, S.A..

During the year ended on 31 December 2018 and during the year 2017, the changes in the consolidation perimeter were as follows:

CONSTITUTION OF COMPANIES

FY 2018	HEAD OFFICE	COUNTRY
Metallic Constructions		
<i>Subsidiary companies</i>		
Martifer Consulting DWC LLC	Dubai	United Arab Emirates
Martifer Construções Sucursal Genebra	Geneva	Switzerland
Renewables		
<i>Subsidiary companies</i>		
PV Sol 4 Sp. Zo.o	Krakow	Poland
PV Sol 5 Sp. Z o.o	Krakow	Poland
PV Sol 6 Sp. Z o.o	Krakow	Poland

FY 2017	HEAD OFFICE	COUNTRY
Renewables		
<i>Subsidiary companies</i>		
Eviva Energy Co S.A.S	Bogota	Colombia
Los Rosales Generación de Energia SAS	Bogota	Colombia
Eviva Energy AR S.A	Buenos Aires	Argentina
Palermo Generacion de Energia, S.A	Buenos Aires	Argentina
Recoleta Generación Energía S.A	Buenos Aires	Argentina
Puerto Madero Generación de Energía S.A	Buenos Aires	Argentina

ACQUISITION OF COMPANIES

FY 2018	HEAD OFFICE	COUNTRY
Renewables		
<i>Subsidiary companies</i>		
Cordillera Solar VIII, SA	Buenos Aires	Argentina

FY 2017	HEAD OFFICE	COUNTRY
Metallic Constructions		
<i>Associate Companies</i>		
Amal Construções Metálicas Moçambique, S.A.	Maputo	Mozambique

SALE/DISSOLUTION OF COMPANIES

FY 2018	HEAD OFFICE	COUNTRY
Metallic Constructions		
<i>Subsidiary companies:</i>		
Martifer Aluminium SAS	Rungis	France
Martifer Beteiligungsverwaltungs GmbH	Vienna	Austria
Martifer Amal, S.A.	Oliveira de Frades	Portugal
<i>Joint control companies:</i>		
Amal Construções Metálicas Moçambique, S.A.	Maputo	Mozambique
Renewables		
<i>Subsidiary companies:</i>		
Cordillera Solar VIII, SA	Buenos Aires	Argentina
Eviva Hidro S.R.L.	Bucharest	Romania
Martifer Renováveis - Geração de Energia e Participações S.A.	Fortaleza	Brazil
Others		
Martifer Solar Inc.	S. Francisco CA	USA
MT Silverado Fund I LLC	S. Francisco CA	USA

FY 2017	HEAD OFFICE	COUNTRY
Metallic Constructions		
<i>Subsidiary companies:</i>		
Martifer Slovakia S.R.O.	Bratislava	Slovakia
Martifer Wind Energy Systems LLC	San Angelo TX	USA
Renewables		
<i>Subsidiary companies:</i>		
Wind Farm Odrzechowa Sp. Zo.o	Gliwice	Poland
Eólica Cajueiro da Praia, Ltda .	Fortaleza	Brazil
SBER – Sociedade Brasileira de Energias Renováveis, Ltda.	Fortaleza	Brazil
Premium Management Consulting, S.R.L.	Bucharest	Romania
<i>Joint control companies:</i>		
Âncora Wind – Energia Eólica, S.A	Lisbon	Portugal
Parque Eólico do Douro Sul, S.A.	Lisbon	Portugal
Parque Eólico de Vale do Chão, S.A.	Lisbon	Portugal
Parque Eólico da Penha da Gardunha, Lda.	Oliveira de Frades	Portugal

CHANGE IN THE CONSOLIDATION METHOD

In 2018:

Martifer MPC Renewable Energies Development S.A.S. - full consolidation to equity method. This company stopped being consolidated by the full consolidation method due to share capital increase as a result of the new shareholder MPC Renewable Energies GmbH, a company that is not a part of Martifer Group. The impact on the Consolidated Results was null, since the change of holding resulted from equity increase and the entry of a new shareholder.

Promoquatro - Investimentos Imobiliários, Lda.; Liszki Green Park Sp. Z o.o.; and M City Gliwice Sp. Z o.o. - from equity method to full consolidation. These companies began to consolidate by the full consolidation method following Martifer Group companies increased, through acquisition, its holdings in the referred companies. The percentages held were 50%, 45% and 50%, respectively, having passed after the acquisition to 100%, 90% and 100%, respectively. The global impact on the Consolidated Result was positive in 3.6 million euros.

FW Warta Sp. Z.o.o. - from equity method for full consolidation. This company started to consolidate by the full consolidation method because Martifer Renewables SGPS acquired the remaining 50% of its shareholding from 4 Polish companies not belonging to Martifer Group. The impact on the Consolidated Result was positive in 0.9 million euros.

In 2017:

M City Gliwice Sp. Zo.o - from full consolidation method to equity method. This company ceased to consolidate by the full consolidation method since Martifer Beteiligungsverwaltungs GmbH alienated its participation to Martifer Metallic Constructions SGPS (47.8%) and APCL Invest, S.A.. (50%), the latter not belonging to Martifer Group. The impact on the consolidated result was 0.8 million Euros.

OTHER CHANGES IN THE CONSOLIDATION PERIMETER

In 2018:

Amal Construções Metálicas Moçambique, S.A. sold its 30% participation in Martifer-Visabeira, S.A. (Mozambique) to its two shareholders: Martifer Metallic Constructions SGPS (15%) and Visabeira Moçambique (15%), the latter not belonging to Martifer Group. The participation of Martifer Group in Martifer-Visabeira, S.A. (Mozambique) remained at 50%, so the impact on the consolidated result was non-existent.

Palermo Generacion de Energia, S.A. - became 95% held by Martifer Renewables, SGPS, S.A. and 5% by Eviva Energy AR, S.A. In 2017, Palermo Generacion de Energia S.A. was 99.55% held by Martifer Renewables, SGPS, S.A. and 0.45% held by Eviva Energy AR, S.A. Without impact on the Consolidated Financial Statements.

Eviva Energy AR, S.A. - became 99,76% held by Martifer Renewables, SGPS, S.A. and 0,24% by Martifer Renewables, S.A. In 2017, Eviva Energy AR, S.A. was 99.55% held by Martifer Renewables, SGPS, S.A. and 0.45% by Martifer Renewables, S.A. Without impact on the Consolidated Financial Statements.

In 2017:

Cedilhas ao Vento S.A. - started being held by Martifer Renewables Italy BV in 91%, by Martifer Renewables Brasil Ltda in 5% and by MSPAR Energia e Participações, SA in 4%. In 2016, Cedilhas ao Vento S.A. was 100% owned by Martifer Renewables Italy BV. Without impact on the Consolidated Financial Statements.

West Sea, Lda - was 1% held by Navalria, S.A., but this participation was sold to Martifer Metallic Constructions SGPS, SA, which began holding 100% of West Sea, Lda. Without an impact on the Consolidated Financial Statements.

Martifer - Amal, S.A - increase in the participation from 60% to 100%. The impacts of this amendment are immaterial to the Consolidated Financial Statements.

Martifer - Amal, S.A (Mozambique) - increase in participation, due to the acquisition of the company Amal Construções Metálicas Moçambique, S.A., which holds 30% of the first. The impacts of this amendment are immaterial to the Consolidated Financial Statements.

Martifer Silverado Fund I LLC - increase in participation from 57.125% to 100%. Transaction made with non-controlling interests, affecting the Equity of the Group in approximately -6.2 million Euros and there was no counterpart value.

M City Bialystok Sp. Zo.o, M City Radom Sp. Zo.o e M. City Szczecin Sp. Z o.o - following the corporate restructuring, these companies were merged in M City Gliwice Sp. Zo.o. . Without an impact on the Consolidated Financial Statements.

3. OPERATING SEGMENTS

For management purposes, the Group uses its internal organisation as a basis for its reporting of information by operating segments.

The Group is organised in three business areas: 'Metallic Constructions', 'Naval Industry' and 'Renewables', all of which are coordinated and supported by Martifer SGPS.

The business area 'Metallic Constructions' includes the activities of metallic constructions, aluminium and glass façades and infrastructures for oil & gas. The 'Naval Industry' includes shipbuilding as well as ship repair services. The segment 'Renewables' includes the promotion and development of renewable energy projects, with particular focus on the wind energy sector.

Until 2016 the operating segment 'Metallic Constructions' included the naval industry but given the characteristics of this industry and the weight that it already assumes in the total activity of the Group, it became an independent operating segment in 2017 and started being reported from then on as such. Martifer Metallic Constructions, SGPS, SA remains as the sub-holding aggregating the operating segments 'Metallic Constructions' and 'Naval Industry'.

The values included in the line 'Other' relate to services rendered by the holding.

The accounting policies and valuation criteria used in the preparation of the information by segments were the same as those of the attached financial statements (Note 1.4 xxvii).

On 31 December 2018 and 2017, sales and services rendered by operating segments can be analysed as follows:

	SALES TO EXTERNAL CUSTOMERS		INTERSEGMENT SALES		TOTAL	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Metallic Construction	108,622,969	101,324,951	16,313,289	16,962,009	124,936,258	118,286,960
Naval Industry	80,869,099	62,218,034	1,686,651	820,000	82,555,750	63,038,034
Renewables	11,098,296	13,328,786	741,104	936,004	11,839,400	14,264,790
Others	-	-	1,010,058	839,186	1,010,058	839,186
	200,590,364	176,871,771	19,751,102	19,557,199	220,341,466	196,428,970
Intersegment eliminations					(19,730,868)	(19,556,994)
Own work capitalized (Note 5)					(20,234)	(205)
					200,590,363	176,871,771

Sales and services rendered to external customers, by country of origin and by segment present the following breakdown:

	FY 2018	FY 2017
Iberian Peninsula		
Metallic Construction	70,639,296	36,396,231
Naval Industry	80,869,098	62,218,034
Renewables	4,829,494	4,890,150
Central Europe		
Metallic Construction	26,843,609	25,137,643
Renewables	5,964,843	7,686,183
Other markets		
Metallic Construction	11,140,064	39,791,077
Renewables	303,958	752,453
	200,590,363	176,871,771

In the year 2018, the sales and services rendered registered an increase of approximately 24 million euros, compared to the same period of the previous year. This increase is mainly due to the acceleration of activity in some countries in the 'Metallic Constructions' segment, particularly in Portugal, in Spain and in France, although there was a decrease in activity in Saudi Arabia, in Angola, in Romania and in the United Kingdom. In addition, the branch of Martifer Construções in Switzerland of the 'Metallic Constructions' segment was incorporated, which in 2018 contributed in approximately 4.1 million euros. There was also a tremendous growth in the 'Naval Industry' segment which increased these revenues by about 18.7 million euros compared to 2017.

As regards the sales and services rendered by country of origin, the main contributions are Portugal with approximately 144.3 million euros, Spain with approximately 12.1 million euros and France with around 10.4 million euros. 'Other Markets' include Angola and Saudi Arabia with sales and services rendered of 4.3 million euros and 6.8 million euros, respectively.

On 31 December 2018 and 2017, the operating income as well as the operating results before (EBITDA) and after depreciation/ amortisation and provisions and impairment losses (EBIT) and the Net Profit for the period by operating segments can be analysed as follows:

	OPERATING PROFIT		EBITDA		EBIT		NET PROFIT FOR THE YEAR	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Metallic Construction	125,684,721	108,638,818	5,610,015	(1,426,630)	2,355,773	(7,175,345)	(3,076,025)	(12,601,185)
Naval Industry	82,166,701	62,743,607	7,418,423	5,399,253	6,683,797	4,606,393	5,327,347	3,369,857
Renewables	14,122,538	16,634,762	4,254,679	4,805,556	(638,556)	(9,079,765)	377,616	10,244,946
Others	(4,532,336)	(2,465,971)	(2,035,803)	(270,345)	(655,239)	(2,772,213)	(1,034,957)	2,760,059
	217,441,624	185,551,214	15,247,313	8,507,835	7,745,775	(14,420,929)	1,593,982	3,773,677

In 2018, consolidated EBITDA recorded a positive value of 15.2 million euros. For that, all operating segments contributed positively: the Metallic Constructions segment with 5.6 million euros, the Naval segment with 7.4 million euros and the Renewables segment with 4.3 million euros. EBITDA improved in all segments, having registered a 79% improvement compared to that of 2017.

The losses and gains in associate companies, the value of carrying amount of the financial assets recorded under equity method, as well as the constitution and reversal of provisions and impairment losses by operating segments are as follows:

	LOSSES IN ASSOCIATE COMPANIES		GAINS IN ASSOCIATE COMPANIES		CARRYING AMOUNT OF THE FINANCIAL ASSETS RECORDED UNDER EQUITY METHOD	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Metallic Construction	1,890,617	4,084,578	317,986	16	-	126,819
Naval Industry	-	132,812	27,087	-	780,394	739,853
Renewables	149,049	86,984	2,262,937	20,189,524	7,790,484	11,358,455
Others (Note 13)	937,685	8,390,815	1,500,000	5,016,891	-	3,000
	2,977,350	12,695,188	4,108,010	25,206,431	8,570,878	12,228,126

	PROVISIONS AND IMPAIRMENT LOSSES RECORDED IN THE YEAR		REVERSALS OF PROVISIONS AND IMPAIRMENT LOSSES RECORDED IN THE YEAR	
	FY 2018	FY 2017	FY 2018	FY 2017
Metallic Construction	221,241	4,335,839	208,056	2,188,434
Naval Industry	-	-	-	-
Renewables	160,189	9,958,297	62,985	2,299,675
Others	375,000	2,501,000	1,755,750	-
	756,430	16,795,136	2,026,791	4,488,109

The capital expenditures (acquisition of tangible and intangible fixed assets) and the depreciations/ amortisations of the Group by operating segments until 31 December 2018 and 2017 are as follows:

	CAPITAL EXPENDITURES		AMORTIZATIONS	
	FY 2018	FY 2017	FY 2018	FY 2017
Metallic Construction	1,048,084	398,304	3,241,057	4,480,031
Naval Industry	41,631	5,356	734,626	792,860
Renewables	755,100	2,431,595	4,796,031	5,347,978
Others	1,313	-	186	867
	1,846,128	2,835,255	8,771,899	10,621,737

The Group's assets and liabilities by operating segments until 31 December 2018 and 2017 are as follows:

	ASSETS		LIABILITIES	
	FY 2018	FY 2017	FY 2018	FY 2017
Metallic Construction	181,044,834	210,102,673	214,677,095	229,777,682
Naval Industry	59,197,594	69,923,439	48,483,253	60,919,998
Renewables	144,117,463	152,189,467	44,170,520	49,174,698
Holding	401,962,955	405,247,790	142,296,593	146,204,318
Intra-group eliminations	(466,605,071)	(461,362,924)	(80,184,171)	(72,808,161)
	319,717,776	376,100,446	369,443,290	413,268,535

The assets held and the capital expenditures made by country can be analysed as follows:

	ASSETS		CAPITAL EXPENDITURES	
	FY 2018	FY 2017	FY 2018	FY 2017
Iberian Peninsula	189,764,908	222,625,050	1,183,301	877,802
European Union	97,476,786	91,055,428	584,612	441,893
Other markets	32,476,079	62,419,968	78,214	1,515,561
	319,717,776	376,100,446	1,846,128	2,835,255

4. SALES AND SERVICES RENDERED

The breakdown of sales and services rendered for the periods ended on 31 December 2018 and 2017 is as follows:

	FY 2018	FY 2017
Revenue from the sale of goods	141,287,518	94,997,398
Services rendered	59,302,845	81,874,373
	200,590,363	176,871,771

In 2018, sales and services rendered increased by 13% compared to 2017 to 201 million euros. This variation results from the significant increase occurred in the segments 'Naval Industry' and 'Metallic Constructions', as can be seen below.

The breakdown of sales and services rendered by operating segment on 31 December 2018 and 2017 is as follows:

	FY 2018	FY 2017
Metallic Construction	108,622,969	101,324,951
Naval Industry	80,869,099	62,218,034
Renewables	11,098,296	13,328,786
	200,590,363	176,871,771

The breakdown of sales and services by type of revenue on 31 December 2018 and 2017 is as follows:

	FY 2018	FY 2017
Metallic Construction - Metal structures and aluminum building	95,741,453	100,950,913
Metallic Construction - Operation and maintenance	9,589,280	-
Metallic Construction - Others	3,292,235	374,038
Metallic Construction - Total	108,622,969	101,324,951
Naval Industry - Building	66,987,003	47,563,189
Naval Industry - Repair	13,326,444	14,464,645
Naval Industry - Others	555,652	190,200
Naval Industry - Total	80,869,099	62,218,034
Renewables - Sale of energy	7,537,367	8,457,339
Renewables - Sale of Green Certificates	2,257,803	3,023,081
Renewables - Operation and maintenance	869,339	966,190
Renewables - Others	433,786	882,176
Renewables - Total	11,098,296	13,328,786
	200,590,363	176,871,771

The future component of revenue allocated to not yet fulfilled or partially fulfilled performance obligations can be analysed as follows:

M €	FY 2019	FY 2020 AND FOLLOWING	TOTAL
Metallic Construction	149	77	226
Naval Industry	83	64	147
	232	141	373

The impact of the recognition of the Angolan and Argentinian companies as part of a hyperinflationary economy, in accordance with IAS 29, was an increase of approximately 0.4 million euros.

5. OTHER INCOME

Other income of the years ended on 31 December 2018 and 2017 can be analysed as follows:

	FY 2018	FY 2017
Change in production	(1,763)	1,686
Own work capitalised (Note 3)	20,234	205
Taxes	26,948	161,116
Reversals of impairment losses:		
Trade debtors	1,082,041	300,062
Other impairment losses	-	4,328
Supplementary income	687,368	334,331
Capital gains in non-financial assets	334,048	1,767,744
Operating subsidies	12,527	44,525
Investments subsidies	81,623	81,001
Foreign exchange gains	8,322,285	2,138,273
Other operational gains	6,285,949	3,846,172
Total	16,851,261	8,679,443

The reversal of impairment of Trade debtors in 2018 relates mainly to Saudi Martifer (Saudi Arabia) (0.8 million euros) of the 'Metallic Constructions' segment.

On 31 December 2017 the 'Capital gains in non-financial assets' result mainly from the sale of a crane in France (0.9 million Euros) as well as from the impact in the consolidated accounts of the sale of Martifer Slovakia and the liquidation of Wind Farm Odrzechowa. In 2018, it refers mainly to gains on the sale of Tangible Fixed Assets in Martifer Construções.

As regards 'Supplementary Income' of 2018, it mostly includes revenue of the metallic constructions area (0.6 million euros), of which we highlight the contributions of Portugal and Saudi Arabia.

The 'Foreign exchange gains' are related with the occurrence of exchange rate variations in non-financial transactions, mainly in the Group's subsidiaries outside the Euro Zone (Note 1.4 xiv).

The item 'Other operating gains' in 2018 includes the impacts of the change from the equity method of consolidation to the full consolidation method in the 'metallic constructions' segment, in the amount of 3.6 million euros (companies: Promoquatro, Liszki Green Park and M City Gliwice, as well as the same situation in the 'Renewables' segment with the impact of 0.9 million euros (company: FW Warta). In 2017, the amount of added value from the sale of the project Assú by the Renewables segment in Latin America (1.9 million euros) can be highlighted, as well as the values concerning the development of projects by Martifer Renewables, S.A. in Poland (0.6 million euros). In the metallic constructions area the contribution of Romania and Saudi Arabia should be stressed.

6. COST OF GOODS SOLD

The cost of goods sold for the years ended on 31 December 2018 and 2017 can be analysed as follows:

FY 2018	TOTAL
Opening balance	10,609,480
Purchases	80,141,662
Changes in the consolidation perimeter, currency exchange differences, transfers and others	4,195,825
Impact of Hyperinflationary Economies (Note 1.4)	177,326
Closing balance (Note 24)	21,116,098
Cost of goods sold	74,008,195

FY 2017	TOTAL
Opening balance	5,575,577
Purchases	69,807,285
Changes in the consolidation perimeter, currency exchange differences, transfers and others	(5,921,252)
Impact of Hyperinflationary Economies (Note 1.4)	2,105,022
Closing balance (Note 24)	10,609,480
Cost of goods sold	60,957,152

The increase of this item in the financial year 2018 is a consequence of the increase in activity, production and respective sales.

In 2018, about 0.2 million euros were registered, which result from the application of IAS 29 regarding the Angolan and Argentinian hyperinflationary economy.

7. SUBCONTRACTS

The value of subcontracts in the years ended on 31 December 2018 and 2017 is as follows:

	FY 2018	FY 2017
Subcontracts	46,572,386	38,550,542
	46,572,386	38,550,542

The subcontracts relate to subcontracting of works carried out, mainly in the segments 'Metallic Constructions' and 'Naval Industry', and the increase is justified by the increase of activity in 2018.

8. EXTERNAL SUPPLIES AND SERVICES

The breakdown of external supplies and services for the periods ended on 31 December 2018 and 2017 is as follows:

	FY 2018	FY 2017
Specialised works	7,693,591	7,936,050
Leases and rents	5,377,821	5,630,592
Transportation of goods	3,705,415	4,097,684
Service Fees	3,028,790	3,661,162
Travelling expenses	1,795,947	1,784,050
Electricity and Fuel	2,486,643	2,454,814
Insurance	2,159,918	1,785,844
Maintenance and repairs	1,806,061	1,689,580
Communications	302,848	395,812
Security	608,313	804,892
Legal and notarial fees	119,470	380,801
Commissions	225,932	280,944
Advertising	199,370	340,434
Cleaning, health and safety	521,439	480,909
Tools and devices	102,585	291,237
Other	759,276	834,983
	30,893,417	32,849,790

During the year ended on 31 December 2018, under the heading 'Leases and Rents', 608.600 euros were recognised relating to rents from operating lease contracts. The remaining amounts relate mainly to other equipment leases which do not qualify as operating leases.

The specialised works include expenses with audit services, with consulting services, information systems, studies and opinions.

The item 'Service Fees' in 2018 decreased compared to 2017, which is mainly due to the decrease in the fees that must be supported with the sale of Green Certificates in Romania, in the 'Renewables' segment.

Although there has been an increase in the activity in 2018 compared to 2017, there was a decrease in the item 'Leases and Rents' being justified by a slowdown of the activity in Angola and Saudi Arabia in the 'Metallic Constructions' segment.

Also, 'Transportation of Goods' suffered a decrease compared to 2017, due to lower activity in Angola and Saudi Arabia in the 'Metallic Constructions' segment.

The recognition of Angola and Argentina as hyperinflationary economies has led to an increase of approximately 0.1 million euros in 'Supplies and External Services'.

9. STAFF COSTS

The Staff costs for the periods ended on 31 December 2018 and 2017 can be analysed as follows:

	FY 2018	FY 2017
Salaries	27,454,361	27,125,504
Social contributions and others	7,148,909	7,367,750
	34,603,270	34,493,254

The value of social fees and other fees is, essentially, related to Social Security payments, meal allowances and sickness benefits, occupational accident insurance and indemnities.

The application of IAS 29 in Angolan and Argentinian companies meant an additional expenditure of approximately 0.1 million euros in this item.

AVERAGE NUMBER OF EMPLOYEES

During 2018 and 2017, the company's average number of personnel was as follows:

	FY 2018	FY 2017
Directors	14	14
Other employees	1,347	1,434
	1,361	1,448
Portuguese	1,076	959
Portuguese in foreign countries and foreigners	285	489
	1,361	1,448

10. OTHER EXPENSES

Other expenses for the years ended on 31 December 2018 and 2017 are as follows:

	FY 2018	FY 2017
Taxes	1,419,317	1,513,557
Impairment losses:		
Trade debtors	2,030,205	1,965,899
Losses in inventories	-	1,192
Losses in non-financial assets	831,274	1,367,604
Foreign exchange losses	10,926,451	3,436,675
Trade debtors write-off	3,454	-
Fines and penalties	210,176	288,640
Other operational losses	696,166	1,619,074
Total	16,117,043	10,192,642

The item 'Impairment losses' in 'Trade debtors' in 2017 is mostly concerned with the 'Metallic Constructions' segment in Romania, in Angola and Saudi Arabia. In 2018 impairments were recorded in Angola, in the United Kingdom, in Portugal and Romania in the 'Metallic Constructions' segment.

The item 'Losses in non-financial assets' in 2017 refers mostly to the loss derived from the 50% sale of M-City Gliwice Sp. Zo.o to APCL Invest SA, as well as the capital loss derived from the sale of Premium Management Consulting, S.R.L.. In 2018, it refers to losses on the sale of Tangible Fixed Assets in Martifer Construções as well as the capital losses as result of the liquidation of the companies Martifer Renováveis - Geração de Energia e Participações, S.A. and Eviva Hidro S.R.L., both of the 'Renewables' segment.

The item 'Foreign exchange losses' is related with the occurrence of exchange rate variations in non-financial transactions, mainly in the Group's subsidiaries outside the Euro Area (Note 1.4 xiv). Both in 2018 and 2017 the countries that contributed the most to the increase in this item were Angola and Saudi Arabia.

The value of the item 'Other operational losses' in 2018 mostly includes the expenses associated with the 'Metallic Constructions' segment in Romania. In 2017, the amount of costs associated with the sale of the Project Assú as well as the expenses in Central Europe in the Renewables segment stand out. There were also other expenses in Saudi Arabia and Poland in the Metallic Constructions segment.

11. PROVISIONS AND IMPAIRMENT LOSSES IN FIXED ASSETS

Provisions and impairment losses for the periods ended on 31 December 2018 and 2017 are as follows:

	FY 2018	FY 2017
Impairment losses		
In intangible assets (Note 18)	-	8,571
In tangible assets (Note 19)	-	8,835,603
	-	8,844,174
Provisions (Note 34)		
Quality guarantees	112,960	(422,580)
Onerous contracts	(99,775)	(492,703)
Legal claims in progress	375,000	1,805,115
Others	(1,658,546)	2,573,022
	(1,270,361)	3,462,853

The impairments in tangible assets recorded in 2017 relate mainly to the Renewables segment, being related with the wind farms Babadag 1 and 2 (Romania) in the amount of approximately 8.5 million euros, as a result of regulatory changes occurred in the first half of 2017.

The 'Provisions for onerous contracts' relate to construction contracts in progress where it is estimated that the cost to be incurred to comply with the obligation exceeds the expected economic benefits. These provisions relate essentially to the 'Metallic Constructions' segment. In 2017 and 2018 the value of provisions related to onerous contracts has a negative value because part of the provisions previously constituted was reversed.

In 2017, the registration of around 1.8 million euros in 'Legal claims in progress' resulting from the Alstom process was made. Since the unfavourable ruling of the Group is known on the ruling on the arbitration proceedings that opposed Martifer Construções to Walder Wyss lawyers, a provision was made in the amount to be paid. In 2018, there was the recognition of 0.4 million euros referring to a provision in Martifer SGPS related with a judicial proceeding in progress.

In 'Provisions - others' in 2017, one of the main contributions was the recognition of a provision of approximately 2.5 million euros, for contractual contingencies associated with the sale of assets. Another of the contributions derives from the recognition by Martifer Construções of approximately 0.8 million euros of provision to cope with the various processes which it may have to compensate third parties in the future. In 2018, with the end of a contract, and consequently the associated contractual contingencies, about 1.8 million euros was reverted.

12. FINANCIAL RESULTS

The financial results for the periods ended on 31 December 2018 and 2017 may be analysed as follows:

FINANCIAL INCOME	FY 2018	FY 2017
Loans and accounts receivable (including bank deposits)		
- Interest income	74,729	499,774
Other financial income related to other financial assets		
- Foreign exchange gains	3,415,121	1,287,060
- Gains on the sale of financial assets	20	306
- Other financial income	172,390	12,159,427
	3,662,259	13,946,566
FINANCIAL EXPENSES	FY 2018	FY 2017
Loans and accounts payable		
- Interest expenses in bank loans and in finance leases	4,965,949	5,062,649
Other financial income related to other financial liabilities		
- Foreign exchange losses	2,699,261	1,327,260
- Other financial expenses	1,585,284	1,542,603
	9,250,494	7,932,513

The items 'Gains/ (Losses) Exchange Foreign' are related with the occurrence of exchange rate variations, mainly in the Group's subsidiaries outside the Euro area (Note 1.4 xiv).

In 2017, 'Other financial income' include, in almost all of the amount, the gain arising from a financial renegotiation agreement (amortisation of the debt with discount) (see Note 31).

The item 'Interest expenses' was reduced in 2018, mainly explained by the decrease of the loans in 16.7 million euros compared to 2017.

13. GAINS/(LOSSES) ON ASSOCIATE COMPANIES AND JOINT ARRANGEMENTS

The gains and losses on associate companies and joint arrangements in the years ended on 31 December 2018 and 2017 can be analysed as follows:

	FY 2018	FY 2017
Equity method		
Parque Eólico da Penha da Gardunha, Lda.	-	(54,384)
Martifer MPC Renewable Energies Development S.A.S	(133,340)	-
Ventinveste, S.A.	1,244,948	19,308,741
SPEE 2 – Parque Eólico de Vila Franca de Xira, S.A.	680,279	456,592
SPEE 3 – Parque Eólico do Baião, S.A.	183,211	161,691
Liszki Green Park, Sp. Zo.o	(20,450)	(2,720,871)
M-City Szczecin	-	(7,679)
M City Bialystok Sp. Zo.o	-	(816)
M City Radom Sp. Zo.o	-	(2,136)
M City Gliwice Sp. Zo.o	(3,270)	(28,134)
Promoquatro	(65,942)	(188,900)
Duelobrigatório	(937,685)	(6,890,815)
Martifer-Visabeira, S.A.	(508,564)	(329,179)
Amal Construções Metálicas Moçambique, S.A.	197,614	(141,077)
Martimetal	(1,537,529)	(665,770)
Warta	(15,709)	(32,601)
CNA Chantier Naval d'Arzew, SPA	27,087	(132,812)
	(889,350)	8,731,852
Others		
Duelobrigatório impairment (Note 21 e Note 25)	-	5,016,891
Duelobrigatório provision for closure of associate companies (Note 34)	1,500,000	(1,500,000)
Gain of Dividends from Ventinveste due to % above participation	154,500	262,500
Gain of the Settlement of Amal Construções Metálicas Moçambique, S.A.	365,510	-
	2,020,010	3,779,391
	1,130,660	12,511,243

The negative amount of 889,350 euros which results from the application of the Equity Method in 2018, the positive value of 1,774,656 euros impacts on variations of 'Investments in associated companies and jointly controlled companies' (Note 21), whereas the negative amount of 2,664,006 euros is used in the movements of Provisions in investments in the Equity Method (Note 34).

The 'Duelobrigatório impairment' recorded in 2016 is related to the financial investment and to supplementary payments in Duelobrigatório, S.A.. (the company that owns the assets of the Solar segment in the United States which were not sold in the Martifer Solar, S.A. sale process), since it was expected that the share units held in a Fund by its subsidiary would give rise to losses. In 2017, the sale of share units to the Fund in question occurred, so the impairment regarding the Financial Investment abovementioned (5 million Euros) was reverted and took over the outcome of this subsidiary was acknowledged in the proportion of the Equity Method (6.9 million euros). Concerning the impairment of the supplementary payments of this subsidiary, it remained the same on 31 December 2018.

In 2017, a provision of 1.5 million euros was constituted to deal with any expenses with the closure of Duelobrigatório and its subsidiaries. It was reverted in 2018 since the subsidiaries were terminated.

In 2017, the high amount recognised as a gain regarding Ventinveste (19.3 million euros) derives mainly from the sale of several subsidiaries.

Also in 2017, Martifer Renewables S.A. received, according to the shareholders agreement, 26.5% of dividends (4.6 million euros) of its subsidiary Ventinveste, i.e., 1.5% more than its participation in the share capital, so this difference of 262,500.00 Euros was not eliminated from the consolidated accounts, having been transferred from item 'Dividends' to 'Results in associate companies'. Also in 2018, Martifer Renewables S.A. received, as part of the shareholders agreement, 26.5% of dividends (2.7 million euros), being the difference 154,500 euros, which was transferred from the item 'Dividends' to 'Results in associated companies'.

The information on the associate companies and joint arrangements is in Notes 21 and 34.

14. INCOME TAX

The breakdown of assets and liabilities giving rise to deferred tax in the periods ended on 31 December 2018 and 2017 may be analysed as follows:

DEDUCTIBLE TEMPORARY DIFFERENCES	FY 2018		FY 2017	
	BASIS	DEFERRED TAX	BASIS	DEFERRED TAX
With impact in Net Profit				
Provisions not accepted for tax purposes	9,797,759	2,265,637	3,719,763	929,941
Tax losses	28,661,963	5,916,251	25,442,511	5,657,739
Others	3,390,452	703,727	5,041,714	1,107,850
Deferred Tax Assets Compensation	-	-	(9,300,000)	(1,953,000)
	41,850,174	8,885,615	24,903,988	5,742,530
With impact in Equity				
Others	-	-	252,863	37,929
	-	-	252,863	37,929
	41,850,174	8,885,615	25,156,851	5,780,459

TAXABLE TEMPORARY DIFFERENCES	FY 2018		FY 2017	
	BASIS	DEFERRED TAX	BASIS	DEFERRED TAX
With impact in Net Profit				
Differences between cost and fair value	10,723,120	2,394,751	1,197,918	317,448
Investment properties revaluation	-	-	9,300,000	1,953,000
Others	314,781	128,532	1,324,101	397,230
Deferred tax liabilities compensation	-	-	(9,300,000)	(1,953,000)
	11,037,901	2,523,283	2,522,019	714,678
With impact in Equity				
Fair value on the acquisition of subsidiaries	2,295,300	605,354	2,295,300	605,354
Others	4,220,802	1,087,128	5,449,793	1,624,342
	11,825,385	1,692,482	7,745,093	2,229,697
	22,863,286	4,215,765	10,267,112	2,944,375

In 2015, deferred tax assets and deferred tax liabilities related to tax losses and to the valuation of investment property at fair value included a base amount of 9,300,000.00 euros and 1,953,000.00 euros of tax, which were compensated, since the Board of Directors expected that the abovementioned Investment Property would be sold within the period of recovery of Deferred Tax Assets, so these deferred tax assets and deferred tax liabilities would be used simultaneously at the time of sale. This property was not sold until 31 December 2018, so the amounts remain to this date. However, in 2018 the Board of Directors considered that it is more appropriate and clear to submit the assets and deferred tax liabilities independently, so the form of presentation was changed compared to 2017.

Under the item 'Others' of 'Deferred tax liabilities' with impact on net result as well as having an impact on equity, the impacts arising from the application of IAS 29 to the Angolan companies of 'Metallic Constructions' were recorded.

The distribution of deferred taxes by country is presented as follows:

	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES	
	FY 2018	FY 2017	FY 2018	FY 2017
Portugal	5,453,640	2,102,431	3,031,589	954,359
Spain	1,927,619	2,367,939	-	-
Angola	-	-	1,181,060	1,990,015
Romania	427,266	427,724	-	-
United Kingdom	813,458	820,151	-	-
Other	263,633	62,215	3,116	-
	8,885,615	5,780,459	4,215,765	2,944,375

The amount of 1,180,060 euros for Angola derives from the application of IAS 29, as well as the amount of 3,116 euros in the item 'Others' relates to the application of IAS 29 in Argentina.

According to the tax returns and estimates of income tax of the companies that record deferred tax assets related to tax losses, on 31 December 2018 and 2017, using for the purpose tax rates at that time, they were reportable as follows:

TIME LIMIT	FY 2018		FY 2017	
	BASIS	DEFERRED TAX	BASIS	DEFERRED TAX
2022	2,670,410	427,266	2,673,276	427,724
2026	20,138,472	4,229,079	7,649,570	2,027,136
2027	-	-	9,300,000	1,953,000
	22,808,882	4,656,345	19,622,846	4,407,860
Without limited time use	5,853,082	1,259,906	5,819,666	1,249,880
	28,661,963	5,916,251	25,442,511	5,657,739

On 31 December 2018, the assets and deferred tax liabilities amounted to 8,885,615 euros and 4,215,765 euros, respectively (2017: 5,780,459 euros and 2,944,375 euros, respectively), and the effect on the P&L was negative in 461,984 euros (in 2017 a positive effect of 1,356,098 euros).

On 31 December 2018 and 2017, compared to the tax legislation in force in Portugal, in what concerns the taxation of dividends, temporary differences relating to the share of results of associates and subsidiaries for which deferred tax liabilities were not recorded, are not materially relevant to the attached financial statements.

On 31 December 2018 there were reported tax losses, calculated in the companies taxed under the Special Regime for Taxation of Corporate Groups (RETGS) of which Martifer SGPS is the dominant company, before and during the application of RETGS, amounting to 72,178,642 euros (87,952,630 euros on 31 December 2017), whose potential deferred tax assets amount to 16,240,195 euros (19,789,342 euros on 31 December 2017). In a perspective of prudence, deferred tax assets were registered, related to tax losses in Portugal to be used in the future, only in the amount of 4,229,079.00 euros.

The breakdown of total reportable tax losses and potential tax credits, in Portugal, can be analysed as follows:

	FY 2018			FY 2017		
	TAX LOSS	TAX CREDIT	TIME LIMIT	TAX LOSS	TAX CREDIT	TIME LIMIT
Generated in 2013	-	-	-	23,299,590	5,242,408	2.018
Generated in 2014	28.860.620	6.493.639	2026	37,968,459	8,542,903	2.026
Generated in 2015	5.094.387	1.146.237	2027	5,489,330	1,235,099	2.027
Generated in 2016	21.237.388	4.778.412	2028	21,195,251	4,768,931	2.028
Generated in 2017	16.986.247	3.821.906	2022	-	-	-
	72.178.642	16.240.195		87,952,630	19,789,342	

In relation to the above tax losses, the following should be noted:

- i. The tax losses generated in 2013 changed, compared to the reportable amount on 31 December 2017, in the overall amount of 6,448,405 euros, which is detailed as follows: corrections made by the Tax Authority, following an inspection to the company Martifer Alumínios in the amount of 2,191,130 euros, which was not contested by the Group; and deduction of tax losses in the amount of 4,257,275 euros, to occur in 2018. Given that the Group in 2018 presents an estimated taxable profit of 6,081,821 euros, a deduction of tax losses generated in the fiscal year 2013 is expected, amounting to 70% of the taxable profit calculated in 2018, totalling a deduction of 4,257,275 euros;
- ii. The tax losses generated in 2014 suffered change, compared to the reportable amount on 31 December 2017, in the overall amount of 9,107,839 euros. This amendment arises from corrections made by the Tax Authority, resulting from an inspection to Martifer Construções and Martifer Alumínios, in the amount of 7,749,386 euros and 1,358,453 euros, respectively. These corrections were not disputed by Martifer Group;
- iii. The tax losses recorded in 2015 suffered a change, compared to the reportable amount on 31 December 2017, amounting to 394,943 euros, which arises from the correction made by the Tax Authority, following an inspection to the company Gebox (incorporated in Martifer Construções in 2016), which was not contested by the Group.

The reconciliation of tax for the period and current tax can be analysed as follows:

	FY 2018	FY 2017
Current tax	1,198,983	624,537
Deferred tax - generated by temporary differences	386,344	(533,684)
Deferred tax - reversal of temporary differences	70,678	832,697
Deferred tax assets- tax losses recognition	(16,703)	(1,254,517)
Others	21,665	(400,594)
Deferred tax	461,984	(1,356,098)
Income tax	1,660,968	(731,562)

In the item 'Others' there is an amount of 66,620 euros for the recognition of Angolan companies of the 'Metallic Constructions' segment as companies in a hyperinflationary economy (Note 1.4).

On 31 December 2018 and 2017, the reconciliation between the nominal and effective tax rate is as follows:

	FY 2018	FY 2017
Profit before tax	3,254,950	3,042,116
Income tax rate (nominal rate of 21%)	683,540	638,844
Non-taxable gains and losses:		
Gains / Losses of financial assets	(1,095,109)	(88,812)
Reversions/Amortizations on revalued fixed assets	(573,681)	740,634
Impairment losses	(1,037,169)	(2,408,546)
Results of associates using equity method	186,763	(1,833,689)
Tax benefits	14,717	(168,893)
Not recognized deferred tax assets arising from losses of current year	3,299,843	3,252,092
Use of tax losses generated in previous years for which no deferred tax assets were recognized	(738,036)	(342,400)
Recognition of the effect of hyperinflationary economies (IAS29)	160,129	405,628
Creation / Reversion of deferred tax assets in the year	461,984	(1,356,098)
Different tax rates	(38,219)	111,545
Municipality surcharge and autonomous taxes	586,604	432,110
Excess/ Insufficiency of income tax estimate	51,872	(61,552)
Others	(302,270)	(52,424)
Effective income tax (current + deferred)	1,660,968	(731,562)

In 2018, Martifer SGPS, SA and its Portuguese investees are subject to taxation on Corporate Income Tax ("IRC") at the normal rate of 21%, plus a municipal surcharge of up to 1.5% of the taxable profit.

Additionally, in what concerns the taxable profit above 1,500,000.00 euros, subject and not exempted from IRC, the following local state rates are involved: 3% on the part above 1,500,000.00 euros and below 7,500,000.00 euros; 5% on the part above 7,500,000.00 euros and less than 35,000,000.00 euros; and 9% that is charged on the part of the taxable income that exceeds 35,000,000.00 euros.

According to article no. 88 of the IRC Code, Portuguese companies are additionally subject to autonomous taxation on a set of charges, at the rates provided for in the norm.

In 2011, Martifer SGPS, SA chose the application of the Special Regime for the Taxation of Groups of Companies ("RETGS"), which includes Portuguese companies that hold, directly or indirectly, at least 75% of their capital and that comply simultaneously with the other conditions defined by that regime. In 2018, the company Cedilhas ao Vento, S.A. was included in the perimeter of the RETGS - Special Taxation of Group Companies.

The remaining companies, which are not included in the special scheme of taxation of Martifer Group, are taxed individually, based on the respective tax base and the applicable tax rates.

The results generated in foreign subsidiaries are taxed at the rates of local income tax, in particular, the results generated in Angola, in Saudi Arabia, in Brazil, in France, in Poland, in Romania, in Spain, in the United Kingdom and in Argentina, and are taxed respectively at 30%, 20%, 34%, 34.43%, 19%, 16%, 25%, 19% and 30%.

For the calculation of deferred taxes in Spain, in Angola, in Romania and the United Kingdom, the rates of 25%, 30%, 16% and 30% were used, respectively.

Under the Portuguese law, the tax returns of Portuguese companies are subject to revision and correction by the tax authorities during a period of four years (five years for social security), except when tax losses have occurred, tax benefits have been granted, or inspections, claims or appeals are undergoing, in which cases, depending on the circumstances, the time limits may be extended or suspended. Consequently, the tax declarations for the years 2015 through to 2018 may be subject to review and amendments.

As regards the costs of Research and Development ("R&D") susceptible to be eligible under the System of Tax Incentives for Research and Business Development II ("SIFIDE II"), provided for in articles no. 35 to 42 of the Investment Tax Code, West Sea is preparing the application for the National Agency for Innovation (Agência Nacional de Inovação, S.A.) - Tax Incentives for Business R&D relating those activities, not being possible, on this date to estimate the amount of eligible expenses and corresponding tax credit.

The application shall be subject to examination by the referred to Agency, which shall issue a declaration stating that the activities carried out effectively corresponded to R&D actions, as well as the amount of assigned tax credit.

On 31 December 2018 and 2017, the balance of income tax receivable and payable can be shown as follows:

	FY 2018	FY 2017
Income tax - Assets	967,862	787,546
Income Tax - Liabilities	(1,228,512)	(656,730)
Net income tax	(260,650)	130,816

15. DIVIDENDS

In 2018 and 2017 dividends were not distributed.

16. EARNINGS PER SHARE

Martifer SGPS has issued solely ordinary shares, so there are no special dividends or voting rights.

Martifer SGPS, SA's share capital is represented by 100,000,000 ordinary shares, totally subscribed and paid up, representing a share capital of 50,000,000.00 Euros.

The weighted average number of shares in circulation is reduced in 2,215,910 shares, corresponding to own shares acquired by Martifer SGPS.

As of 31 December 2018 and 2017, there is no difference between the calculation of basic earnings per share and the calculation of diluted earnings per share, which can be demonstrated as follows:

	FY 2018	FY 2017
Profit for the year (I)	1,306,965	6,542,295
Weighted average number of shares outstanding (II)	97,784,090	97,784,090
Basic and diluted earnings per share (I) / (II)	0.0134	0.0669

17. GOODWILL

The relevant information on the acquisitions made by the Group for the year ended on 31 December 2018 can be summarised as follows:

ACQUIRED COMPANY	BUSINESS ACTIVITY	ACQUISITION DATE	% ACQUIRED	ACQUISITION COST
FW Warta	Wind Farm	July 2018	From 50% to 100%	2,080,000
Promoquatro / Poland Operation	Real Estate	September 2018	See Note 2	19,063
				2,099,063

The acquisitions referred above were accounted for in accordance with the purchase method and had as consideration its acquisition cash.

The detail of the fair value of assets and liabilities acquired of FW Warta can be summarised as follows:

	FAIR VALUE
Net assets acquired	
Tangible assets	878,890
Intangible assets	-
Trade and other receivables	50,002
Cash and cash equivalents	4,328
Loans	(403,543)
Trade and other payables	(742,995)
Other	69,466
Total fair value of assets and liabilities acquired	(143,850)
Total acquisition cost	2,080,000
Revaluation of the investment previously held	865,600
Goodwill generated on acquisition	3,089,450

The total acquisition cost includes 607,200 euros relating to the purchase of the previous 50% of FW Warta acquired before the year 2018. From that item, the amount paid for the acquisition of FW Warta in 2018 was 600,000 euros (Note 44).

The detail of the fair value of assets and liabilities acquired in Operation Promoquatro/Poland can be summarised as follows:

	FAIR VALUE
Net assets acquired	
Tangible assets	1,239
Intangible assets	-
Inventory	5,363,815
Trade and other receivables	22,427,062
Cash and cash equivalents	84,941
Loans	(2,035,204)
Trade and other payables	(30,475,066)
Other	(267,208)
Total fair value of assets and liabilities acquired	(4,900,422)
Total acquisition cost	19,063
Fair value of previous Financial Interest	(7,727,617)
Recycled Items	29,826
Non-controlled interests	(860,365)
Gain generated on acquisitions (Note 5)	3,638,672

The changes in 'Goodwill' in the years ended on 31 December 2018 and 2017 are as follows:

	FY 2018	FY 2017
Gross amount		
Opening balance	10,980,675	10,980,675
Acquisition of subsidiaries	5,909,062	-
Sale of subsidiaries	(2,825,638)	-
Effect of foreign currency exchange differences	51,570	-
Closing balance	14,115,669	10,980,675
Carrying amount at the beginning of the period	10,980,675	10,980,675
Carrying amount at the end of the period	14,115,669	10,980,675

The acquisitions and sales/dissolutions in 2018 can be detailed as follows:

ACQUISITIONS	FY 2018
Cordillera Solar VIII, SA	2,819,612
FW Warta Sp. Z.o.o.	3,089,450
Total	5,909,062

SALES / DISSOLUTIONS	FY 2018
Cordillera Solar VIII, SA	(2,819,612)
Martifer GmbH	(6,026)
Total	(2,825,638)

As verified above, the company Cordillera Solar VIII, SA was acquired and disposed of during the 2018 period.

Since the functional currency of the company FW Warta differs from the euro (in this case, PLN), its Goodwill is always subject to exchange rate update. The exchange rate update for 2018, as presented in the movement, was positive in 51,570 euros which makes its total value updated in terms of exchange rate 3,141,020 euros.

In 2018 the company Martifer GmbH was terminated, so the Goodwill was derecognised.

The detail of 'Goodwill' for the years ended on 31 December 2018 and 2017 can be analysed as follows:

	FY 2018	FY 2017
	CARRYING AMOUNT	CARRYING AMOUNT
Martifer Construções	5,457,165	5,457,165
Martifer Metallic Constructions	3,898,809	3,898,809
Navalria	1,618,675	1,618,675
Martifer GmbH	-	6,026
FW Warta Sp. Z.o.o.	3,141,020	-
	14,115,669	10,980,675

The Group adopts the procedure of making annual impairment tests for *Goodwill* at the end of each period, as defined in Notes 1.4 i) and 1.4 xxv) (c).

For impairment analysis, the Goodwill distributed by the cash-generating units that are expected to benefit from the synergies of the merger of company activities, within each operating segment. The recoverable amount of each of the cash-generating units was determined based on the use-value, according to the discounted cash flow method, based on business plans developed by the managers of the companies and duly approved by the Group's Board of Directors and using discount rates that vary according to the inherent risks in various businesses.

On 31 December 2018, the methods and assumptions used in the calculation of the existence, or not, of impairment, for the main values of Goodwill recorded by each one of the segments in the financial statements attached, were as follows:

METALLIC CONSTRUCTIONS AND NAVAL INDUSTRY

FY 2018	MARTIFER CONSTRUÇÕES	MARTIFER METALLIC CONSTRUCTIONS	NAVALRIA
Goodwill ⁽¹⁾	5,457	3,899	1,619
Period used	5 years cash flow projection	5 years cash flow projection	5 years cash flow projection
Growth rate (g) ⁽²⁾	2%	2%	1%
Average growth rate of turnover for 5 years ⁽³⁾	1.68%	2.92%	0.29%
Discount rate ⁽⁴⁾	6.41%	6.41%	6.41%

⁽¹⁾ Values in thousands of Euros.

⁽²⁾ Growth rate used to extrapolate cash flows beyond the period considered in the business plan;

⁽³⁾ Estimated average growth rate based on the 5-year business plan of the company determined by the estimates and assumptions of the Board of Directors based on their best knowledge at the date of approval of the Financial Statements;

⁽⁴⁾ Discount rate applied to projected cash flows.

The average growth rate of turnover registered in each segment is underlined by the following estimates and expectations: (i) in Martifer Construções a reduction in 2019 compared to 2018, since some projects with significant value are being completed, such as the Geneva Airport project (total value of 45 million euros), and from 2020 on a turnover in line with 2017 and annual activity growth of around 2% following the consolidation of the announced economic recovery of the Portuguese economy and the main world economies; (ii) in Martifer Metallic Constructions a reduction in 2019 compared to 2018, due to the estimated impact previously explained in Martifer Construções and from 2020 on a stabilisation of activity as expected for the Metallic Constructions area and the consolidation of growth in the naval area where the pace of awards of contracts has been quite significant; (iii) in Navalria, the high pace of growth that the naval area has experienced, both in construction and in repair, and the synergies with West Sea.

The Board of Directors, supported on the value of the expected cash flows of the cash-generating units in this segment, discounted at the rate considered applicable to each business, concluded that on 31 December 2018 the accounting value of the net assets, including *Goodwill*, does not exceed its recoverable amount.

The cash flow projections were based on historical performance and the expectation of improvement in efficiency. Those responsible for this segment believe that a possible change (within a normal scenario) in the main assumptions used in the calculation of the recoverable value would have the impacts listed in the tables below:

MARTIFER CONSTRUÇÕES:

FY 2018	MARTIFER CONSTRUÇÕES	WACC INCREASE IN 1.0 P.P.	WACC DECREASE IN 1.0 P.P..	VAR. TURNOVER +5.0 P.P. (1)	VAR. TURNOVER -5,0 P.P. (1)	INCREASE IN EBITDA/ TURNOVER MARGIN IN 0,5 P.P. (2)	DECREASE IN EBITDA/ TURNOVER MARGIN IN 0,5 P.P. (2)
Weighted Average Cost of Capital (WACC)	6.41%	7.41%	5.41%	6.41%	6.41%	6.41%	6.41%
CAGR turnover [2018 ; 2023] (3)	1.68%	1.68%	1.68%	6.68%	-3.32%	1.68%	1.68%
EBITDA / Turnover average margin [2018 ; 2023]	8.41%	8.41%	8.41%	8.41%	8.41%	8.91%	7.91%
Net Book Value (4)	5,457	5,457	5,457	5,457	5,457	5,457	5,457
Total recoverable amount (4)	60,814	39,002	95,418	73,548	82,334	61,595	44,538
Estimated impact (4)	55,356	33,544	89,961	68,091	76,877	56,138	39,080
Conclusions of the sensitivity analysis	No impairment	Impairment	No impairment	No impairment	No impairment	No impairment	No impairment

(1) Yearly variation of turnover in 5 p.p. (2018 = 100%), maintaining a constant EBITDA/Turnover margin;

(2) Variation in the EBITDA/Turnover margin, maintaining a constant turnover;

(3) Estimated average growth rate based on the company's 5-year business plan, determined by the Board of Directors' estimates and assumptions;

(4) Values in thousands of Euros.

MARTIFER METALLIC CONSTRUCTIONS:

FY 2018	MMC	WACC INCREASE IN 1.0 P.P.	WACC DECREASE IN 1.0 P.P..	VAR. TURNOVER +5.0 P.P. (1)	VAR. TURNOVER -5,0 P.P. (1)	INCREASE IN EBITDA/ TURNOVER MARGIN IN 0,5 P.P. (2)	DECREASE IN EBITDA/ TURNOVER MARGIN IN 0,5 P.P. (2)
Weighted Average Cost of Capital (WACC)	6.41%	7.41%	5.41%	6.41%	6.41%	6.41%	6.41%
CAGR turnover [2018 ; 2023] (3)	2.92%	2.92%	2.92%	7.92%	-2.08%	2.92%	2.92%
EBITDA / Turnover average margin [2018 ; 2023]	6.70%	6.70%	6.70%	6.70%	6.70%	7.20%	6.20%
Net Book Value (4)	3,899	3,899	3,899	3,899	3,899	3,899	3,899
Total recoverable amount (4)	105,109	66,321	123,293	140,321	68,323	105,109	78,427
Estimated impact (4)	101,211	62,422	119,394	136,422	64,424	101,211	74,528
Conclusions of the sensitivity analysis	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment

(1) Yearly variation of turnover in 5 p.p. (2018 = 100%), maintaining a constant EBITDA/Turnover margin;

(2) Variation in the EBITDA/Turnover margin, maintaining a constant turnover;

(3) Estimated average growth rate based on the company's 5-year business plan, determined by the Board of Directors' estimates and assumptions;

(4) Values in thousands of Euros.

NAVALRIA:

FY 2018	NAVALRIA	WACC INCREASE IN 1.0 P.P.	WACC DECREASE IN 1.0 P.P..	VAR. TURNOVER +5.0 P.P. ⁽¹⁾	VAR. TURNOVER -5,0 P.P. ⁽¹⁾	INCREASE IN EBITDA/TURNOVER MARGIN IN 0,5 P.P. ⁽²⁾	DECREASE IN EBITDA/TURNOVER MARGIN IN 0,5 P.P. ⁽²⁾
Weighted Average Cost of Capital (WACC)	6.41%	7.41%	5.41%	6.41%	6.41%	6.41%	6.41%
CAGR turnover [2018 ; 2023] ⁽³⁾	0.29%	0.29%	0.29%	5.29%	-4.71%	0.29%	0.29%
EBITDA / Turnover average margin [2018 ; 2023]	9.04%	9.04%	9.04%	9.04%	9.04%	9.54%	8.54%
Net Book Value ⁽⁴⁾	1,619	1,619	1,619	1,619	1,619	1,619	1,619
Total recoverable amount ⁽⁴⁾	96,346	81,968	117,302	146,827	90,125	102,304	90,786
Estimated impact ⁽⁴⁾	94,727	80,349	115,683	145,208	88,506	100,685	89,167
Conclusions of the sensitivity analysis	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment

⁽¹⁾ Yearly variation of turnover in 0,5 p.p. (2018 = 100%), maintaining a constant EBITDA/Turnover margin;

⁽²⁾ Variation in the EBITDA/Turnover margin, maintaining a constant turnover;

⁽³⁾ Estimated average growth rate based on the company's 5-year business plan, determined by the Board of Directors' estimates and assumptions;

⁽⁴⁾ Values in thousands of Euros.

RENEWABLES

FY 2018	WARTA
Goodwill ⁽¹⁾	3,141
Period used	25 years cash flow projection
Growth rate (g) ⁽²⁾	n.a.
Average growth rate of turnover for 5 years ⁽³⁾	2.50%
Discount rate ⁽⁴⁾	6.34%

⁽¹⁾ Values in thousands of Euros.

⁽²⁾ Growth rate used to extrapolate cash flows beyond the period considered in the business plan;

⁽³⁾ Estimated average growth rate based on the 25-year business plan of the company determined by the estimates and assumptions of the Board of Directors based on their best knowledge at the date of approval of the Financial Statements;

⁽⁴⁾ Discount rate applied to projected cash flows.

The valorisation of business developed by each cash-generating unit of Martifer Group is carried out in accordance with the cash flows generated by each business, discounted at appropriate rates.

The period of the projection of future cash flows used is the useful life of a wind farm (25 years) which is consistent with the current depreciation method in the market. The cash flows consider the long-term contracts and long-term energy price estimates whenever the asset is exposed to the market. In this case, the projection starts in 2021, because the works are estimated to be completed then and the project shall begin its activity.

The Board of Directors, supported on the value of the provisional cash flows of the cash-generating units in this segment, discounted at the rate considered applicable to each business, concluded that on 31 December 2018 the accounting value of the net assets, including Goodwill, does not exceed its recoverable amount.

The cash flow projections were based on historical performance and on the expectation of improvement in efficiency. Those responsible for this segment believe that a possible change (within a normal scenario) in the main assumptions used in the calculation of the recoverable value would have the impacts listed in the tables below:

WARTA:

FY 2018	WARTA	WACC INCREASE IN 1.0 P.P.	WACC DECREASE IN 1.0 P.P..	VAR. TURNOVER +5.0 P.P. (1)	VAR. TURNOVER -5,0 P.P. (1)	INCREASE IN EBITDA/TURNOVER MARGIN IN 0,5 P.P. (2)	DECREASE IN EBITDA/TURNOVER MARGIN IN 0,5 P.P. (2)
Weighted Average Cost of Capital (WACC)	6.34%	7.34%	5.34%	6.34%	6.34%	6.34%	6.34%
CAGR turnover [2021 ; 2045] (3)	2.50%	2.50%	2.50%	3.53%	1.47%	2.50%	2.50%
EBITDA / Turnover average margin [2021 ; 2045]	70.27%	70.27%	70.27%	70.27%	70.27%	70.74%	69.79%
Net Book Value (4)	3,141	3,141	3,141	3,141	3,141	3,141	3,141
Total recoverable amount (4)	13,728	9,647	18,483	18,443	9,656	13,981	13,476
Estimated impact (4)	10,587	6,506	15,342	15,302	6,515	10,840	10,335
Conclusions of the sensitivity analysis	No impairment	Impairment	No impairment	No impairment	No impairment	No impairment	No impairment

(1) Yearly variation of turnover in 0,5 p.p. (2021 = 100%), maintaining a constant EBITDA/Turnover margin;

(2) Variation in the EBITDA/Turnover margin, maintaining a constant turnover;

(3) Estimated average growth rate based on the company's 25-year business plan, determined by the Board of Directors' estimates and assumptions;

(4) Values in thousands of Euros.

Concerning the period ended on 31 December 2017, the methods and assumptions used in the calculation of the existence, or not, of impairment, for the main values of Goodwill recorded by each one of the segments in the financial statements attached, were as follows:

METALLIC CONSTRUCTIONS AND NAVAL INDUSTRY

FY 2017	MARTIFER CONSTRUÇÕES	MARTIFER METALLIC CONSTRUCTIONS	NAVALRIA
Goodwill (1)	5,457	3,899	1,619
Period used	5 years cash flow projection	5 years cash flow projection	5 years cash flow projection
Growth rate (g) (2)	2%	2%	1%
Average growth rate of turnover for 5 years (3)	1.73%	5.88%	4.74%
Discount rate (4)	6.50%	6.50%	6.50%

(1) Values in thousands of Euros.

(2) Growth rate used to extrapolate cash flows beyond the period considered in the business plan;

(3) Estimated average growth rate based on the 5-year business plan of the company which was determined by the estimates and assumptions of the Board of Directors based on their best knowledge at the date of approval of the Financial Statements;

(4) Discount rate applied to projected cash flows.

The average growth rate of turnover registered in each segment is underlined by the following estimates and expectations: (i) in Martifer Construções, a significant increase in 2018 and 2019, driven by the project of the Geneva Airport (45 million Euros), and from 2020 onwards a turnover in line with 2017 and an annual growth of the activity between 1% and 5% accompanying the consolidation of the announced economic recovery with a more accentuated growth of the Portuguese economy and of major world economies; (ii) in Martifer Metallic Constructions, a significant increase in 2018 and 2019 and from 2020 onwards a stabilization of the activity as a result of what is expected for the metallic constructions area and growth consolidation in naval construction where the pace of award of contracts has been quite significant; (iii) in Navalria, the high growth rate that the naval area has had, both in construction and in repair, and the synergies with West Sea.

The Board of Directors, supported on the value of the provisional cash flows of the cash-generating units in this segment, discounted at the rate considered applicable to each business, concluded that on 31 December 2017 the accounting value of the net assets, including Goodwill, does not exceed its recoverable amount.

The cash flow projections were based on historical performance and the expectation of improvement in efficiency. Those responsible for this segment believe that a possible change (within a normal scenario) in the main assumptions used in the calculation of the recoverable value would have the impacts listed in the tables below:

MARTIFER CONSTRUÇÕES:

FY 2017	MARTIFER CONSTRUÇÕES	WACC INCREASE IN 1.0 P.P.	WACC DECREASE IN 1.0 P.P.	VAR. TURNOVER +5.0 P.P. ⁽¹⁾	VAR. TURNOVER -5,0 P.P. ⁽¹⁾	INCREASE IN EBITDA/ TURNOVER MARGIN IN 0,5 P.P. ⁽²⁾	DECREASE IN EBITDA/ TURNOVER MARGIN IN 0,5 P.P. ⁽²⁾
Weighted Average Cost of Capital (WACC)	6.50%	7.50%	5.50%	6.50%	6.50%	6.50%	6.50%
CAGR turnover [2017 ; 2022] ⁽³⁾	1.73%	1.73%	1.73%	6.73%	-3.27%	1.73%	1.73%
EBITDA / Turnover average margin [2017 ; 2022]	6.31%	6.31%	6.31%	6.31%	6.31%	6.81%	5.81%
Net Book Value ⁽⁴⁾	5,457	5,457	5,457	5,457	5,457	5,457	5,457
Total recoverable amount ⁽⁴⁾	22,474	2,361	54,123	39,786	5,793	25,476	13,906
Estimated impact ⁽⁴⁾	17,017	(3,096)	48,666	34,328	336	20,019	8,448
Conclusions of the sensitivity analysis	No impairment	Impairment	No impairment	No impairment	No impairment	No impairment	No impairment

⁽¹⁾ Yearly variation of turnover in 5 p.p. (2017 = 100%), maintaining a constant EBITDA/Turnover margin;

⁽²⁾ Variation in the EBITDA/Turnover margin, maintaining a constant turnover;

⁽³⁾ Estimated average growth rate based on the company's 5-year business plan, determined by the Board of Directors' estimates and assumptions;

⁽⁴⁾ Values in thousands of Euros.

In the sensitivity analysis considering the increase of 1.0 p.p. of the WACC, the conclusion is Impairment, but this was not recorded because it is considered an unlikely scenario.

MARTIFER METALLIC CONSTRUCTIONS:

FY 2017	MMC	WACC INCREASE IN 1.0 P.P.	WACC DECREASE IN 1.0 P.P.	VAR. TURNOVER +5.0 P.P. ⁽¹⁾	VAR. TURNOVER -5,0 P.P. ⁽¹⁾	INCREASE IN EBITDA/ TURNOVER MARGIN IN 0,5 P.P. ⁽²⁾	DECREASE IN EBITDA/ TURNOVER MARGIN IN 0,5 P.P. ⁽²⁾
Weighted Average Cost of Capital (WACC)	6.50%	7.50%	5.50%	6.50%	6.50%	6.50%	6.50%
CAGR turnover [2017 ; 2022] ⁽³⁾	5.88%	5.88%	5.88%	10.88%	0.88%	5.88%	5.88%
EBITDA / Turnover average margin [2017 ; 2022]	5.75%	5.75%	5.75%	5.75%	5.75%	6.25%	5.25%
Net Book Value ⁽⁴⁾	3,899	3,899	3,899	3,899	3,899	3,899	3,899
Total recoverable amount ⁽⁴⁾	84,128	60,927	120,582	128,574	52,775	98,965	73,578
Estimated impact ⁽⁴⁾	80,229	57,029	116,683	124,676	48,876	95,066	69,679
Conclusions of the sensitivity analysis	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment

⁽¹⁾ Yearly variation of turnover in 5 p.p. (2017 = 100%), maintaining a constant EBITDA/Turnover margin;

⁽²⁾ Variation in the EBITDA/Turnover margin, maintaining a constant turnover;

⁽³⁾ Estimated average growth rate based on the company's 5-year business plan, determined by the Board of Directors' estimates and assumptions;

⁽⁴⁾ Values in thousands of Euros.

NAVALRIA:

FY 2017	NAVALRIA	WACC INCREASE IN 1.0 P.P.	WACC DECREASE IN 1.0 P.P..	VAR. TURNOVER +5.0 P.P. (1)	VAR. TURNOVER -5,0 P.P. (1)	INCREASE IN EBITDA/TURNOVER MARGIN IN 0,5 P.P. (2)	DECREASE IN EBITDA/TURNOVER MARGIN IN 0,5 P.P. (2)
Taxa média ponderada do custo do capital (WACC)	6.50%	7.50%	5.50%	6.50%	6.50%	6.50%	6.50%
Weighted Average Cost of Capital (WACC)	4.74%	4.74%	4.74%	9.74%	-0.26%	4.74%	4.74%
CAGR turnover [2017 ; 2022] (3)	9.15%	9.15%	9.15%	9.15%	9.15%	9.65%	8.65%
EBITDA / Turnover average margin [2017 ; 2022]	1,619	1,619	1,619	1,619	1,619	1,619	1,619
Net Book Value (4)	90,928	77,655	110,146	113,561	70,417	95,119	84,376
Total recoverable amount (4)	89,309	76,036	108,527	111,942	68,798	93,500	82,757
Estimated impact (4)	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment

(1) Yearly variation of turnover in 0,5 p.p. (2017 = 100%), maintaining a constant EBITDA/Turnover margin;

(2) Variation in the EBITDA/Turnover margin, maintaining a constant turnover;

(3) Estimated average growth rate based on the company's 5-year business plan, determined by the Board of Directors' estimates and assumptions;

(4) Values in thousands of Euros.

18. INTANGIBLE ASSETS

This item is analysed as follows:

	FY 2018	FY 2017
Gross amount, reduced by impairment losses:		
Software and other rights	18,237,690	19,052,461
Intangible assets in progress	9,718	-
	18,247,408	19,052,461
Accumulated depreciation:		
Software and other rights	16,015,888	16,220,300
	16,015,888	16,220,300
Carrying amount	2,231,520	2,832,161

The value recorded in *Software* and other rights relates mainly with computer programs purchased by companies of the Group, as well as exploration permits of wind farms.

The information relating to the gross values of the intangible asset, less impairment losses, for the years ended on 31 December 2018 and 2017, can be analysed as follows:

FY 2018	SOFTWARE AND OTHER RIGHTS	INTANGIBLE ASSETS IN PROGRESS	TOTAL
Opening balance 1st January 2018	19,052,461	-	19,052,461
Additions	47,407	9,718	57,125
Sales, disposals and write-offs	(349,992)	-	(349,992)
Effect of foreign currency exchange differences	(653,971)	-	(653,971)
Impact of Hyperinflationary Economies (Note 1.4)	134,422	-	134,422
Changes in the consolidation perimeter	722	-	722
Transfers and other movements	6,639	-	6,639
Closing balance 31st December 2018	18,237,690	9,718	18,247,408

FY 2017	SOFTWARE AND OTHER RIGHTS	INTANGIBLE ASSETS IN PROGRESS	TOTAL
Opening balance 1st January 2017	18,214,335	-	18,214,335
Additions	21,238	-	21,238
Effect of foreign currency exchange differences	(64,738)	-	(64,738)
Impact of Hyperinflationary Economies (Note 1.4)	934,136	-	934,136
Impairment losses (Note 11)	(8,571)	-	(8,571)
Changes in the consolidation perimeter	(44,665)	-	(44,665)
Transfers and other movements	727	-	727
Closing balance 31st December 2017	19,052,461	-	19,052,461

The information related to the accumulated amortisation values of intangible assets, with reference to the years ended on 31 December 2018 and 2017, can be analysed as follows:

FY 2018	SOFTWARE AND OTHER RIGHTS	INTANGIBLE ASSETS IN PROGRESS	TOTAL
Opening balance 1st January 2018	16,220,300	-	16,220,300
Additions	247,017	-	247,017
Sales, disposals and write-offs	(349,992)	-	(349,992)
Effect of foreign currency exchange differences	(141,624)	-	(141,624)
Transfers and other movements	12,159	-	12,159
Impact of Hyperinflationary Economies (Note 1.4)	27,303	-	27,303
Changes in the consolidation perimeter	723	-	723
Closing balance 31st December 2018	16,015,887	-	16,015,887

FY 2017	SOFTWARE AND OTHER RIGHTS	INTANGIBLE ASSETS IN PROGRESS	TOTAL
Opening balance 1st January 2017	15,807,183	-	15,807,183
Additions	288,862	-	288,862
Effect of foreign currency exchange differences	(26,109)	-	(26,109)
Transfers and other movements	727	-	727
Impact of Hyperinflationary Economies (Note 1.4)	166,681	-	166,681
Changes in the consolidation perimeter	(17,045)	-	(17,045)
Closing balance 31st December 2017	16,220,300	-	16,220,300
Carrying Amount:			
31st December 2017	2,832,161	-	2,832,161
31st December 2018	2,221,803	9,718	2,231,521

The net impact of the application of IAS 29 to the Angolan and Argentinian companies in this item is approximately 0.9 million euros (Note 43).

19. TANGIBLE FIXED ASSETS

This item is analysed as follows:

	FY 2018	FY 2017
Gross amount, reduced by impairment losses:		
Land and buildings	73,240,846	78,945,712
Equipments	78,738,139	86,481,411
Tangible assets in progress	12,581,630	11,440,071
Other tangible assets	51,339,475	51,279,927
	215,900,090	228,147,121
Accumulated depreciation:		
Land and buildings	27,136,811	27,497,701
Equipments	55,953,668	59,997,741
Other tangible assets	25,799,262	23,392,873
	108,889,741	110,888,315
Carrying amount	107,010,349	117,258,806

The accumulated impairment losses on 31 December 2018 amount to 34.8 million euros.

The information concerning the gross values of land and buildings, equipments, tangible assets in progress and other tangible assets, net of accumulated impairment losses for the years ended on 31 December 2018 and 2017 can be analysed as follows:

FY 2018	LAND AND BUILDINGS	EQUIPMENTS	TANGIBLE ASSETS IN PROGRESS	OTHER TANGIBLE ASSETS	TOTAL
Opening balance 1st January 2018	78,945,713	86,481,411	11,440,071	51,279,926	228,147,121
Additions	216,675	869,384	571,314	131,629	1,789,002
Sales, disposals and write-offs	(964,390)	(4,398,767)	(20,306)	(32,778)	(5,416,241)
Effect of foreign currency exchange differences	(6,218,704)	(5,581,275)	(197,125)	(100,964)	(12,098,068)
Transfers and other movements	(14,348)	227,233	(162,402)	-	50,483
Impact of Hyperinflationary Economies (Note 1.4)	1,275,899	1,135,767	49,593	28,097	2,489,356
Changes in the consolidation perimeter	-	4,386	900,484	33,565	938,435
Closing balance 31st December 2018	73,240,844	78,738,139	12,581,629	51,339,475	215,900,090

FY 2017	LAND AND BUILDINGS	EQUIPMENTS	TANGIBLE ASSETS IN PROGRESS	OTHER TANGIBLE ASSETS	TOTAL
Opening balance 1st January 2017	72,525,474	87,227,762	11,788,222	50,260,750	221,802,208
Additions	19,371	458,414	2,198,828	137,405	2,814,018
Sales, disposals and write-offs	(202,752)	(2,047,121)	(2,671,262)	(957,071)	(5,878,206)
Effect of foreign currency exchange differences	(1,113,094)	(1,568,751)	(151,020)	22,118	(2,810,747)
Impact of Hyperinflationary Economies (Note 1.4)	8,664,249	7,623,291	-	158,110	16,445,650
Impairment losses (Note 11)	(2,692,783)	(6,273,545)	(1,582,190)	1,712,915	(8,835,603)
Changes in the consolidation perimeter	(0)	(6,800)	(60,797)	(6,141)	(73,738)
Transfers and other movements	1,745,248	1,068,161	1,918,290	(48,160)	4,683,539
Closing balance 31st December 2017	78,945,713	86,481,411	11,440,071	51,279,926	228,147,121

The investment in tangible fixed assets in 2018 occurred in the 'Metallic Constructions' segment (1.0 million euros) and in the 'Renewables' segment (0.8 million euros), with the acquisition of equipment and cost capitalisation in projects under development.

The information relating to the amounts of the accumulated depreciation of land and buildings, equipments, tangible assets in progress and other tangible assets for the years ended on 31 December 2018 and 2017 can be analysed as follows:

FY 2018	LAND AND BUILDINGS	EQUIPMENTS	TANGIBLE ASSETS IN PROGRESS	OTHER TANGIBLE ASSETS	TOTAL
Opening balance 1st January 2018	27,497,701	59,997,741	-	23,392,873	110,888,315
Additions	2,378,865	3,661,934	-	2,484,353	8,525,152
Sales, disposals and write-offs	(609,425)	(4,030,357)	-	(32,778)	(4,672,560)
Effect of foreign currency exchange differences	(2,665,273)	(4,621,381)	-	(88,711)	(7,375,364)
Transfers and other movements	(9,925)	3,998	-	4,891	(1,035)
Impact of Hyperinflationary Economies (Note 1.4)	544,866	938,953	-	18,485	1,502,304
Changes in the consolidation perimeter	-	2,779	-	20,148	22,928
Closing balance 31st December 2018	27,136,809	55,953,667	-	25,799,261	108,889,741

FY 2017	LAND AND BUILDINGS	EQUIPMENTS	TANGIBLE ASSETS IN PROGRESS	OTHER TANGIBLE ASSETS	TOTAL
Opening balance 1st January 2017	21,436,023	50,425,570	-	20,962,918	92,824,511
Additions	3,114,886	4,898,295	-	2,313,105	10,326,286
Sales, disposals and write-offs	(8,083)	(392,882)	-	(626)	(401,591)
Effect of foreign currency exchange differences	(322,812)	(770,268)	-	(8,624)	(1,101,704)
Changes in the consolidation perimeter	1	(67,242)	-	(2,580)	(69,821)
Impacto de Economias Hiperinflacionárias (Nota 1.4)	3,277,910	5,904,407	-	128,680	9,310,997
Transfers and other movements	(224)	(139)	-	-	(363)
Closing balance 31st December 2017	27,497,701	59,997,741	-	23,392,873	110,888,315
Carrying Amount:					
31st December 2017	51,448,012	26,483,670	11,440,071	27,887,053	117,258,806
31st December 2018	46,104,035	22,784,472	12,581,629	25,540,214	107,010,349

The valuation criteria adopted and the depreciation rates used are referred to in (iv) and (v) of the main valuation criteria, judgments and estimates, in Note 1.4 'Accounting Policies'.

The net impact of the application of IAS 29 to the Angolan and Argentinian companies in this item is approximately 6.4 million euros (Note 43).

The acquisition cost of tangible fixed assets held by the Group in the context of financial lease contracts is as follows:

ASSETS ACQUIRED BY FINANCIAL LEASE CONTRACTS	GROSS VALUE	DEPRECIATIONS	TOTAL
	31 DECEMBER 2018		
Land and Building	11,301,220	(5,689,716)	5,611,504
Equipments	2,397,586	(1,738,573)	659,014
Total	13,698,806	(7,428,288)	6,270,518

ASSETS ACQUIRED BY FINANCIAL LEASE CONTRACTS	GROSS VALUE	DEPRECIATIONS	TOTAL
	31 DECEMBER 2017		
Land and Building	11,301,220	(5,485,087)	5,816,133
Equipments	2,103,816	(1,705,777)	398,039
Total	13,405,035	(7,190,863)	6,214,172

The value of the debts relating to financial lease contracts is presented in Note 32.

On 31 December 2018 and 2017, except for the assets acquired under financial leasing, *Project Finance* and for the goods mentioned in Note 40, there were no other tangible fixed assets that were pledged or mortgaged to financial institutions as collateral for loans obtained by the Group.

During the year, the Group estimated the recoverable amount of some tangible fixed assets, taking into account internal and external factors that indicated that they could be accounted for by a superior value than their recoverable amount.

The calculation of the existence of impairment for the Group's tangible fixed assets was done based on the *business plans* of various companies whose assumptions are detailed below.

RENEWABLES

	SPAIN	ROMANIA
Tangible Fixed Assets ⁽¹⁾	25,567	28,496
Period	10 years	18 years
Growth rate (g) ⁽²⁾	n.a.	n.a.
Average growth rate of Turnover [2018 ; 2029]; [2018 ; 2036] ⁽³⁾	-1.23%	1.00%
Weighted Average Cost of Capital (WACC) ⁽⁴⁾	6.38%	6.40%

⁽¹⁾ Values in thousands of Euros;

⁽²⁾ Growth rate used to extrapolate cash flows beyond the period considered in the business plan;

⁽³⁾ Estimated average growth rate based on the Company's business plan considering the estimates and assumptions made by the Board of Directors;

⁽⁴⁾ Discount rate applied to projected cash flows.

The projections of cash flows were based on historical performance and the expectation of improvement in efficiency. Those responsible for this segment believe that a possible change (within a normal scenario) in the main assumptions used in the calculation of the recoverable value would have the impacts listed in the table below:

SPAIN:

	CASH GENERATING UNIT	WACC INCREASE IN 1.0 P.P.	WACC DECREASE IN 1.0 P.P..	VAR. TURNOVER +5.0 P.P. ⁽¹⁾	VAR. TURNOVER -5.0 P.P. ⁽¹⁾	INCREASE IN EBITDA/TURNOVER MARGIN IN 0,5 P.P. ⁽²⁾	DECREASE IN EBITDA/TURNOVER MARGIN IN 0,5 P.P. ⁽²⁾
Weighted Average Cost of Capital (WACC)	6.38%	7.38%	5.38%	6.38%	6.38%	6.38%	6.38%
CAGR Turnover [2018 ; 2029] ⁽³⁾	-1.23%	-1.23%	-1.23%	-0.24%	-2.21%	-1.23%	-1.23%
EBITDA / Turnover average margin [2018 ; 2029]	79.31%	79.31%	79.31%	79.31%	79.31%	79.76%	78.85%
Net book value ⁽⁴⁾	25,567	25,567	25,567	25,567	25,567	25,567	25,567
Total recoverable amount ⁽⁴⁾	25,583	24,405	26,849	26,627	24,597	25,714	25,451
Impact on recoverable amount ⁽⁴⁾	16	-1,162	1,282	1,059	-971	147	-116
Conclusions of sensitivity analysis	No impairment	Impairment	No impairment	No impairment	Impairment	No impairment	Impairment

⁽¹⁾ Yearly turnover variation in 1 p.p. (2018 = 100%), maintaining a constant EBITDA/Turnover margin;

⁽²⁾ Variation in the EBITDA/Turnover margin, maintaining a constant turnover;

⁽³⁾ Estimated average growth rate based on the company's 5-year business plan, determined by the Board of Directors' estimates and assumptions;

⁽⁴⁾ Values in thousands of Euros.

ROMANIA:

	CASH GENERATING UNIT	WACC INCREASE IN 1.0 P.P.	WACC DECREASE IN 1.0 P.P..	VAR. TURNOVER +5.0 P.P. (1)	VAR. TURNOVER -5.0 P.P. (1)	INCREASE IN EBITDA/ TURNOVER MARGIN IN 0,5 P.P. (2)	DECREASE IN EBITDA/ TURNOVER MARGIN IN 0,5 P.P. (2)
Weighted Average Cost of Capital (WACC)	6.40%	7.40%	5.40%	6.40%	6.40%	6.40%	6.40%
CAGR Turnover [2018 ; 2036] (3)	1.00%	1.00%	1.00%	2.01%	-0.01%	1.00%	1.00%
EBITDA / Turnover average margin [2018 ; 2036]	51.36%	51.36%	51.36%	51.36%	51.36%	51.83%	50.90%
Net book value (4)	28,496	28,496	28,496	28,496	28,496	28,496	28,496
Total recoverable amount (4)	31,066	28,707	33,710	33,370	28,972	31,329	30,802
Estimated impact (4)	2,569	211	5,213	4,874	476	2,833	2,305
Conclusions of sensitivity analysis	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment

(1) Annual turnover variation in 1 p.p (2018 = 100%), maintaining a constant EBITDA/Turnover margin.;

(2) Variation in the EBITDA/Turnover margin, maintaining a constant turnover;

(3) Estimated average growth rate based on the company's 5-year business plan, determined by the Board of Directors' estimates and assumptions;

(4) Values in thousands of Euros.

The Group believes that the different sensitivity analyses in which the conclusion is "impairment" are possible but unlikely scenarios, so impairment was not recorded.

In 2017 part of the impairment of assets held in Spain was reversed (1.7 million euros) and in Romania impairment was recorded in the amount of approximately 8.5 million euros related with the wind farms Babadag 1 and 2 as a result of regulatory changes that have occurred in the first half of 2017. In 2018 there was no register of impairment.

METALLIC CONSTRUCTIONS

	MARTIFER CONSTRUÇÕES
Fixed assets (1)	22,481
Period	5 years
Growth rate (g) (2)	2%
Average growth rate of Turnover for 5 years (3)	1.68%
Discount rate (4)	6.41%

(1) Values in thousands of Euros.

(2) Growth rate used to extrapolate cash flows beyond the period considered in the business plan;

(3) Estimated average growth rate based on the 5-year business plan of the company considering the estimates and assumptions of the Board of Directors based on their best knowledge at the date of approval of the Financial Statements;

(4) Discount rate applied to projected cash flows.

The calculated average turnover growth rate considers a decrease in 2019 compared to 2018, because some projects of significant value are near completion, such as the Geneva Airport project (total value of 45 million euros), and from 2020 on a turnover in line with 2017 and an annual activity growth of around 2% accompanying the consolidation of the announced economic recovery of the Portuguese economy and the main world economies.

The cash flow projections were based on historical performance and the expectation of improvement in efficiency. Those responsible for this segment believe that a possible change (within a scenario of normality) in the main assumptions used in the calculation of the recoverable amount will not cause impairment losses in addition to those already registered, according to the following analysis:

	MARTIFER CONSTRUÇÕES	WACC INCREASE IN 1.0 P.P.	WACC DECREASE IN 1.0 P.P..	VAR. TURNOVER +5.0 P.P. (1)	VAR. TURNOVER -5.0 P.P. (1)	INCREASE IN EBITDA/ TURNOVER MARGIN IN 0,5 P.P. (2)	DECREASE IN EBITDA/ TURNOVER MARGIN IN 0,5 P.P. (2)
Weighted Average Cost of Capital (WACC)	6.41%	7.41%	5.41%	6.41%	6.41%	6.41%	6.41%
CAGR turnover [2018 ; 2023] (3)	1.68%	1.68%	1.68%	6.68%	-3.32%	1.68%	1.68%
EBITDA / Turnover average margin [2018 ; 2023]	8.41%	8.41%	8.41%	8.41%	8.41%	8.91%	7.91%
Net book value (4)	22,481	22,481	22,481	22,481	22,481	22,481	22,481
Total recoverable amount (4)	113,871	92,059	148,476	134,094	140,444	114,653	97,595
Estimated impact (4)	91,390	69,578	125,995	111,613	117,963	92,172	75,114
Conclusions of sensitivity analysis	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment

(1) Yearly variation of turnover in 5 p.p. (2018 = 100%), maintaining a constant EBITDA/Turnover margin;

(2) Variation in the EBITDA/Turnover margin, maintaining a constant turnover;

(3) The estimated average growth rate based on the company's 5-year business plan considering the Board of Directors' estimates and assumptions;

(4) Values in thousands of Euros.

20. INVESTMENT PROPERTIES

The item 'Investment Properties' includes the following properties held by Group Martifer: Benavente Business Centre, warehouses in Albergaria-a-Velha and the "Martifer Construções OF1 building", all in Portugal, all intended to be leased or valued in the long-term.

These assets are recorded at market value according to an independent assessment, taking as a basis the normal use of each property, carried out by specialised entities, in accordance with international standards of 'Rics Valuation Standards' (RICS Red Book). Group Martifer performs regular assessments to these properties, and any variations in fair value are recorded in the results.

The assessment reports carried out by an independent entity were done in accordance with Law no. 16/2015 of 24 February and Law no. 153/2015 of 14 September, and with the CMVM Regulation no. 2/2015 of 17 July.

The methods for calculating the value of property were the following:

- Market comparative method, income method and replacement costs method;
- Market comparative method and the discounted cash flow method.

The value assigned to each of the properties resulted from the arithmetic average of the methods used in the assessment.

The assessments were made based on the information provided by the Group, visits to sites, geographical location and market research. In all the assessments, the assumption that it is possible to transact the property was made as well as that they are free from any encumbrances, charges or liabilities.

The movement that occurred in the years 2018 and 2017 under the item 'Investment Property' was as follows:

	FY 2018	FY 2017
Opening balance	20,826,300	20,826,300
Sales and disposals	-	(4,867,469)
Transfers - Martifer Construções Property	-	4,867,469
Total	20,826,300	20,826,300

The table below presents the appraisal method, yield and total value of the independent assessments performed during the year, as well as the amount by which the assets are recorded in the Group's accounts:

FY 2018	APPRAISAL METHOD	YIELD	FAIR VALUE LEVEL	FAIR VALUE	INDEPENDENT APPRAISAL
Armazém em Albergaria a Velha	Comparison, Revenue and Cost of Replacement	7.00	3	1,415,300	1,444,000
Centro empresarial de Benavente	Comparison, Revenue and Cost of Replacement	7.00	3	9,364,000	9,345,000
Fábrica' Martifer Construções	Comparison, Revenue and Cost of Replacement	7.50	3	10,047,000	10,250,000
				20,826,300	21,039,000

Given that the difference between the fair value recorded and the independent assessment is reduced, the Group chose not to make any accounting adjustment to the fair value of these assets.

The income earned from the investment properties in 2018 was 492,507 euros (432,062 euros in 2017) and is registered under the item 'Sales and Services Rendered'.

21. FINANCIAL ASSETS UNDER THE EQUITY METHOD

On 31 December 2018 and 2017, the information relating to associate companies and joint arrangements, as well as to the value of the financial participation is as follows:

	% CAPITAL HELD	TOTAL EQUITY WITHOUT SUPPLEMENTARY CAPITAL	FINANCIAL PARTICIPATION BY EQUITY METHOD	SUPPLEMENTARY CAPITAL	SUPPLEMENTARY CAPITAL IMPAIRMENTS	NET INCOME	31 DECEMBER 2018
31 DECEMBER 2018							
SPEE 3 - Parque eólico de Baião, S.A.	50.00%	2,148,366	1,074,183	-	-	366,422	1,074,183
SPEE 2 - Parque eólico de Vila Franca de Xira, S.A.	50.00%	4,905,979	2,452,989	-	-	1,360,558	2,452,989
Martifer-Visabeira, S.A.	50.00%	(2,902,627)	-	1,163,243	(1,163,243)	(1,451,314)	-
Martifer MPC Renewable Energies Development S.A.S	50.00%	327,217	163,609	-	-	(266,680)	163,609
Ventinveste, S.A	48.50%	8,452,997	4,099,703	-	-	2,566,902	4,099,703
CNA Chantier Naval d'Arzew, SPA	49.00%	1,592,641	780,394	-	-	55,279	780,394
Duelobrigatório, S.A. ²⁾	55.00%	(14,395,309)	-	4,950,000	(4,950,000)	(1,704,881)	-
							8,570,878

	% CAPITAL HELD	TOTAL EQUITY WITHOUT SUPPLEMENTARY CAPITAL	FINANCIAL PARTICIPATION BY EQUITY METHOD	SUPPLEMENTARY CAPITAL	SUPPLEMENTARY CAPITAL IMPAIRMENTS	NET INCOME	31 DECEMBER 2017
31 DECEMBER 2017							
Martimetal, SPA	49.00%	6,796	3,330	-	-	(1,358,714)	3,330
SPEE 3 - Parque eólico de Baião, S.A.	50.00%	1,781,944	890,972	-	-	323,383	890,972
SPEE 2 - Parque eólico de Vila Franca de Xira, S.A.	50.00%	4,245,421	2,122,710	-	-	913,184	2,122,710
Martifer Amal, S.A. (Moçambique)	35.00%	(2,294,095)	-	926,422	(802,933)	(940,511)	123,489
FW Warta Sp. Z.o.o. ¹⁾	50.00%	(117,664)	616,220	-	-	(65,201)	616,220
Ventinveste, S.A	48.50%	15,941,346	7,731,553	-	-	39,811,837	7,731,553
CNA Chantier Naval d'Arzew, SPA	49.00%	1,509,680	739,853	-	-	(271,044)	739,853
Duelobrigatório, S.A. ²⁾	55.00%	(14,820,293)	-	4,950,000	(4,950,000)	(12,528,754)	-
							12,228,126

- 1) The value of the financial investment includes 675,052 euros of Goodwill on 31 December 2017. In 2018 it began to be consolidated by the full consolidation method;
- 2) At the end of 2016, the participation that the Group held in Duelobrigatório, S.A. was considered totally impaired by prudence, since no return is expected, because of the uncertainty about the recovery of the investment in the Fund in the USA. In 2017, the sale of the Fund in question occurred, so the impairment regarding the Financial Investment described above was reversed, and the outcome of this subsidiary was assumed in the proportion of MEP. In relation to the impairment of ancillary benefits of this subsidiary, it remained the same on 31 December 2018, since there is no prospect of being received.

Provisions were constituted for the remaining financial investments, due to negative equity and they are disclosed in Note 34.

In 2017 M-City Gliwice Sp. Zo.o started being consolidated by the equity method (Note 2) and Parque Eólico da Penha da Gardunha, Lda. was dissolved. In 2018 Martifer MPC Renewable Energies Development S.A.S went from Full consolidation method to Equity method and FW Warta Sp. Z.o.o. changed from Equity Method to Full consolidation.

The movement occurred under this item, in the years ended on 31 December 2018 and 2017, is as follows:

	FY 2018	FY 2017
Opening balance	12,228,126	4,848,908
Supplementary Capital Reclassification ¹⁾	-	1,232,806
Acquisition of Amal S.A.	-	10,000
Acquisition of 15% of Martifer-Visabeira	25	-
Change in consolidation method of Martifer MPC S.A.S	21,844	-
Change in consolidation method of FW Warta Sp. Z.o.o.	(572,841)	-
Change in consolidation method of M City Gliwice Sp. Zo.o	-	770,356
Settlement of Parque Eólico da Penha da Gardunha, Lda	-	(2,447,539)
Application of the equity method		
- From performance in results ²⁾	1,774,656	10,077,455
- Other equity changes	(4,919,100)	(6,658,574)
Supplementary Capital Payments / Receipts	236,821	(745,044)
Effect of foreign currency exchange differences	41,698	487,141
Other changes	-	(978)
Impairments movements ³⁾	(240,351)	4,653,594
Closing balance	8,570,878	12,228,126

- 1) The Supplementary Capital and their impairment in 2016 were reported in the item 'Trade and other debtors', and in 2017 they are being reported under the item 'Financial assets under the equity method' (Note 21);
- 2) The impact in the result of the application of the Equity Method is different from what is recognised in Note 13 because part of the result was affected to the constitution/ reversal of provisions (Note 34).;
- 3) Of the amount in 2017, 5,016,891.00 euros concern the reversal of the impairment of Duelobrigatório, S.A. (Note 13).

On 31 December 2018 and 2017, the summarised information on the significant financial investments in associates and joint arrangements with positive equity, extracted from their individual financial statements, is as follows:

FY 2018	CNA Chantier Naval d'Arzew, SPA	SPEE 3 - Parque eólico de Baião, S.A.	SPEE 2 - Parque eólico de Vila Franca de Xira, S.A.	Ventinveste, S.A	Martifer MPC
% Capital Held	49.0%	50.0%	50.0%	48.5%	50.0%
Non-current Assets	4,113,736	4,970,475	10,109,200	12,758,623	61,818
Cash and Cash equivalents	948,359	152,675	321,363	2,656,850	355,364
Other current assets	2,102,330	503,221	808,755	408,827	30,455
Non-current Liabilities	1,638	2,001,645	4,047,159	6,024,690	29,053
Current Liabilities	21,913	1,476,361	2,286,180	1,396,614	91,367
Equity	7,140,875	2,148,366	4,905,978	8,402,997	327,217
Equity without supplementary capital	7,140,875	2,148,366	4,905,978	8,402,997	327,217
Unrealized capital	2,718,635	-	-	-	-
Sales and Services Rendered	-	1,501,088	3,440,218	2,431,644	-
Amortizations and Depreciations	4,740	473,379	957,067	975,027	14
Income Tax	1,608	106,626	387,919	1,235	34
Net Profit for the year	55,279	366,422	1,360,558	2,566,902	(266,680)

FY 2017	Martimetal, SPA	SPEE 3 - Parque eólico de Baião, S.A.	SPEE 2 - Parque eólico de Vila Franca de Xira, S.A.	FW Warta Sp. Z.o.o.	Ventinveste, S.A	CNA Chantier Naval d'Arzew, SPA
% Capital Held	49.0%	50.0%	50.0%	50.0%	48.5%	49.0%
Non-current Assets	11,678,450	5,443,853	11,066,266	913,900	13,766,390	3,775,139
Cash and Cash equivalents	1,021,745	151,100	511,613	15,534	10,358,271	1,335,136
Other current assets	10,114,078	366,278	580,690	188,919	514,258	1,866,288
Non-current Liabilities	11,866,541	2,859,547	5,781,838	1,033,145	7,498,143	-
Current Liabilities	10,940,937	1,319,740	2,131,311	202,873	1,199,430	13,952
Equity	6,796	1,781,944	4,245,420	(117,664)	15,941,346	6,962,612
Equity without supplementary capital	6,796	1,781,944	4,245,420	(117,664)	15,941,346	6,962,612
Unrealized capital	-	-	-	-	-	2,671,827
Goodwill	-	-	-	675,052	-	-
Sales and Services Rendered	11,722,285	1,479,573	3,302,298	-	2,338,211	-
Amortizations and Depreciations	765,799	473,379	957,067	-	975,027	3,871
Income Tax	-	85,979	248,498	-	52,089	-
Net Profit for the year	(1,358,714)	323,383	913,184	(65,201)	39,811,837	(271,044)

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

NON-CURRENT

On 31 December 2018, the detail of the non-current 'financial assets at fair value through profit or loss' is as follows:

	FY 2018
Green Certificates	4,455,163
Others	130,580
	4,585,742

Following the adoption of IFRS 9, and as described in greater detail in Note 1.2., from 1 January 2018 on the Group began to record the 'Held for sale financial assets' under the item non-current 'Financial assets recorded at fair value through profit or loss'.

The movement occurred in the 2018 period under the item non-current 'Financial assets recorded at fair value through profit or loss' was as follows:

	FY 2018
Opening balance	-
First Adoption of IFRS 9 (Note 1.2)	5,961,419
Additions	39,283
Transfers	(749,000)
Other	(665,960)
Closing balance	4,585,742

The increase in this item in 2018 primarily results from the award of medium/long-term Green Certificates to Eviva Nalbant, SRL and the unit price considered in 2018 was RON 134.3, which was the minimum value defined by law for this year.

On 31 December 2018, the detail of the medium/long-term Green Certificates held by the Group is as follows:

	FY 2018
Number of green certificates held	154,700
Unit Price (RON)	134.302
Total Amount (RON)	20,776,535
Total Amount (EUR)	4,455,163

CURRENT

On 31 December 2018, the detail of current 'Financial assets at fair value through profit or loss' is as follows:

	FY 2018
Green Certificates	1,602,874
Others	61,596
	1,664,470

Following the adoption of IFRS 9, as described in greater detail in Note 1.2., from 1 January 2018 on the Group began to record the 'Other current financial assets' that were in the item 'Other Current Assets' in the current account 'Financial assets recorded at fair value through profit or loss'.

On 31 December 2018, the detail of the medium/long-term Green Certificates held by the Group is as follows:

	FY 2018
Number of green certificates held	55,658
Unit Price (RON)	134.302
Total Amount (RON)	7,474,965
Total Amount (EUR)	1,602,874

23. AVAILABLE FOR SALE INVESTMENTS

On 31 December 2017, the breakdown of the amounts related to available for sale investments is as follows:

	FY 2017
Non-current financial investment	5,935,139
Others	26,280
	5,961,419

The result of the adoption of IFRS 9 on 1 January 2018, the amounts included under this item were reclassified to the item 'Financial assets recorded at fair value through profit or loss' (Note 1.2).

The value of 'Non-current financial investment ' mostly concerns Green Certificates held by the company Eviva Nalbant, SRL, part of the Renewables segment.

The movement occurred in the 2017 period under the item 'Available for sale investments' was as follows:

	FY 2017
Opening balance	6,009,794
Additions	352,041
Reductions	(666,517)
Impairments	437,500
Other	(171,399)
Closing balance	5,961,419

The item 'impairment' refers to an investment in Muki Solar, which was incorporated in 2016 and reverted in 2017, given that it was sold.

The increase in this item in 2017 results mainly from the allocation of 10,979 medium/ long term Green Certificates to Eviva Nalbant, SRL, being that the unit price considered in 2017 was 132.8 RON, which was the minimum value defined by law for this year.

On 31 December 2017, the detail of the medium/long-term Green Certificates held by the Group is as follows:

	FY 2017
Number of green certificates held	206,276
Unit Price (RON)	132.030
Total Amount (RON)	27,234,517
Total Amount (EUR)	5,846,199

The available for sale investments do not have a defined maturity.

24. INVENTORIES

The information on inventories for the years ended on 31 December 2018 and 2017 can be analysed as follows:

	FY 2018	FY 2017
Gross Value		
Raw-materials, subsidiaries and other consumables	5,138,559	3,700,019
Work in progress	1,377,831	1,377,831
Merchandise	15,977,539	6,909,461
Finished goods	206,216	207,980
	22,700,145	12,195,292
Accumulated impairment losses:		
Raw-materials, subsidiaries and other consumables	264,132	264,136
Work in progress	1,377,831	1,377,831
Merchandise	6,938,359	760,208
Finished goods	165,501	165,501
	8,745,823	2,567,676
Net value - Inventories	13,954,322	9,627,614

In the 2018 period, when compared to the same period in 2017, there is an increase of inventories, as a result of the company Liszki Green Park, which in 2017 consolidated by the Equity method and in 2018 began to consolidate by the Full consolidation method (Note 2). For that reason, it started to contribute in 10.9 million euros in gross value and 5.8 million euros in impairments.

The item 'Merchandise' concerns primarily plots of land located in Taveiro, in Amarante and Poland (Liszki Green Park). Evaluations were made to these plots, which did not result in any additional impairment.

In the year 2018 the company 'Park Logistyczny Biskupice' sold a plot of land in the amount of approximately 2.2 million euros, and it was recorded in 'Merchandise'.

25. TRADE RECEIVABLES AND OTHER RECEIVABLES

On 31 December 2018 and 2017, the financial assets held by the Group, in addition to those referred to in the above Notes 22 and 23, are presented below.

The information relating to 'Trade receivables and other receivables' for the years ended on 31 December 2018 and 2017 can be analysed as follows:

	NON CURRENT		CURRENT	
	FY 2018	FY 2017	FY 2018	FY 2017
Gross Value:				
Trade receivables:				
Trade receivables	13,181,767	13,654,819	58,733,364	68,656,215
Notes receivables	-	-	-	681,331
Doubtful trade receivables	-	-	8,949,391	12,022,344
	13,181,767	13,654,819	67,682,755	81,359,890
Other receivables:				
Related companies	500,829	11,043,497	111,870	5,672,588
Advances to suppliers	-	6,803	5,661,744	6,743,024
Others	118,827	3,764,936	7,598,038	11,433,939
	619,656	14,815,236	13,371,652	23,849,551
Total Gross Value	13,801,423	28,470,055	81,054,407	105,209,441

The item 'Trade receivables' for the year 2018 includes 17,003,112 euros (2017: 15,657,224 euros) relating to withholdings in construction contracts, being that both in 2018 and in 2017 the vast majority of these withholdings is in the column 'Non-current'.

In 2018, there was a significant reduction in the debt balances of current account trade receivables (approximately 19%), as a result of increased efficiency in collection procedures.

Thus, on 31 December 2018, the current and non-current balances with 'related companies' are mainly concerned with the loans granted to joint ventures and to associates, which bear interest at Euribor 3 months plus a spread of 3.5%. The variation recorded in this item between the year 2017 and 2018, results from the acquisition of the entire share capital of the company under the Polish law M-City Gliwice Sp Zo.oo which started to consolidate using the Full consolidation method.

The item 'Others' in 'Other receivables' relates mainly to Portugal, Angola and Brazil, and refers to operations that are not related to the main activity of the companies, such as the sale of financial holdings or fixed assets.

The accumulated impairment losses on Trade receivables and Other receivables are as follows:

	NON CURRENT		CURRENT	
	FY 2018	FY 2017	FY 2018	FY 2017
Accumulated impairment losses:				
Trade receivables	-	-	22,257,816	13,922,075
Other receivables	115,079	3,910,087	2,947,356	4,360,865
	115,079	3,910,087	25,205,172	18,282,940
Carrying amount – trade receivables	13,181,767	13,654,819	45,424,939	67,437,815
Carrying amount - other receivables	504,577	10,905,149	10,424,295	19,488,686
Total	13,686,344	24,559,968	55,849,234	86,926,501

The movement of accumulated impairment losses on receivables is as follows:

	TRADE RECEIVABLES		OTHER RECEIVABLES	
	FY 2018	FY 2017	FY 2018	FY 2017
Opening balance	13,922,075	12,960,676	8,270,952	29,204,404
First adoption of IFRS 9 (Note 1.2)	11,186,419	-	-	-
Additions (Note 10)	2,030,205	1,334,946	-	630,954
Reductions (Note 5)	(1,029,249)	(289,090)	(52,792)	(10,972)
Applications	(4,945,209)	-	(4,545,870)	(14,700,000)
Changes of consolidation perimeter, foreign currency exchange rate difference and transfers	1,093,575	(84,456)	(609,854)	(6,853,435)
Total	22,257,816	13,922,075	3,062,435	8,270,952

The applications of impairment of 'Other receivables' in 2017 refers essentially to the value related to the alienation of NUTRE, SGPS, due to the completion of the respective sale contract. In 2018, IFRS 9 was adopted for the first time, with an increase of approximately 11.2 million euros.

On 31 December 2018 and 2017, the maturity of the balances of accounts receivable, before accumulated impairment losses, can be detailed as follows:

FY 2018	TOTAL	NOT DUE	PAST DUE			
			UNTIL 90 DAYS	90 TO 180 DAYS	180 TO 360 DAYS	MORE THAN 360 DAYS
Trade receivables	71,915,131	29,612,141	13,226,143	5,921,305	1,681,228	21,474,314
Doubtful trade receivables	8,949,391	-	-	739,317	-	8,210,074
Other receivables	13,991,308	8,697,191	16,278	2,250	2,491	5,273,098
Total	94,855,830	38,309,332	13,242,421	6,662,872	1,683,719	34,957,486

FY 2017	TOTAL	NOT DUE	PAST DUE			
			UNTIL 90 DAYS	90 TO 180 DAYS	180 TO 360 DAYS	MORE THAN 360 DAYS
Trade receivables	82,311,034	33,150,210	21,577,141	5,273,026	4,697,552	17,613,105
Notes receivables	681,331	332,974	348,357	-	-	-
Doubtful trade receivables	12,022,344	-	-	-	34,218	11,988,125
Other receivables	38,664,787	28,571,401	27,225	1,747	50,949	10,013,463
Total	133,679,496	62,054,585	21,952,723	5,274,773	4,782,719	39,614,693

The impairments recorded are mostly balances overdue for more than 360 days.

The average collection period of accounts receivable of the Group was 147 days in 2018, having decreased in relation to the previous year (212 days in 2017). This positive development is a strong improvement in non-group clients, with a 29% reduction of the total balance of clients and other debtors, with a strong contribution of the reduction of current account clients at around 10 million euros already mentioned above.

The Board of Directors of the Group is convinced that the value by which the balances of Trade receivables and other receivables are recorded in the balance sheet is approximate to their fair value, considering, in particular, that in relation to the overdue debt of more than 180 days, no significant losses are expected in addition to the impairment losses recorded. Some of the higher balances and that have been overdue the longest relate to clients that given the current economic situation are going through temporary liquidity difficulties, in particular in Angola where a significant part of the credits are concentrated. However, the Group has taken many steps and established agreements in order to define payment plans and obtain guarantees regarding the receipt.

In 2018, the Administration managed to negotiate with some of its main clients alternative ways of collecting, such as *Confirming* and *Reverse Factoring*, which allowed to finance its operational activity through the anticipation of credits, with a relatively reduced associated financial cost.

The item 'prepayments' is mainly related to purchases made by West Sea to incorporate in the construction of vessels.

26. CURRENT TAX ASSETS / INCOME TAX ASSETS

On 31 December 2018 and 2017, the balance of the item 'Current tax assets' is as follows:

	FY 2018	FY 2017
Income tax (Note 14)	967,862	787,546
Value added tax	4,750,222	2,922,034
VAT requested refunds	6,254,039	2,930,167
Other taxes	371,692	478,128
Current tax assets	11,375,953	6,330,328

The value of the VAT items corresponds essentially to the tax to be recovered in Portugal and is a consequence of the fact that the activity in the 'Naval Industry' and the 'Metallic Constructions' segments is mainly for export.

In 2017, the item 'VAT requested refunds' included recoverable amounts for the purchase of turbines in the Renewables segment (around 2.3 million euros). The refund was requested in 2017 but on 31 December 2018 it had not been received yet.

27. CONTRACTS ASSETS

The information concerning the contracts assets with clients by business segment, net of advance payments, on 31 December 2018 can be analysed as follows:

	FY 2018
Accrued income:	
Metallic Construction	7,255,185
Naval Industry	2,903,083
	10,158,269

Following the adoption of IFRS 15, as described in greater detail in Note 1.2., from 1 January 2018 on the Group began to record the monthly income from contracts previously recognised in 'Other current assets' under the item 'Contracts assets'.

The movement occurred in the financial year 2018 in assets and in liabilities related to contracts with customers, excluding the component advance payments, can be analysed as follows:

	FY 2018
Balances at 1st January 2018	(37,889,271)
- Contracts Assets (transfer)	11,044,611
- Contractd Liabilities (transfer)	(48,933,882)
Increases resulting from accomplishing new performance obligations not yet billed	7,068,175
Performance bonds from 2017 billed in 2018	(7,764,733)
Advanced billing in 2017 for performance bonds from 2018	29,378,454
Billing in 2018 without corresponding performance obligation	(11,201,159)
Exchange differences, changes in perimeter and other	225,610
Balances at 31st December 2018	(20,182,924)
Balances at 31st December 2018	
- Contracts Assets	10.158.269
- Contractd Liabilities (Note 37)	(30.341.193)
	(20.182.924)

The value of the accrued income in 2018 mainly regards 'Metallic Constructions' in Portugal.

On 31 December 2018 and 2017, the information on construction contracts in progress is as follows:

	FY 2018	FY 2017
Total costs incurred with construction contracts in progress:	383,767,014	415,582,612
Costs incurred with construction contracts in progress in the year:	132,328,536	129,770,367
Total revenue incurred with construction contracts in progress	424,482,889	459,708,457
Revenue incurred with construction contracts in progress in the year:	153,561,076	142,282,600
Advanced payments received from customers of construction contracts in progress (2018: Note 37 and 2017: Note 32)	14,408,904	9,007,611
Retentions performed by customers in construction contracts in progress (Note 25)	12,052,592	9,889,202
Guarantees provided to customers in relation to construction contracts in progress (Note 40)	34,777,304	24,139,641
Accrued income and accounts receivable related with construction contracts in progress (2018: Note 27 and 2017: Not3 28)	10,158,269	13,325,648
Deferred income and accounts payable related with construction contracts in progress (2018: Note 37 and 2017: Note 38)	30,341,193	48,933,882
Deferred Cost related with construction contracts in progress (Note 28)	6,093,936	4,040,760
Accrued Cost related with construction contracts in progress (Note 38)	7,110,613	6,502,325
Provision to Onerous Contracts related with construction contracts in progress (Note 34)	1,216,969	1,317,769

The guarantees granted to project owners, in the 'Metallic Constructions' segment, as referred to in Note 40 relate to projects in progress and to completed projects within the warranty period, for which the average period is 5 years.

On 31 December 2018, the Group's main projects in progress that justify the balance of 'Contracts assets' are as follows:

	FY 2018
WORLD VOYAGER (West Sea)	1,273,195
West End Gate (Martifer Construções e Martifer UK)	428,452
Future Beer Factory (Martifer Angola)	1,119,019
Royal Wharf - Phase 2B (Martifer UK)	936,244
Pavillon 6 - Porte de Versailles (Martifer Construções e Martifer França)	550,952
SENVION - Project Saint Martin l'Ars (Martifer Construções)	873,934
Knots Porche Boufarik (Martifer Construções)	148,979
VIKING HELGRIM (West Sea)	542,266
Aile Est BAT 2 - Genève (Martifer Construções Sucursal Genebra)	505,968
Ria Blades	502,000
Others	3,277,261
	10,158,269

28. OTHER CURRENT ASSETS

On 31 December 2018 and 2017, the item 'Other current assets' can be analysed as follows:

	FY 2018	FY 2017
Accrued income:		
Construction contracts		
Cost	-	13,325,648
Impairment losses	-	(2,281,037)
Carrying amount	-	11,044,611
Interest to be received	11,939	59,671
Other accrued income	2,811,671	2,584,777
	2,823,611	13,689,059
Prepayments:		
Insurances	353,140	609,558
Financial expenses	15,783	201,159
Rents	63,000	84,098
Other prepayments	480,319	633,022
Deferred Cost - Work in Progress	6,093,936	4,040,760
	7,006,178	5,568,597
Other (current) financial assets	-	963,482
	9,829,789	20,221,138

The adoption of IFRS 9, and as detailed in Note 1.2., from 1 January 2018 on the Group ceased to record 'Other current financial assets' which were presented here, and transferred them to current 'Financial assets at fair value through profit or loss'.

Following the adoption of IFRS 15, as described in greater detail in Note 1.2., from 1 January 2018 on the Group ceased to register the income accruals from contracts previously recorded here in 'Other current assets' and started registering them in the item 'Contracts assets'.

The heading 'Other accrued income' is strongly related with the invoicing to be issued by the metallic constructions segment, in Portugal, both in 2018 and in 2017. In Portugal, this effect is due in particular to the invoicing to companies that consolidate by the equity method (approximately 2.8 million euros to Martifer-Visabeira S.A., Mozambique).

On 31 December 2018, the item 'Prepayments' essentially includes the disbursements made by the Group associated with specialised services, which will be rendered/used in 2019.

As mentioned in Note 1.4, paragraph x) and xi), during the year 2017, there was a change in the calculation of the percentage of completion to determine the result of construction projects; Performance calculation reports is now used instead of the ratio between costs incurred in the project and the total cost of the project. This meant that the costs and accounted income reflect the physical evolution of the project and generated costs associated with these construction contracts that have to be specialized, something that did not happen until a year ago, when only the income was specialized; being that in the case of costs, they do not present a comparative value to the previous year.

On 31 December 2017, the Group's main projects in progress that justify the balance of 'Accrued income – construction contracts' are as follows:

	FY 2017
Baltic Arena Gdansk (Martifer Polska)	2,281,037
Future Beer Factory (Martifer Angola)	2,190,519
Djelfa project (Martifer Construções e Martifer RO)	1,543,032
Holland Green (Martifer Alumínios UK)	1,296,709
SENVION - Project Saint Martin l'Ars (Martifer Construções)	924,178
Waterproof doors 12 and 16 (West Sea)	892,500
Expansion and remodeling of Aerogare do Aeroporto de Faro (Martifer Construções)	273,395
MMH - Unitized Curtain Wall (Martifer UK)	219,785
Others	3,704,493
	13,325,648

The heading of 'Deferred cost - work in progress' includes supplier invoices for services not yet executed or in progress and material that has not entered the manufacturing process yet.

Thus, on 31 December 2018 and 2017, the main work in progress of the Group that justifies the balance of 'Deferred cost - work in progress' is as follows:

	FY 2018	FY 2017
East Wing of Geneva Airport (Martifer Construções)	2,695,253	1,131,559
West End Gate (Martifer UK)	1,465,374	-
Porto Office Park (Martifer Construções)	515,997	-
FPM41 Building (Martifer Construções)	-	760,397
Senvion - Project Molenbaix (Martifer Construções)	-	730,890
55 Gresham Street (Martifer Construções)	53,591	500,337
Effect of the restatement of the hyperinflationary economy in Angola (IAS 29)	2,220	5,174
Others	1,361,501	912,404
	6,093,936	4,040,760

29. CASH AND CASH EQUIVALENTS

The caption 'Cash and bank deposits' may be analysed as follows:

	FY 2018	FY 2017
Cash and cash equivalents:		
Bank deposits	33,361,098	46,293,259
Cash	53,732	53,339
	33,414,830	46,346,599

On 31 December 2018 and 2017, there were no restrictions associated with the balance of the caption 'Cash and bank deposits' considering the below on Angola.

On 31 December 2017 in the item 'Bank deposits' about 8.3 million euros are included for companies based in Angola, which due to the financial crisis in this country are subject to restrictions regarding transfers out of Angola; however, there are no restrictions on their use. During the year 2018, there was a substantial improvement in these conditions, which meant that there were transfers of currency from Angola to Portugal, ending such restriction.

30. EQUITY

Issued capital

Martifer SGPS's issued capital, fully subscribed and paid up on 31 December 2018 and 2017, amounted to 50,000,000 euros and is represented by 100,000,000 nominative shares with a face value of 0.50 euros each. All shares hold the same rights, namely one share, one vote. During the 2018 and 2017 economic periods, there were no changes in the number of shares representing the Group's issued capital.

During the 2018 economic period, Martifer SGPS did not acquire, through the stock exchange, own shares. The Group holds 2,215,910 own shares, corresponding to 2.22% of its issued capital.

On 31 December 2018, the issued capital of the company is 42.41% held by I'M SGPS, S.A.. (majority-owned by Carlos Manuel Marques Martins and Jorge Alberto Marques Martins), 0.53% by two Administrators related to I'M SGPS, S.A. (Carlos Manuel Marques Martins and Jorge Alberto Marques Martins), 37.5% by Mota-Engil SGPS, SA (company listed on the stock exchange), 2.22% in own shares, and the remaining 17.34% dispersed in the Stock Exchange.

Share premium

Share premium correspond to excess amounts gained with the issue of or an increase in share capital. In accordance with Portuguese commercial legislation, the amounts included in this caption must comply with the regime applicable to 'legal reserves', that is, they are not distributable except in the event of liquidation, but they may be used to offset losses, after all the other reserves have been used up, and/or may be incorporated in share capital.

In 2017 there were 186,500,000 Euros of emission premiums that were used to cover losses.

Reserves

Legal reserves

The Portuguese commercial legislation establishes that at least 5% of the annual net income must be used to increase the 'legal reserve' until the latter represents at least 20% of the share capital. This reserve is non-distributable, except in the event of liquidation, but may be used to offset losses, after all the other reserves have been used up, and/ or be incorporated in share capital.

This value is included in the item 'Other Reserves' and amounts to 7,766,907 euros.

Treasury stock

The Group holds 2,215,910 treasury stock, corresponding to 2.22% of its issued capital. By law, it is required to maintain an unavailable reserve on the amount of the acquisition of own shares, included in 'Other reserves'.

Foreign currency translation reserves

The foreign currency translation reserves reflect the foreign-exchange fluctuations that occurred: (i) in translating the financial statements of subsidiaries in a currency other than the Euro; (ii) in the update of the net investment in subsidiaries; and (iii) in updating the Goodwill, which are not likely to be distributed or be used to absorb losses, being transferred to results when the subsidiaries are sold or liquidated.

Other reserves

In addition to the legal reserve of 7,766,907 Euros, this section includes the results of previous years and an unavailable reserve in the amount of 2,868,519 Euros related to own shares.

Under the Portuguese legislation, the amount of reserves considered distributable is determined based on the Entity's individual financial statements, prepared in accordance with International Financial Reporting Standards (IFRS).

On 31 December 2018, Martifer SGPS, S.A. has no available distributable reserves.

Capital management policy

Capital management is made to ensure the continuity and development of operational activities, and focus is given to the management of the financial debt and liquidity risk.

Non-controlling interests

The detail of the main non-controlling interests can be analysed as follows:

	FY 2018	FY 2017
Opening balance	(30,748,263)	(30,169,515)
First adoption of IFRS 9 (Note 1.2)	(2,586,738)	-
Profit for the year	287,017	(2,768,618)
Other changes in equity of subsidiaries	(1,406,002)	(305,823)
Application of the Equity Method	33,840	(183,990)
Changes in the consolidation perimeter	(950,996)	229,763
Transactions with non-controlling interests	-	54,753
Others	(486,817)	2,395,169
	(35,857,959)	(30,748,263)

Transactions with non-controlling interests on 31 December 2018 mainly reflect, in addition to the defined result, the impact of the implementation of IFRS 9 (see Note 1.2).

In 2017 the major impacts that justify the reduction of non-controlling interests are the net result of the negative economic period, as well as 'other changes in equity' which also have a negative impact that results mainly in exchange devaluation of some countries. In the item 'Other' a positive impact of 2.5 M€ on the application of IAS 29 in the Angolan companies is included because it is a hyperinflationary economy (Note 1.4).

	% NON-CONTROLLING INTERESTS		FY 2018	FY 2017
	FY 2018	FY 2017		
Metallic Constructions				
Martifer – Construções Metálicas Angola, S.A.	40.94%	40.94%	(936,971)	2,149,344
Martifer Alumínios Angola, S.A.	25.00%	25.00%	(257,004)	593,613
Martifer Constructions, SAS	25.00%	25.00%	(1,198,567)	(1,249,343)
Martifer UK Limited	25.00%	25.00%	(1,585,010)	(1,265,276)
Jubimax Sp. Zo.o.	25.00%	25.00%	(2,357,870)	(2,360,410)
Savimex Sp. z o.o.	25.00%	25.00%	(2,127,016)	(2,131,917)
Liszki Green Park Sp. z o.o.	32.50%	-	(2,812,365)	-
Park Logistyczny Biskupice Sp. z o.o.	25.00%	-	(654,419)	-
M City Gliwice Sp. z o.o.	25.00%	-	(1,657,152)	-
Martifer - Construções Metalomecânicas, S.A.	25.00%	25.00%	(19,352,280)	(19,503,135)
Martifer Metallic Constructions SGPS, S.A.	25.00%	25.00%	3,382,214	(777,289)
Martifer Constructii S.R.L.	24.50%	24.50%	(5,403,139)	(4,731,019)
Martifer Energia S.R.L.	25.00%	25.00%	(820,506)	(839,175)
Saudi Martifer Constructions LLC	25.00%	25.00%	390,407	511,049
Other non-controlling interests	-	-	(830,421)	(1,178,834)
Naval Industry				
Navalria – Docas, Construções e Reparações Navais, S.A.	25.00%	25.00%	(2,007,555)	(2,041,057)
West Sea-Estaleiros Navais,Lda	25.00%	25.00%	2,258,774	1,864,551
Renewables				
Martifer Renováveis - Geração de Energia e Participações S.A.	-	45.00%	-	99,386
Other non-controlling interests			110,921	111,248
			(35,857,959)	(30,748,263)

The non-controlling interests relate mainly to the business segments 'Metallic Constructions' and 'Naval Industry', and these segments are 25% held by Vetor Diálogo - SGPS, SA (a company that does not belong to Martifer Group).

On 31 December 2018, the summarised financial information on the main subsidiaries controlled by the Group with non-controlling interests was the following:

FY 2018	NON-CURRENT ASSETS	CURRENT ASSETS	NON-CURRENT LIABILITIES	CURRENT LIABILITIES	NET PROFIT FOR THE YEAR
Martifer - Construções Metálicas Angola, S.A.	10,198,160	10,345,051	2,351,798	18,015,381	(1,751,221)
Martifer Alumínios Angola, S.A.	1,576,088	3,556,948	-	6,056,858	201,017
Martifer Constructions, SAS	272,161	5,316,543	135,423	5,042,548	203,105
Martifer UK Limited	1,556,000	11,002,396	43,854	11,424,989	(1,273,958)
Jubimax Sp. z o.o.	-	276,887	4,553,228	4,218,611	(169,481)
Savimex Sp. z o.o.	35,656	340,766	6,755,587	363,787	(6,091)
Liszki Green Park Sp. z o.o.	1,071	5,151,630	12,853,474	931,364	(59,906)
Park Logistyczny Biskupice Sp. z o.o.	-	39,248	2,591,181	52,752	(1,083,681)
M City Gliwice Sp. z o.o.	7,229,806	12,873,631	26,550,183	170,031	(8,766)
Martifer - Construções Metalomecânicas, S.A.	48,056,914	81,887,806	54,905,093	46,283,374	4,964,007
Navalria - Docas, Construções e Reparações Navais, S.A.	2,954,502	2,919,068	2,372,595	1,943,069	84,007
Martifer Metallic Constructions SGPS, S.A.	196,667,518	19,173,419	48,755,286	43,474,529	(1,978,824)
West Sea - Estaleiros Navais, Lda	2,737,930	50,840,856	-	44,422,350	5,243,340
Martifer Romania S.R.L.	7,412,335	4,164,778	840,300	13,068,475	(2,647,010)
Martifer Energia S.R.L.	-	243,132	-	306,239	78,043
Saudi Martifer Constructions LLC	2,180,941	4,640,342	660,084	4,545,041	786,860

31. BORROWINGS

The borrowings concerning the periods ended on 31 December 2018 and 2017 are as follows:

FY 2018	UNTIL 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
Financial institutions borrowings:					
Bank loans	7,912,199	109,116,331	35,132,739	52,310,003	204,471,272
Bank overdrafts	391,648	-	-	-	391,648
Authorized overdrafts	457,406	-	-	-	457,406
Other borrowings:					
Other borrowings	22,332	84,861	524,991	213,997	846,181
	8,783,585	109,201,192	35,657,730	52,524,000	206,166,507

FY 2017	UNTIL 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
Financial institutions borrowings:					
Bank loans	14,045,057	14,205,656	125,963,951	63,891,144	218,105,808
Bank overdrafts	558,716	-	-	-	558,716
Authorized overdrafts	3,143,776	-	-	-	3,143,776
Other borrowings:					
Other borrowings	78,691	29,050	348,594	468,537	924,872
	17,826,240	14,234,706	126,312,545	64,359,681	222,733,171

The evolution of the borrowings of the Group in 2018 has maintained its downward trajectory, in line with the trend in recent years. Thus, in the 2018 period, there was a reduction of 7% compared to the year before in the total financing of the Group, which amounted to 206,166,507 euros on 31 December 2018.

With a weight of 4% on the total amount of loans, the short-term debt on 31 December 2018 was 8.783.585 euros. It has maintained appropriate levels to the degree of permanence of their long-term assets, so that the cash surpluses are sufficient to comply with their responsibilities.

Other borrowings

'Other borrowings' correspond to a development support operation obtained by the Portuguese Agency for Foreign Trade and Investment (AICEP) and the Institute for Support to Small and Medium-sized Companies and to Investment (IAPMEI).

All the variations in borrowings between 2017 and 2018 affected the cash flows. The variation in loans between 2017 and 2018 is as follows:

	FY 2017	CASH-FLOWS	TRANSACTIONS WITH NO EFFECT IN CASH-FLOWS	FY 2018
Bank loans	222,733,171	(16,566,664)	-	206,166,507
Total	222,733,171	(16,566,664)	-	206,166,507

The variation in loans between 2016 and 2017 is as follows:

	FY 2016	CASH-FLOWS	TRANSACTIONS WITH NO EFFECT IN CASH-FLOWS	FY 2017
Bank loans	276,048,311	(41,169,141)	(12,145,999)	222,733,171
Total	276,048,311	(41,169,141)	(12,145,999)	222,733,171

On 31 December 2018 and 2017, the amounts relating to borrowings are in the following currencies:

FY 2018	FINANCIAL INSTITUTIONS	OTHER BORROWINGS	TOTAL
Euro	196,544,876	846,181	197,391,056
New Leu	8,318,044	-	8,318,044
Total	205,320,326	846,181	206,166,507

FY 2017	FINANCIAL INSTITUTIONS	OTHER BORROWINGS	TOTAL
Euro	207,931,656	924,871	208,856,528
New Leu	10,446,248	-	10,446,248
US dollar	3,430,395	-	3,430,395
Total	221,808,299	924,871	222,733,171

The average interest rates supported on loans are the following:

FY 2018	AVERAGE RATES	RANGE OF INTEREST RATES (%)
Financial institutions borrowings:		
Bank loans	2.27%	[1.26% a 7.06%]
Bank overdrafts	3.60%	[3.60%]
Authorized overdrafts	21.09%	[21.09%]
Other borrowings:		
Other borrowings	0.00%	n.a.

FY 2017	AVERAGE RATES	RANGE OF INTEREST RATES (%)
Financial institutions borrowings:		
Bank loans	1.74%	[1.00% a 23.50%]
Bank overdrafts	3.60%	[3.60%]
Authorized overdrafts	5.15%	[5.00% a 5.85%]
Other borrowings:		
Other borrowings	0.33%	[0.00% a 4.00%]

The interest rates supported on bank loans, by country, are the following:

COUNTRY	INDEX	SPREAD
Angola	Luibor	[4.00]
Spain	Euribor	[3.50]
Portugal	Euribor	[1.50 a 3.00]
Romania	Robor	[2.50 a 3.75]

Martifer's debt is mainly subject to variable interest rates, with a total number of loans contracted at a variable rate exceeding 99%. In 2018 the interest rates maintained in negative terrain in the Euro area, which according to information recently published by the European Central Bank, despite the future expectation in the rise in interest rates as a result of economic recovery, they should remain at low levels until the year 2021. In what concerns the funding margin applied by financial institutions (*spread*), this remained at low levels in accordance with the debt restructuring agreements in force that completed their third year of implementation.

On 31 December 2018, the main bank loans obtained by the Group are as follows:

COMPANY	CONTRACT CURRENCY	VALUE (EUROS)	DUE DATE	GRACE PERIOD OF CAPITAL	INSTALMENT PAYMENTS	FIRST INSTALMENT AMOUNT	LAST INSTALMENT AMOUNT
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	2,150,000	31-03-2025	4 Months + 4 Years	Quarterly	32,673	587,887
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	1,500,000	31-03-2025	4 Months + 4 Years	Quarterly	22,795	410,139
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	6,500,000	31-03-2025	1 + 4 Years	Quarterly	325,000	969,510
Martifer Metallic Constructions SGPS, S.A. [PT]	EUR	20,000,000	31-03-2025	2 + 4 Years	Quarterly	1,250,000	7,584,363
Martifer Metallic Constructions SGPS, S.A. [PT]	EUR	5,250,000	31-03-2025	1,5 + 4 Years	Quarterly	76,924	1,016,312
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	1,368,924	15-08-2025	3 Years + 5 Years	Quarterly	206,944	264,351
Martifer SGPS, S.A. [PT]	EUR	2,004,640	31-12-2020	-	Quarterly	-	2,004,640
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	5,000,000	31-03-2025	1 Quarterly + 4 Years	Quarterly	12,522	2,329,169
Martifer SGPS, S.A. [PT]	EUR	8,157,687	31-12-2020	-	Quarterly	58,544	8,157,687
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	2,500,000	31-03-2025	2 Years + 3 Years	Quarterly	5,682	1,056,919
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	851,052	31-03-2025	5 Years	Quarterly	2,128	395,739
Martifer SGPS, S.A. [PT]	EUR	52,338,576	31-12-2020	-	Quarterly	1,485,640	51,553,268
Martifer SGPS, S.A. [PT]	EUR	21,219,275	31-12-2020	-	Quarterly	-	21,219,275
Martifer Metallic Constructions SGPS, S.A. [PT]	EUR	14,000,000	31-03-2025	5 Years	Quarterly	34,127	6,347,685
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	2,500,000	31-03-2025	4 Years	Quarterly	6,277	1,167,433
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	2,600,000	31-03-2025	4 Years	Quarterly	6,504	1,209,710
Martifer Metallic Constructions SGPS, S.A. [PT]	EUR	29,347,440	31-12-2019	-	Quarterly	1,100,529	1,974,768
Martifer Metallic Constructions SGPS, S.A. [PT]	EUR	59,922	31-03-2025	3 Years	Quarterly	150	27,864
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	113,172	31-03-2025	3 Years	Quarterly	283	52,625
Navalria – Docas, Construções e Reparações Navais, S.A. [PT]	EUR	513,233	31-03-2025	3 Years	Quarterly	1,283	238,653
Martifer SGPS, S.A. [PT]	EUR	5,164,782	31-12-2020	-	Quarterly	38,438	1,531,172
Promoquatro – Investimentos Imobiliários, Lda. [PT]	EUR	2,035,204	31-03-2025	4 Years	Quarterly	5,088	946,370
Martifer Metallic Constructions SGPS, S.A. [PT]	EUR	3,048,379	31-03-2025	4 Years	Quarterly	7,621	1,417,496
Navalria – Docas, Construções e Reparações Navais, S.A. [PT]	EUR	254,032	31-03-2025	4 Years	Quarterly	635	118,125
Navalria – Docas, Construções e Reparações Navais, S.A. [PT]	EUR	1,624,246	31-03-2025	4 Years	Quarterly	4,061	755,274
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	310,155	31-03-2025	4 Years	Quarterly	775	144,222
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	1,016,422	31-03-2025	4 Years	Quarterly	2,541	472,636
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	1,016,126	31-03-2025	4 Years	Quarterly	2,540	472,499
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	3,299,532	31-03-2025	4 Years	Quarterly	8,249	1,534,282
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	4,318,537	31-03-2025	4 Years	Quarterly	10,796	2,008,120
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	3,299,468	31-03-2025	4 Years	Quarterly	8,249	1,534,253
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	3,048,645	31-03-2025	4 Years	Quarterly	7,622	1,417,620
Martifer Metallic Constructions SGPS, S.A. [PT]	EUR	351,719	31-03-2025	4 Years	Quarterly	879	163,549
Martifer Renewables ETVE, S.A.U. [ES]	EUR	29,360,250	26-05-2027	2 Years	Quarterly	685,075	587,205

As regards the financing of Martifer SGPS, SA, and according to the Restructuring Agreement signed in 2015, the funding is paid at maturity, together with interest capitalised during the period of validity. This agreement also foresees the repayment of debt throughout the contract with the sale of non-core assets as set in the Strategic Plan of the Group.

In 2018, following the completion of the sale programme of non-core assets, Martifer SGPS, SA repaid the 9.7 million euro loan.

On 31 December 2018, the main *Project Finance* obtained by the Group is as follows:

COMPANY	CONTRACT CURRENCY	VALUE	CONTRACT DATE	GRACE PERIOD OF CAPITAL	INSTALMENT PAYMENTS	FIRST INSTALMENT AMOUNT	LAST INSTALMENT AMOUNT
Eviva Nalbant, srl_RO	RON	17,848,139	13-04-2011	2 Years + 1 Half	Half-yearly	1,486,750	921,982

This value is presented under the item 'Bank Loans'.

On 31 December 2018, the Group's sensitivity to changes in indexed interest rates can be analysed as follows:

	ESTIMATED IMPACT 2018
Change in financial results due to a 0.5 p.p. alteration of the interest rate applied to the entire debt	1,030,833
Fixed-rate hedging	4,231
Sensitivity of the financial results due to interest rate changes	1,026,602

For this financing, the guarantees identified in Note 40 were provided.

32. OBLIGATION UNDER FINANCIAL LEASES

The more significant lease contracts in force on 31 December 2018 are summarised as follows:

ASSET DESCRIPTION	PERIOD	CONTRACT AMOUNT	PURCHASE PERIOD	PURCHASE OPTION AMOUNT	GUARANTEES
Martifer equipment	210 months	6,000,000	End of contract	120,000	Blank promissory note
Martifer equipment	210 months	1,250,000	End of contract	22,500	Blank promissory note
Various pieces of equipment (stripping camera, cutting table, Calandra)	190 months	2,192,058	End of contract	43,841	Blank promissory note
Mobile metallic structure	210 months	8,850,000	End of contract	177,000	Blank promissory note
Mobile metallic structure	202 months	5,185,415	End of contract	323,786	Blank promissory note
Ford Mondeo Station Diesel	159 months	24,975	End of contract	500	Blank promissory note
Autonomous Fractions A, B, C, D, E, F, G, H, I, J, L, M e N do Centro Empresarial de Benavente	164 months	6,366,458	End of contract	2,234,287	Blank promissory note, and guarantee of MMC SGPS
Urban building	217 months	2,656,515	End of contract	53,130	Blank promissory note
Rural building	159 months	955,000	End of contract	21,100	Blank promissory note
Gebox Land - Vagos 2 parcels (articles n. 2874 e 2896)	159 months	47,284	End of contract	1,946	Promissory note guaranteed by Motofil and MT SGPS

On 31 December 2018 and 2017, the amount of rents and the current amount of rents associated with lease contracts is as follows:

	MINIMUM LEASE PAYMENTS		PRESENT VALUE OF MINIMUM LEASE PAYMENTS	
	FY 2018	FY 2017	FY 2018	FY 2017
No later than 1 year	268,454	158,142	114,992	-
Later than 1 year and not later than 5 years	6,041,098	4,733,067	5,141,017	3,846,690
Later than 5 years	7,829,317	9,492,633	7,620,444	9,029,763
	14,138,869	14,383,842	12,876,453	12,876,453
Future finance charges	(1,262,416)	(1,507,388)	-	-
Present value of minimum lease payments	12,876,453	12,876,453	12,876,453	12,876,453
Included in the financial statements as:				
Current borrowings	268,454	158,142	114,992	-
Non-current borrowings	12,607,999	12,718,311	12,761,461	12,876,453
	12,876,453	12,876,453	12,876,453	12,876,453

The value of the assets included in the financial lease agreement is presented in Note 19 - Tangible Fixed Assets.

In 2017, the current value of the rents up to 1 year is zero. Because the debt was restructured, it was agreed that the capital of these contracts will only be paid off in 2019.

Additionally, on 31 December 2018 and 2017, the value of the rents associated with operational lease contracts is as follows:

	FY 2018	FY 2017
No later than 1 year	183,996	138,391
Later than 1 year and not later than 5 years	349,901	50,207
	533,897	188,598

During the year ended on 31 December 2018 608,600 euros were recorded in the item 'External supplies and services' related to the rents of operating lease contracts.

33. TRADE PAYABLE AND OTHER PAYABLES

The information regarding payable and other payables for the periods ended on 31 December 2018 and 2017 may be analysed as follows:

	NON CURRENT		CURRENT	
	FY 2018	FY 2017	FY 2018	FY 2017
Trade payables	4,141,210	3,700,998	49,573,725	47,594,515
Other Creditors:				
Fixed assets suppliers	37,329	38,441	124,957	443,799
Related companies and other shareholders	-	7,843,944	825,366	275,435
Advanced payments received from customers	-	-	-	10,277,056
Other creditors	410,279	(12,966)	3,895,870	1,662,021
Other payables	447,608	7,869,419	4,846,193	12,658,311
Total	4,588,818	11,570,417	54,419,918	60,252,826

Following the adoption of IFRS 15, and as described in greater detail in Note 1.2., from 1 January 2018 on the Group started registering the advance payments of contracts previously recorded in 'Advance payments received from customers' in the item 'Contracts liabilities'.

The variation registered in the item 'non-current creditors' between 2017 and 2018 stems mainly from the variation observed in the balance of associates and other related entities and is a consequence of the acquisition of the entire share capital of the company under Polish law M-City Gliwice Sp. z o.o. in 2018 (in 2017 this company was 50% held and consolidated by the Equity method), which is now, for this reason, consolidated by the Full consolidation method.

The item 'Advance payments received from customers and on sales' in 2017 includes 9,007,611 euros related to construction contracts (Note 26).

On 31 December 2018 and 2017, the maturity of accounts payable in captions 'Trade payables' and 'Other payables' is as follows:

FY 2018	TOTAL	NOT DUE	PAST DUE			
			UNTIL 90 DAYS	90 TO 180 DAYS	180 TO 360 DAYS	MORE THAN 360 DAYS
Trade payables	53,714,935	36,344,885	8,994,171	1,111,249	1,317,380	5,947,250
Other payables	5,293,801	2,388,987	128,225	43,103	51,411	2,682,074
Total	59,008,736	38,733,872	9,122,396	1,154,353	1,368,792	8,629,324

FY 2017	TOTAL	NOT DUE	PAST DUE			
			UNTIL 90 DAYS	90 TO 180 DAYS	180 TO 360 DAYS	MORE THAN 360 DAYS
Trade payables	51,295,513	24,034,780	10,356,596	4,017,121	4,816,116	8,070,899
Other payables	20,527,730	19,926,153	-	558,443	42,909	224
Total	71,823,243	43,960,933	10,356,596	4,575,564	4,859,025	8,071,123

The average term of payment of purchases and services obtained by the Group is around 228 days reflecting a significant improvement compared to the previous year, in which the average term of payment was around 313 days.

Similar to what happens with trade receivable (Note 25), the retentions made to 'Trade payables' (4,075,617 euros in 2018 and 4,119,966 euros in 2017) are included in the item 'Trade payables', except those in which the bank guarantee is issued by the supplier and not by Martifer, these being considered as 'not overdue'.

From the 2017 period to the 2018 period, there is an about 5% increase in the total value of debts to current trade payables, as a result of the increase in the operational activity of the Group. It should be noted, however, that this increase results in an increase in not overdue debt since the Group's debt decreased by 36%.

The debt overdue for more than 180 days corresponds to amounts payable to suppliers with which the Group has regular commercial relations, and there are often limits contracted with these entities.

In addition to the financial liabilities referred to in this Note and in Notes 31 and 32 above, the Group has no other financial liabilities.

34. PROVISIONS

The information regarding provisions for the periods ended on 31 December 2018 and 2017 may be analysed as follows:

	FY 2018	FY 2017
Quality guarantees	1,742,849	1,632,764
Legal claims in progress	1,273,713	2,697,057
Onerous Contracts	1,216,969	1,317,769
Contractual obligations	4,506,693	8,548,018
Provisions arising from the use of the equity method	9,767,594	16,374,830
	18,507,817	30,570,438

The movement occurred in the item 'Provisions' in the periods ended on 31 December 2018 is as follows:

	OPENING BALANCE	ADDITIONS (Note 11)	DEDUCTIONS (Note 11)	APPLICATIONS	CHANGE OF CONSOLIDATION PERIMETER, EXCHANGE RATE DIFFERENCES, TRANSFERS	CLOSING BALANCE
Quality guarantees	1,632,764	112,960	-	(2,074,050)	2,071,175	1,742,849
Legal claims in progress	2,697,057	375,000	-	(1,905,115)	106,771	1,273,712
Onerous contracts (Note 11)	1,317,769	108,281	(208,056)	-	(1,025)	1,216,969
Contractual obligations (Note 11)	8,548,018	162,253	(1,820,800)	(748,998)	(1,633,781)	4,506,693
Provisions arising from the use of the equity method	30,570,438	-	-	-	(6,607,237)	9,767,594
	30,570,438	758,494	(2,028,855)	(4,728,163)	(6,064,097)	18,507,817

The financial investments which are registered by the Equity method and for which provisions were constituted on 31 December 2018 and 2017 are as follows:

	% CAPITAL HELD	EQUITY	NET PROFIT	FY 2018
	FY 2018	FY 2018	FY 2018	
Martimetal, SPA	49.00%	(3,187,965)	(3,137,814)	(1,562,103)
Martifer-Visabeira, S.A. ¹⁾	50.00%	(2,902,627)	(937,338)	(288,071)
Duelobrigatório, S.A.	55.00%	(14,395,309)	(1,704,881)	(7,917,420)
				(9,767,594)

¹⁾ This company has impairment on supplementary capital of 1,163,243 euros (Note 21), adding to the 288,071 euros of provisions which is above, equals 1,451,314 euros which correspond to the 50% responsibility which has to be undertaken by Martifer.

	% CAPITAL HELD	EQUITY	NET PROFIT	FY 2017
	FY 2017	FY 2017	FY 2017	
Liszki Green Park, Sp. Zo.o	45.00%	(8,685,250)	(6,046,380)	(3,908,362)
M City Gliwice Sp. Zo.o	50.00%	(6,503,875)	(28,134)	(3,251,937)
Promoquatro – Investimentos Imobiliários, Lda	50.00%	(961,952)	(377,799)	(480,976)
Amal, S.A. (Moçambique)	50.00%	(1,164,787)	(282,153)	(582,393)
Duelobrigatório, S.A.	55.00%	(14,820,293)	(12,528,754)	(8,151,161)
				(16,374,830)

The movement occurred in these provisions in the periods ended on 31 December 2018 and 2017 is as follows:

	FY 2018	FY 2017
Opening balance	(16,374,830)	(9,251,631)
Settlement of Parque Eólico da Penha da Gardunha, Lda	-	385,578
Settlement of Amal S.A.	400,618	-
Change in consolidation method of Promoquatro – Investimentos Imobiliários, Lda	546,917	-
Change in consolidation method of Liski Green Park Z.o.o.	3,871,644	-
Change in consolidation method of M City Gliwice Sp. Zo.o	3,309,056	-
Application of the equity method:		
- From performance in results ²⁾	(2,664,006)	(1,016,425)
- Other equity changes	1,143,008	(6,474,665)
Other changes	-	(17,687)
Closing balance	(9,767,594)	(16,374,830)

The impact in the result of the application of the Equity Method is different from what is recorded in Note 13, due to the fact that part of the result has been affected to the increase/ decrease of financial investments (Note 21).

On 31 December 2018 and 2017, the summarised information on the significant financial investments in associate companies and joint arrangements with negative equity, extracted from their individual financial statements, is as follows:

FY 2018	Martimetal, SPA	Martifer -Visabeira, S.A. (Moçambique)	Duelobrigatório, S.A.
% Capital Held	49.0%	50.0%	55.0%
Non-current Assets	11,366,235	8,393,967	6,159,186
Cash and Cash equivalents	659,558	1,313,597	86,351
Other current assets	8,709,779	639,168	(4,447,008)
Non-current Liabilities	11,917,853	3,598,774	7,021,116
Current Liabilities	12,005,684	6,258,318	172,724
Equity	(3,187,965)	489,640	(5,395,309)
Total supplementary capital	-	3,392,268	9,000,000
Equity without supplementary capital	(3,187,965)	(2,902,627)	(14,395,309)
Supplementary capital from Group	-	1,163,243	4,950,000
Supplementary capital from Group Impairments	-	(1,163,243)	(4,950,000)
Sales and Services Rendered	8,475,280	2,712,600	-
Amortizations and Depreciations	1,278,281	393,496	-
Income Tax	-	24,812	-
Net Profit for the year	(3,137,814)	(614,126)	(1,704,881)

FY 2017	Martifer Amal, S.A. (Moçambique)	Amal, S.A. (Moçambique)	M City Gliwice Sp. Zo.o	Duelobrigatório, S.A.	Liszki Green Park, Sp. Zo.o	Promoquatro Lda
% Capital Held	35.0%	50.0%	50.0%	55.0%	45.0%	50.0%
Non-current Assets	8,821,034	297,327	7,846,851	-	1,612	-
Cash and Cash equivalents	30,048	2,700	130,208	1,036,384	80,692	45,456
Other current assets	891,020	-	12,735,693	283,917	5,237,447	1,719,271
Non-current Liabilities	3,119,507	1,464,814	26,535,452	6,947,567	13,017,643	2,248,269
Current Liabilities	6,997,159	-	681,174	193,027	987,358	478,409
Equity	(374,563)	(1,164,787)	(6,503,875)	(5,820,293)	(8,685,250)	(961,952)
Total supplementary capital	1,919,531	-	-	9,000,000	-	-
Equity without supplementary capital	(2,294,095)	(1,164,787)	(6,503,875)	(14,820,293)	(8,685,250)	(961,952)
Supplementary capital from Group	926,422	-	-	4,950,000	-	-
Supplementary capital from Group Impairments	(802,933)	-	-	(4,950,000)	-	-
Goodwill	5,220,556	-	150	-	564	21,147
Sales and Services Rendered	403,771	-	-	-	726	-
Amortizations and Depreciations	(66,191)	-	-	-	-	3,340
Income Tax	(940,511)	(282,153)	(28,134)	(12,528,754)	(6,046,380)	(377,799)

The provisions for quality guarantees are intended to deal with any quality problems in the projects carried out by the Group, which have, on average, a warranty period of 5 years. The provisions are constituted by a percentage of approximately 0.13% of the construction value, which corresponds to the historical costs incurred.

In 2017 there was an increase of 1.8 million euros in 'Legal claims in progress' resulting from the Alstom process, since the unfavourable ruling (to the Group) was made known on the arbitration proceedings that opposed Martifer Construções and the Walder Wyss lawyers; so, a provision was made in the amount to be paid, and it was used in 2018. In 2018, there was the recognition of 0.4 million euros referring to a provision in Martifer SGPS related with a legal claims in progress.

In the year 2018 and 2017, provisions for onerous contracts relate exclusively to the projects of the 'metallic constructions' segment in Portugal. The detail for each project can be analysed below:

	FY 2018	FY 2017
Pod peste raul Dombovia (Martifer Romania)	403,882	500,809
Pod peste soseaua Virtutii (Martifer Romania)	319,433	114,099
Others	493,654	702,861
	1,216,969	1,317,769

One of the main contributions for the increase of the item 'contractual obligations' in 2017 was the recognition of a provision of approximately 2.5 million euros, due to contractual contingencies associated with the sale of assets. In 2018, with the termination of the contract, 0.7 million euros was used, and 1.8 million euros was reverted.

In 2017, a provision of 1.5 million euros was constituted to deal with any expenses with the closure of Duelobrigatório and its subsidiaries. It was reverted in 2018 since the two subsidiaries have already been terminated, and the amount in the column transfers of 'Contractual obligations' is related mainly with this situation (Note 13).

The value of 'contractual obligations' on 31 December 2018 includes approximately 2.9 million euros of a provision constituted by the companies Eurocab 12 to 19, due to a dispute concerning the fulfilment of the requirements for the application of the tariff regime that regulates the activity of energy production in the special regime.

As referred to in Note 1, a provision for investments in associates whose equity is negative (based on the percentage of equity held) is constituted against Gains/ Losses in associate companies and joint arrangements (Note 21).

Given the unpredictability of the moment of reversal of provisions and given the nature for which they are intended, the Group did not financially update them.

35. CONTINGENT ASSETS AND LIABILITIES

On 31 December 2018, there were the following contingent liabilities:

- a) On 29 October 2009, Martifer Polska, in consortium with Ocekon Engineering sro (Slovakia) executed with the company Energomontaz - Poludnie S.A. an agreement for the project Baltic Arena Stadium, in Gdańsk, in Poland. The object was to manufacture, execute, deliver and mount the steel roof of the Stadium, in the amount of approximately 11.3 million euros. On 2 September 2010, Martifer received from Energomontaz a notice of immediate termination of the contract, without any prior notice. The reason given for the termination of the contract was the delay in the execution of the works, which in Martifer's opinion is completely unfounded and ineffective. On 17 December 2010, Martifer filed an action in court against Energomontaz, requiring the payment of approximately 12.6 million Euros, an amount that includes interest, the capital cost involved and the cost of the total damage caused to Martifer by their lack of cooperation. This process was suspended due to insolvency proceedings of Energomontaz - Poludnie S.A..

On 17 January 2012, Energomontaz filed a lawsuit against Martifer and against Ocekon Engineering sro in the total amount of 5.7 million euros.

In April 2013 Martifer submitted a list of demands amounting to 16.9 million euros to the insolvency administrator. Martifer's credit was not recognised by the insolvency administrator, so Martifer does not appear in the list of creditors of the insolvent mass.

In March 2017, the Court deemed null the process against Ocekon Engineering sro, since it had been eliminated from the commercial register. The company Energomontaz meanwhile entered into bankruptcy proceedings.

On 13 June 2018, the lawsuit Energomontaz vs. Martifer, on a court settlement, the parties agreed that Martifer should pay Energomontaz 200,000 PLN. With this payment, within the context of the court settlement, the process came to an end. As part of the agreement, Martifer will withdraw the case against Energomontaz, ceasing all claims between the parties.

Group Martifer recognised in its financial statements the risk of losses related to accounts receivable, additional earnings from projects in progress and executed bank guarantee; so, it considers that the framework of this process is properly reflected in the financial statements.

The Group's expectation is that this process does not exceed the losses already recorded in its Financial Statements.

36. CURRENT TAX LIABILITIES / INCOME TAX LIABILITIES

On 31 December 2018 and 2017, the balance of the caption 'Current tax liabilities' is as follows:

	FY 2018	FY 2017
Income Tax (Note 14)	1,228,512	656,730
Value added tax	2,057,375	1,525,193
Social security contributions	925,885	682,761
Withholding tax	419,761	373,476
Other taxes	99,445	77,960
Current tax liabilities	3,502,466	2,659,390

37. CONTRACTS LIABILITIES

The information of contract liabilities by business segment with reference to 31 December 2018 can be analysed as follows:

	FY 2018		
	ADVANCES FROM CUSTOMERS	DEFERRED INCOME	TOTAL
Metallic Construction	14,408,904	3,211,098	17,620,002
Naval Industry	-	27,130,095	27,130,095
Total of Contracts Liabilities	14,408,904	30,341,193	44,750,097

Following the adoption of IFRS 15, and as described in greater detail in Note 1.2, from 1 January 2018 on the Group began to record the deferred income from contracts previously recorded in 'Other current liabilities' in the item 'Contract liabilities'. Also from 1 January 2018 on the Group started registering the advance payments of contracts previously recorded in 'Advances from customers' in the item 'Contract liabilities'.

The movement that occurred in the 2018 financial year on advances from customers can be analysed as follows:

	FY 2018
Balance at 1st January 2018	10,277,056
Revenue recognized in the year associated with liabilities recorded in previous years	(3,326,825)
Advances received in the year	7,681,816
Exchange differences, changes in perimeter and other	(223,142)
Balance at 31st December 2018	14,408,904

On 31 December 2018, the Group's major projects in progress that justify the balance of 'deferred income' in the item 'Contracts liabilities' are the following:

	FY 2018
Ocean Patrol Vessels (West Sea)	16,937,466
Polar Express (West Sea)	1,825,016
Douro Splendor (West Sea)	1,366,958
Amadouro(West Sea)	2,593,065
Aosa (West Sea)	2,435,708
FPM41 Building (Martifer Construções)	642,600
Kafd Parcel (Martifer Alumínios)	657,746
Effect of the restatement of the hyperinflationary economy in Angola (IAS 29)	130,554
Others	3,752,080
	30,341,193

38. OTHER NON-CURRENT/CURRENT LIABILITIES

NON-CURRENT

The information regarding other non-current liabilities for the periods ended on 31 December 2018 and 2017 is as follows:

	FY 2018	FY 2017
Deferred income		
Other deferred income	4,455,191	-
	4,455,191	-

The item 'Other deferred income' in 2018 results exclusively from the recognition of the deferred income with the allocation of Green Certificates in Eviva Nalbant S.R.L, whose sale only occurs in more than 365 days.

CURRENT

The information regarding other current liabilities for the periods ended on 31 December 2018 and 2017 is as follows:

	FY 2018	FY 2017
Accrued expenses		
Accrued Expenses - Work in progress	7,110,613	6,502,325
Holiday pay and bonuses	3,066,170	3,234,944
Interest borne but not yet overdue	686,770	871,430
Production performed by third parties not yet invoiced	23,071	59,280
Other accrued expenses	2,017,606	2,303,202
	12,904,230	12,971,181
Deferred income		
Production invoiced and not yet performed (related to construction contracts)	-	48,933,882
Subsidies / Government grants	224,669	306,292
Other deferred income	1,602,846	6,793,380
	1,827,515	56,033,554
	14,731,745	69,004,735

Following the adoption of IFRS 15, and as described in greater detail in Note 1.2, from 1 January 2018 on the Group began to record the deferred income of contracts previously recorded here in 'Other current liabilities' in the item 'Contracts liabilities'.

The 'Other accrued expenses' on 31 December 2018 correspond to supplies and external services rendered in 2018 and not yet invoiced.

The heading 'Other deferred income' in 2018, as in 2017, results primarily from the recognition of deferred income with the allocation of the Green Certificates in Eviva Nalbant S.R.L..

On 31 December 2017 the Group's major projects in progress that justify the balance of 'Production invoiced and not yet performed' are as follows:

	FY 2017
Ocean Patrol Vessels (West Sea)	21,904,885
Polar Express (West Sea)	13,769,284
Al Faisaliah Redevelopment Project (Martifer Arábia Saudita)	1,453,490
Douro Splendor (West Sea)	1,330,037
Draga Dragus (West Sea)	1,243,253
Emerald Radiance (West Sea)	1,154,475
Priority Serenity (West Sea)	723,392
FPM41 Building (Martifer Construções)	685,324
Kafd Parcel (Martifer Alumínios)	630,194
Viking Helgrim (West Sea)	606,569
Barge R (West Sea)	553,963
Priority Elegance (West Sea)	513,550
IMOB (Martifer Angola)	233,605
Zap Studios - Metallic Structure (Martifer Angola)	47,332
BATTERSEA 3320 (Martifer UK)	13,996
Effect of the restatement of the hyperinflationary economy in Angola (IAS 29)	316,061
Others	3,754,473
	48,933,882

The impact of the recognition of the Angolan companies as being a hyperinflationary economy in 2017 was 0.3 million euros (Note 1).

The heading 'Accrued expenses - Work in Progress' includes work executed and material supplied and incorporated in the manufacturing process but not yet invoiced by suppliers.

Thus, on 31 December 2018 and 2017, the major projects in progress of the Group that justify the balance 'Accrued expenses - Work in Progress' are as follows:

	FY 2018	FY 2017
East wing of Geneva Airport (Martifer Construções Sucursal Genebra)	1,552,905	-
Sodiba Factory (Martifer Construções)	1,405,170	1,439,954
Future Beer Factory (Martifer Angola)	654,489	601,353
Knots Porche Boufarik (Martifer Construções)	613,009	-
Viaduc HACHEF_ Marrocos (Martifer Construções)	611,932	608,450
Pavillon 6 - Porte de Versailles (Martifer França e Martifer Romania)	553,264	-
MMH - Unitized Curtain Wall (Martifer UK)	-	1,168,434
Others	1,719,843	2,684,134
	7,110,613	6,502,325

39. DERIVATIVES

The Group uses derivative financial instruments of interest rate in order to manage its exposure to movements in interest rates prevailing in its financing contracts, setting interest rates.

On 31 December 2018, there were no derivative contracts.

On 31 December 2017, the following derivative contracts were executed:

DERIVATIVE	COMPANY	COUNTERPART	NOCIONAL	TYPE	CLOSING DATE	FAIR VALUE
	Martifer Metallic Constructions SGPS SA	FC Stone	-	Regular margin calls	-	3,221
						3,221

40. COMMITMENTS

Financial guarantees

On 31 December 2018 and 2017, the guarantees provided by the Group to third parties, relating to bank guarantees and guarantee insurance, provided to project owners for which various Group companies are responsible, indicated by currency are as follows:

	FY 2018	FY 2017
Euro	35,239,623	30,909,630
New Leu	34,895	34,933
US dollar (*)	6,876,656	11,763,897
Moroccan Dirham	82,113	80,127
Pound Sterling	7,791,874	-
	50,025,161	42,788,586

(*) Bank guarantees for proper execution issued in Angola and Portugal, mainly to guarantee works in Saudi Arabia.

The detail per Group company is as follows:

	FY 2018	FY 2017
Martifer Construções Metalomecânicas SA	27,928,360	25,023,243
Martifer Metallic Constructions SGPS	12,267,586	4,534,935
Navalria	120,000	-
West Sea Lda	4,356,306	4,356,306
Martifer Construcciones Metálicas Espanha	-	502,088
Martifer Constructii	277,474	277,512
EUROCAB FV 1 SL	31,154	29,770
EUROCAB FV 8 SL	11,227	11,227
EUROCAB FV 9 SL	11,227	11,227
EUROCAB FV 10 SL	11,227	11,227
EUROCAB FV 11 SL	11,227	11,227
EUROCAB FV 12 SL	11,227	11,227
EUROCAB FV 17 SL	11,227	11,227
EUROCAB FV 18 SL	11,227	11,227
Martifer Construções SAS	50,000	-
Martifer Construções Metálicas Angola S.A.	4,915,690	7,986,140
	50,025,161	42,788,586

In relation to the bank guarantees issued to customers, there are guarantees of three distinct natures: advance payment, proper execution and tender:

- The advance payment guarantee aims to guarantee the value given by the Customer at the beginning of the project for the purchase of material. The advance amount is defined in the contract and will be settled by invoices, and the customer cancels the guarantee once the entire advance payment is deducted;

- The proper execution guarantees aim to ensure the fulfilment of the contract (execution deadlines, quality, etc.). The validity of this kind of guarantees is defined contractually, and the guarantee is canceled when the definitive reception of the project is carried out;
- The tender guarantees are issued as a guarantee that the company that presents itself for the tender will be able to execute the work in the future and to give the guarantee of proper execution that is necessary if the tender is awarded.

The amount of active bank guarantees on 31 December 2018 is 50 million euros, having increased 17% compared to the year 2017. The increase in activity in the 'Metallic Constructions' segment contributed to this increase, as well as the maintenance of guarantees in the 'Naval Industry' segment.

On 31 December 2018 and 2017, there are no commitments with documentary credits on import.

On 31 December 2018 and 2017, there are no active credit insurances.

Disbursements related to the commitments mentioned above are not expected.

Real Guarantees

On 31 December 2018 the real guarantees given by the Company may be summarised as follows:

COMPANY	GUARANTEE	ASSET VALUE	DEBT AMOUNT
Martifer Metallic Constructions SGPS	Share pledge of Martifer Construções SA 20 % (nr. shares 1,500,000)	6,143,328	16,310,458
Martifer Construções SA	5M€ Generic Mortgage of building Vale Tripeiro, lot 10 - I/J/K/L/M/N/O (Benavente)	2,578,498	5,008,967
Martifer Construções SA			3,299,468
Martifer Construções SA	1st degree mortgage of industrial building Cutting Unit (Monoblocos).	1,052,338	3,299,532
Navalria SA	1st degree mortgage of administrative building, 2nd degree mortgage of industrial building Tower's plant (article 1914)	5,263,861	1,624,246
Martifer SGPS			2,004,640
Martifer Construções SA	Mortgage of industrial building Martifer Construções (article 2079)	800,335	3,123,996
Martifer Construções SA			3,048,645
Martifer Construções SA			1,016,126
Promoquatro Lda	1st degree share pledge of 25% of Martifer Renewables SGPS (nr. Shares 25,000,000)	25,267,839	2,035,204
Martifer Energy Systems SGPS			3,048,379
Martifer Construções SA	Mortgage of Land and Warehouse in Albergaria	1,415,300	5,112,136
		1,415,300	13,540,935
Martifer SGPS	Generic Mortgage (7.5M€) of industrial building Towers' plant (article 1914).	7,060,378	
Martifer SGPS	1st degree share pledge of Martifer Renewables SGPS 65 % (nr. shares 65,000,000)	65,696,380	
Martifer SGPS	Mortgage of building in Oliveira de Frades (article P-2003) Unit OIF MTC	522,043	
Martifer SGPS	Pledge of 8 Wind Turbines Suzlon S88 - 2,1 MW Hub height 79m	8,863,862	82,461,402
	Martifer OF warehouse	31,779	
	Multipark Paços de Ferreira	361,646	
	Other Lands MGI	326,097	
Martifer SGPS	1st degree share pledge of Martifer Renewables SGPS (nr. shares 10,000,000)	10,107,135	
	Various Mercantil equipment pledge	169,864	513,233
	Equipment Mercantil pledge	38,958	113,172
Martifer Renovables ETVE, S.A.U.	1st degree share pledge of 100% shares of the following companies: Eurocab FV 1, S.L., Eurocab FV 2, S.L., Eurocab FV 3, S.L., Eurocab FV 4, S.L., Eurocab FV 5, S.L., Eurocab FV 6, S.L., Eurocab FV 7, S.L., Eurocab FV 8, S.L., Eurocab FV 9, S.L., Eurocab FV 10, S.L., Eurocab FV 11, S.L., Eurocab FV 12, S.L., Eurocab FV 13, S.L., Eurocab FV 14, S.L., Eurocab FV 15, S.L., Eurocab FV 16, S.L., Eurocab FV 17, S.L., Eurocab FV 18, S.L., Eurocab FV 19, S.L.,	3,870,864	23,194,598
	Share pledge of 50 % of Martifer Renovables ETVE shares	4,712,956	
MARTIFER Romania SRL	Mortgage of the factory	3,923,669	391,648

COMPANY	GUARANTEE	ASSET VALUE	DEBT AMOUNT
	Mortgage of farm land and all equipment/construction included in the project/farm	28,182,467	
EVIVA NALBANT	Share pledge of 100% of Eviva Nalbant shares	(8,088,848)	7,926,396
	Pledge over all movable assets (insurance, bank accounts, accounts receivable, intellectual property, etc.)	937,356	
		169,238,105	177,073,181

¹⁾ This company had negative Equity attributable to the Group on 31 December 2018

During the 2018 financial year, no additional real guarantees were constituted. The evolution registered results, from the alienation of some tangible fixed assets within the scope of the Strategic Plan for the disposal of non-core assets.

41. SUBSIDIES

The detail of the investment subsidies allocated to the Group with impact in the year ended on 31 December 2018 is as follows:

	INVESTMENT AMOUNT	SUBSIDIES GRANTED	DEFERRED INCOME (NOTE 38)	AMOUNT RECORDED IN INCOME STATEMENT (NOTE 5)
Buildings and other constructions	5,797,465	4,203,885	62,229	-
Basic equipment	7,832,920	2,373,768	162,440	81,623
Office equipment	89,387	89,387	-	-
Tools and utensils	61,233	53,023	-	-
Closing balance 31 December 2017	13,781,005	6,720,063	224,669	81,623

The detail of operating subsidies registered in the P&L Statement for the year ended on 31 December 2018, under the item 'other operating income/(expenses)' is as follows:

COMPANY	DESIGNATION	AMOUNT RECORDED IN INCOME STATEMENT (NOTE 5)
Martifer Construções	EOEP	2,815
West Sea	IEFP	9,712
		12,527

42. RELATED PARTY TRANSACTIONS

a) Balances and transactions

The Group's subsidiaries have relations between them that qualify as transactions with related parties. All of these transactions are carried out at market prices.

In the consolidation procedures, these transactions with Group companies are eliminated, since the consolidated financial statements present information from the holding and its subsidiaries as if it were a single company.

The balances and transactions with associates and joint ventures, as well as with other shareholders and companies related to them, reached the following amounts:

	COSTS		REVENUES		ACCOUNTS RECEIVABLE (NOTE 25)		ACCOUNTS PAYABLE (NOTE 33)	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Associate companies	-	8,202,161	475,153	23,430,371	7,127,370	23,209,789	17,641	8,129,748
Joint Ventures	-	8,433,736	106,498	5,842,023	145,709	698,316	1,710,790	235,518
Other related parties	627,296	193,754	6,676,171	5,519,365	8,007,628	2,708,459	1,831,752	246,208
	627,296	16,829,651	7,257,822	34,791,759	15,280,707	26,616,563	3,560,183	8,611,474

The 2017 values of 'Accounts Receivable' and 'Accounts Payable', both of 'Associates' and 'Joint ventures', were corrected given that a discrepancy was found in the amounts presented at that time.

In addition to the values mentioned in the tables presented above and below, there are no other transactions or balances held with related parties of the Group.

Accounts receivable and payable to related companies will be settled in cash and are not covered by guarantees. During the years ended on 31 December 2018 and 2017 no impairment losses were recorded on accounts receivable from related parties.

The line of "Other Entities" is essentially related to companies belonging to I'M SGPS, S.A. Group and Mota-Engil SGPS, S.A. Group, reference shareholders of Martifer Group, and the vast majority of the balances and transactions originate from contracts in the 'metallic constructions' segment.

The main companies included in the referred to item "Other related parties" (companies with balances and/or transactions in amounts over 10,000 euros) are the following:

OTHER RELATED PARTIES

Estialiving Residencia de Aveiro, S.A.

Estialiving Residencia de Viana S.A.

I'M SGPS, S.A.

Mota-Engil Angola, S.A.

Mota-Engil Engenharia e Construção Africa - Sucursal Camarões

Mota-Engil Engenharia e Construção Africa - Sucursal Angola

Mota-Engil Engenharia e Construção, S.A.

Severis, SGPS, S.A.

Estia, SGPS, S.A.

Black and Blue Investimentos, S.A.

Mota-Engil, SGPS, S.A.

Braseme - Investimentos e Consultoria, S.A.

b) Remuneration of the Board of Directors and other key managers

The remuneration granted to members of the Administration and other key managers of the Group during the years ended on 31 December 2018 and 2017 amounted to 871,518 euros and 1,007,046 euros, respectively.

These remunerations are determined by the Remuneration Committee, taking into account the individual performance and the evolution of this type of job market.

The remuneration attributed to the key management personnel, by remuneration category, can be summarised as follows (values in euro):

	FY 2018	FY 2017
Fixed remuneration	871,518	1,007,046
	871,518	1,007,046

In 2017 all remuneration that was not monthly was being considered as variable remuneration, such as is the case of insurance of individual capitalisation, paid quarterly, and the presence allowances of independent board members, however this concept of variable remuneration differed from that used in the Corporate Governance Report ("CGR") that considers variable remuneration any remuneration that is associated with indicators and objectives and which may or may not be paid to board members depending on the indicators or objectives to be achieved. To unify concepts, in 2018 the same concept of CGR was used, and the value shown concerning 2017 was corrected.

The remuneration policy applicable to Martifer's management and supervisory bodies, approved according to Law no. 28/2009, as well as the annual remuneration received by the members of the said bodies, in total and individually, is presented in the Corporate Governance Report.

In addition, the Martifer SGPS Board Members are:

- i. Carlos Manuel Marques Martins
- ii. Arnaldo José Nunes da Costa Figueiredo
- iii. Jorge Alberto Marques Martins
- iv. Pedro Miguel Rodrigues Duarte
- v. Pedro Nuno Cardoso Abreu Moreira
- vi. Maria Silvia da Fonseca Vasconcelos da Mota
- vii. Vítor Manuel Álvares Escária
- viii. Mariana França Gouveia

43. EFFECTS OF THE RESTATEMENT OF THE FINANCIAL STATEMENTS OF SUBSIDIARIES WHOSE FUNCTIONAL CURRENCY IS THE CURRENCY OF A HYPERINFLATIONARY ECONOMY

In 2017, Angola was considered a hyperinflationary economy, so the financial statements of subsidiaries of the Group that exercise activity in this country and whose functional currency is the Kwanza had to be restated in terms of the measuring unit current at the end of the reporting period by applying a general price index. In 2018 it was Argentina's turn to be considered a hyperinflationary economy, which resulted in the fact that companies that report in Argentine Pesos had to be adjusted to those effects.

The general price indices were calculated based on information on inflation provided by the National Bank of Angola and the Central Bank of the Argentine Republic, respectively.

The effect of the restatement in the consolidated statement of results for the financial year 2018 can be summarised as follows:

FY 2018	ANGOLA	ARGENTINA	TOTAL
Restatement of expenses and income	(643,251)	(63,314)	(706,565)
Monetary result	(37,430)	4,179	(33,251)
Impact on net income for the year	(680,681)	(59,135)	(739,816)

The effect of the restatement in the consolidated statement of financial position on 31 December 2018 can be summarised as follows:

FY 2018	ANGOLA	ARGENTINA	TOTAL
Intangible assets	844,631	2,416	847,047
Tangible fixed assets	6,336,272	56,351	6,392,623
Inventory	145,689	-	145,689
Deferrals	4,650	-	4,650
Impact on Assets	7,331,243	58,767	7,390,010
Reserves	5,617,256	115,150	5,732,405
Net income for the year	(680,681)	(59,135)	(739,816)
Impact on Equity	4,936,575	56,015	4,992,591
Deferred tax liabilities	2,115,675	2,752	2,118,427
Deferrals	278,992	-	278,992
Impact on Liabilities	2,394,668	2,752	2,397,419

On the other hand, the effects of the restatement in the consolidated statement of financial position on 31 December 2017 can be summarised as follows:

FY 2017	ANGOLA
Intangible assets	751,442
Tangible fixed assets	6,043,533
Inventory	149,295
Deferrals	5,174
Impact on Assets	6,949,445
Reserves	6,177,576
Net income for the year	(1,534,208)
Impact on Equity	4,643,370
Deferred tax liabilities	1,990,015
Deferrals	316,061
Impact on Liabilities	2,306,076

Since 2018 was the first year of application of IAS 29 in Argentina, it is necessary to disclose the effects of the restatement in the consolidated statement of financial position on 1 January 2018, which is the following:

01-01- 2018	ARGENTINA
Intangible assets	440
Tangible fixed assets	3,646
Impact on Assets	4,086
Reserves	3,940
Impact on Equity	3,940
Deferred tax liabilities	146
Impact on Liabilities	146

44. ANNEX TO THE CONSOLIDATED CASH FLOW STATEMENT

The receipt and payment of financial assets occurred in the periods ended on 31 December 2018 and 2017 may be analysed as follows:

	FY 2018	FY 2017
Cash Receivables:		
Sale of Cordillera Solar VIII S.A.	672,420	-
Receivable of Ancora Wind	20	-
Receivable of Parque Eólico Penha da Gardunha	1,925	-
Receivable of Martifer Solar Group	1,287,262	-
Sale of Martifer Slovakia S.R.O.	-	200,000
Sale of 9,091% da Muki Solar	-	2,500
Total of Receivables	1,961,627	202,500
Cash Payments:		
Acquisition of Cordillera Solar VIII S.A.	704,398	-
Acquisition of 50% from FW Warta Sp. Z.o.o.	600,000	-
Acquisition of 45% from Liszki Green ParK	10,647	-
Acquisition of 50% from M-City Gliwice	5,915	-
Acquisition of 50% from Promoquatro	2,500	-
Constitution of Eviva Energy Co S.A.S	-	3,244
Constitution of Los Rosales Generación de Energia SAS	-	2,877
Constitution of Eviva Energy AR S.A	-	4,924
Constitution of Palermo Generacion de Energia, S.A	-	4,924
Constitution of Recoleta Generación Energía S.A	-	4,658
Constitution of Puerto Madero Generación de Energía S.A	-	4,599
Acquisition of 50% from Amal Construções Metálicas Moçambique, S.A.	-	10,000
Total of Payments	1,323,460	35,225

The item 'Other receipts (payments) regarding to operating activities' is mainly justified by the receipt of dividends from the subsidiary Ventinveste in 2018, approximately 5.6 million euros. In 2017, it is mainly justified by the receipt of dividends of the participated company Ventinveste, in the amount of approximately 8.8 million euros as well as the receipt of medium/long-term intragroup loans from Ventinveste of approximately 22.8 million euros.

The assets and liabilities of subsidiaries in which occurred a gain/loss of control in 2018 are as follows:

€	Martifer Aluminium, SAS	Martifer GmbH	Ventania	Martifer Amal, S.A.	Eviva Hidro	Martifer MPC	M City Gliwice	Promoquatro	Liszki Green Park	Warta
ASSETS	48,687	991	172,463	8,105	(52,069)	2,916	20,112,167	1,530,204	5,158,564	1,065,765
Tangible Fixed Assets	-	-	-	-	-	-	-	-	1,239	878,890
Intangible Assets	-	-	-	-	-	2,916	7,254,477	-	-	-
NC Trade and other debtors	-	-	-	-	-	-	0	224,372	5,062,778	(0)
Inventory	3,438	-	167,127	4,881	(69,839)	-	12,846,361	1,298,525	26,736	181,234
C Trade and other debtors	-	-	-	-	-	-	-	-	1,507	1,313
Other current assets	45,248	991	5,336	3,225	17,771	-	11,329	7,307	66,305	4,328
Cash and Cash equivalents	103,025	7,401	-	230	111,275	-	26,730,278	2,624,039	13,762,217	1,209,615
LIABILITIES	-	-	-	-	-	-	-	2,025,028	-	403,543
NC Debt	-	-	-	-	56,775	-	26,561,669	113,065	12,836,890	583,251
NC Trade and other creditors	-	-	-	-	-	-	-	-	-	-
Deferred Tax Liabilities	-	-	-	-	-	-	-	10,176	-	-
C Debt	103,025	564	-	-	-	-	4,046	460,043	1,439	159,738
C Trade creditors	-	477	-	-	54,500	-	-	9,257	822,972	6
C Other creditors	-	-	-	230	-	-	-	820	2,414	241
Current tax liabilities	-	6,360	-	-	-	-	164,564	5,650	98,501	62,837

45. SUBSEQUENT EVENTS

No other facts that affect the released financial information have occurred since the reference date of the results up until the release of this report.

46. FINANCIAL INSTRUMENTS

The financial instruments, in accordance with accounting policy described in Note 1.4 vii) were classified as follows.

In 2018, the financial instruments areas follows, in accordance with IFRS 9:

€	FY 2018
FINANCIAL ASSETS	
Availabilities	
Cash and cash equivalents	33,414,830
	33,414,830
Debt Instruments and Accounts Receivable	
Non-current customers and other debtors	13,686,344
Current Customers and Other debtors	55,849,234
Prepayments	2,590,628
State and other public entities (without income tax)	11,375,953
	83,502,159
Financial assets at fair value through profit or loss	
Green Certificates non-current	4,455,163
Others non-current	130,580
Green Certificates current	1,602,874
Others current	61,596
	6,250,213
Carrying amount of financial assets	123,167,202

€	FY 2018
FINANCIAL LIABILITIES	
Financial liabilities at amortized cost	
Non-Current Loans	197,382,922
Non-current financial lease creditors	12,761,461
Non-current suppliers and creditors	4,588,818
Current Loans	8,783,585
Current Lending Lenders	114,992
Current Suppliers and Other creditors	54,419,918
State and other public entities (without income tax)	3,502,466
	281,554,162
Carrying amount of financial liabilities	281,554,162

In 2017, the financial instruments are the following, in accordance with the established in IAS 39:

€	FY 2017
FINANTIAL ASSETS	
Availabilities	
Cash and cash equivalents	46,346,599
	46,346,599
Loans and receivables	
Non-current customers and other debtors	24,559,968
Current Customers and Other debtors	86,926,501
Prepayments	5,429,583
State and other public entities (without income tax)	6,330,328
	123,246,380
Available-for-sale financial assets	
Non-Current Financial Application	5,935,139
Others	26,280
	5,961,419
Derivative Financial Instruments	
Derivatives	3,221
	3,221
Carrying amount of Financial Assets	175,557,619

€	FY 2017
FINANCIAL LIABILITIES	
Loans and accounts payable	
Non-Current Loans	204,906,931
Non-current financial lease creditors	12,876,453
Non-current suppliers and creditors	11,570,417
Current Loans	17,826,240
Current Suppliers and Other creditors	60,252,826
State and other public entities (without income tax)	2,659,390
	310,092,257
Carrying amount of financial liabilities	310,092,257

47. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 17 April 2019. In addition, the accompanying financial statements on 31 December 2018 are pending approval by the Board of the General Shareholders Meeting. However, the Group's Board of Directors believes that these will be approved without significant changes.

Oliveira de Frades, 17 April 2019

The Chief Accountant

Marlene Henriques Pereira

The Board of Directors

Carlos Manuel Marques Martins
(President)

Arnaldo José Nunes da Costa Figueiredo
(Vice-President)

Jorge Alberto Marques Martins (Vice President)

Pedro Miguel Rodrigues Duarte
(Member of the Board of Directors)

Pedro Nuno Cardoso Abreu Moreira
(Member of the Board of Directors)

Maria Sílvia da Fonseca Vasconcelos da Mota
(Member of the Board of Directors)

Vítor Manuel Álvares Escária
(Member of the Board of Directors)

Mariana França Gouveia
(Member of the Board of Directors)



**SEPARATE
FINANCIAL
INFORMATION**



**SEPARATE FINANCIAL
INFORMATION**

**SEPARATE
FINANCIAL
STATEMENTS**

13 | SEPARATE FINANCIAL STATEMENTS

SEPARATE FINANCIAL STATEMENTS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED ON 31 DECEMBER 2018 AND 2017

RUBRICS	NOTES	FY 2018	FY 2017
Sales and services rendered	2	1.010.058	839.186
Supplies and external services	3	(327.601)	(296.935)
Staff costs	4	(713.350)	(583.539)
Other incomes	6	64.951	169.109
Other expenses	6	(187.830)	(82.907)
		(153.773)	44.914
Amortization and depreciation costs	7 e 8	(186)	(867)
Provisions and impairment losses	5	(5.473.393)	6.158.183
		(5.627.352)	6.202.230
Interest and similar revenue	9	1.015.149	11.063.287
Interest and similar expenses	9	(2.777.680)	(2.229.171)
Earnings before taxes		(7.389.883)	15.036.346
Income tax	10	1.438.386	1.125.910
Net profit for the year		(5.951.497)	16.162.256
Other comprehensive income		-	-
Total comprehensive income for the period		(5.951.497)	16.162.256
Earnings per share / Total comprehensive per share			
Basic	11	(0,0609)	0,1653
Diluted	11	(0,0609)	0,1653

The accompanying notes are part of these financial statements.

SEPARATE STATEMENTS OF THE FINANCIAL POSITION ON 31 DECEMBER
 2018 AND 2017

RUBRICS	NOTES	FY 2018	FY 2017
ASSETS			
Non-current assets			
Tangible fixed assets	8	1.204	77
Investments in subsidiaries and associated companies	12	156.231.486	162.677.617
Group companies	13	-	52.500
Financial assets at fair value through profit or loss		2.541	-
Other financial assets		-	1.597
Deferred tax assets	10	4.229.079	2.065.066
		160.464.310	164.796.857
Current assets			
Trade receivables	14	295.653	482.137
Advances to trade creditors	14	61.583	64.672
State and other public entities	15	-	11.000
Income tax	10	-	597.281
Group companies	13	14.515.934	15.475.183
Other accounts receivable	14	962.810	1.926.719
Deferred expenses	16	1.108	93.240
Cash and cash equivalents	17	56.771	85.741
		15.893.858	18.735.973
TOTAL ASSETS		176.358.168	183.532.830
EQUITY			
Issued capital	18	50.000.000	50.000.000
Treasury stock	18	(2.868.519)	(2.868.519)
Legal reserves	18	8.575.019	7.766.906
Other reserves	18	2.868.519	2.868.519
Retained earnings	18	(13.245.226)	(28.599.368)
Net profit for the year	18	(5.951.497)	16.162.256
TOTAL EQUITY		39.378.296	45.329.794
LIABILITIES			
Non-current liabilities			
Provisions	19	3.342.420	4.374.178
Borrowings	20	84.466.041	92.263.205
		87.808.461	96.637.383
Current liabilities			
Trade payables	21	403.670	574.078
State and other public entities	15	85.412	72.775
Income tax	10	444.476	432.074
Group companies	13	47.888.105	40.166.973
Other accounts payable	21	349.748	319.753
		49.171.411	41.565.653
TOTAL LIABILITIES		138.979.872	138.203.036
TOTAL EQUITY AND LIABILITIES		176.358.168	183.532.830

The accompanying notes are part of these financial statements.

SEPARATE STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED ON 31 DECEMBER 2018 AND 2017

DESCRIPTION	NOTES	ISSUED CAPITAL	TREASURY STOCK	SHARE PREMIUMS	LEGAL RESERVES	OTHER RESERVES	RETAINED EARNINGS	NET PROFIT FOR THE YEAR	TOTAL EQUITY
BALANCE AT THE BEGINNING OF 2017		50.000.000	(2.868.519)	186.500.000	7.766.906	2.868.519	(183.444.176)	(31.655.192)	29.167.538
Appropriation of the profit of 2016		-	-	-	-	-	(31.655.192)	31.655.192	-
Other changes recognised in equity	18	-	-	(186.500.000)	-	-	186.500.000	-	-
Net profit for the year		-	-	-	-	-	-	16.162.256	16.162.256
Integral result		-	-	-	-	-	-	16.162.256	16.162.256
Other operations		-	-	-	-	-	-	-	-
BALANCE AT THE END OF 2017		50.000.000	(2.868.519)	-	7.766.906	2.868.519	(28.599.368)	16.162.256	45.329.794
BALANCE AT THE BEGINNING OF 2018		50.000.000	(2.868.519)	-	7.766.906	2.868.519	(28.599.368)	16.162.256	45.329.794
Appropriation of the profit of 2017		-	-	-	808.113	-	15.354.142	(16.162.256)	-
Other changes recognised in equity		-	-	-	-	-	-	-	-
Net profit for the year		-	-	-	-	-	-	(5.951.497)	(5.951.497)
Integral result		-	-	-	-	-	-	(5.951.497)	(5.951.497)
Other operations		-	-	-	-	-	-	-	-
BALANCE AT THE END OF 2018		50.000.000	(2.868.519)	-	8.575.019	2.868.519	(13.245.226)	(5.951.497)	39.378.296

To be read as accompanying notes to the financial statements.

**SEPARATE STATEMENTS OF THE CASH FLOWS FOR THE PERIODS ENDED
 ON 31 DECEMBER 2018 AND 2017**

RUBRICS	NOTES	FY 2018	FY 2017
OPERATING ACTIVITIES			
Receipts from customers		1.399.433	1.108.313
Payments to suppliers		(641.016)	(458.777)
Payments to employees		(583.172)	(572.094)
Cash generated from operations		175.244	77.442
Income tax paid/received		(26.025)	59.798
Other receipts/payments relating to operating activities	25	5.220.418	6.455.816
Net cash generated by operating activities (1)		5.369.637	6.593.056
INVESTING ACTIVITIES			
Payments arising from:			
Financial assets	25	(35.836.189)	(41.227.751)
Other assets		(502)	(606)
		(35.836.690)	(41.228.357)
Receipts arising from:			
Tangible fixed assets		-	50
Financial assets	25	37.618.893	53.489.542
Interest and similar income		276.960	514.290
Dividends		618.000	1.050.000
		38.513.853	55.053.882
Net cash generated by investing activities (2)		2.677.162	13.825.525
FINANCING ACTIVITIES			
Receipts arising from:			
Borrowings	25	36.179.114	33.013.559
		36.179.114	33.013.559
Payments arising from:			
Borrowings	25	(44.206.142)	(53.361.208)
Interest and similar costs		(48.297)	(83.398)
		(44.254.439)	(53.444.606)
Net cash generated by financing activities (3)		(8.075.325)	(20.431.047)
Net increase in cash and cash equivalents (1 + 2 + 3)		(28.976)	(12.916)
Effect of foreign exchange currencies		6	-
Cash and cash equivalents at the beginning of the year	17	85.741	98.657
Cash and cash equivalents at the end of the year	17	56.771	85.741

To be read as accompanying notes to the financial statements.

**SEPARATE FINANCIAL
INFORMATION**

**NOTES TO THE
SEPARATE
FINANCIAL
STATEMENTS**

14 | NOTES TO THE SEPARATE FINANCIAL STATEMENTS

INTRODUCTORY NOTE

Martifer SGPS, S.A. ("Company") is a limited company, with registered office at Zona Industrial, Apartado 17, Oliveira de Frades - Portugal, incorporated on 29 October 2004 and has as its main activity the management of held shareholdings and the rendering of support services to Group companies.

From June 2007 onwards, and following the successful Initial Public Offer (IPO), Martifer SGPS, S.A. started trading on the Portuguese Stock Exchange, Euronext Lisbon.

The Company is obliged, according to Article no. 4 of Regulation no. 1606/2002 of the European Parliament and Council of 19 July, to prepare its consolidated financial statements in conformity with the International Financial Reporting Standards (IFRS) as adopted by the European Union in terms of Article no. 3 of the mentioned regulation.

As allowed by Decree-Law no. 158/2009 of 13 July, the separate financial statements were prepared according to the International Financial Reporting Standards.

All the amounts presented in these notes are expressed in euro unless otherwise indicated.

1. PREPARATION BASIS AND ACCOUNTING POLICIES

1.1 PREPARATION BASIS

These accompanying consolidated financial statements relate to the separate financial statements of Martifer SGPS, S.A. and were prepared in accordance with the International Financial Reporting Standards ("IFRS"), as adopted by the European Union, in force at the beginning of the economic period started on 1 January 2018. These correspond to the International Financial Reporting Standards, issued by the International Accounting Standards Board ("IASB"), and to the interpretations issued by the IFRS Interpretations Committee or by the previous Standing Interpretations Committee ("SIC") that have been endorsed by the European Union.

The attached financial statements were prepared from the accounting records of the Company, under the assumption of continuity of operations and taking as a basis the historical cost.

The accounting policies and mensuration criteria adopted by the Company in the 2018 financial period are consistent with those applied in the financial statements of the previous financial period, presented for comparative purposes, except in respect of the standards and interpretations entering into force on or after 1 January 2018, the adoption of which has not had a significant impact on the Company's comprehensive income or financial position.

Effective amendments to standards as of 1 January 2018

	EFFECTIVE DATE
IFRS 15 - Revenue from contracts with customers	01-01-2018
Amendments to IFRS 15 – Revenue from contracts with customers	01-01-2018
IFRS 9 - Financial instruments	01-01-2018
IFRS 4 - Insurance contracts (applying IFRS 4 with IFRS 9)	01-01-2018
IFRS 2 – Share-Based Payments	01-01-2018
IAS 40 – Investment property	01-01-2018
Improvements in standards 2014 – 2016	01-01-2018

IFRS 15 (new) – 'Revenue from contracts with customers' This new standard applies only to contracts for the delivery of products or rendering of services to clients, and requires the entity to record revenue when the contractual obligation to deliver assets or render services is satisfied, in the amount that reflects the consideration to which the entity is entitled, as provided in the "five-step methodology".

Amendment to IFRS 15 – 'Revenue from contracts with customers' This amendment refers to the additional indications to be followed in determining the performance obligations of a contract, to the moment of recognition of revenue from an intellectual property license, to the review of the indicators for the classification of the principal versus agent relationship, and to the new regimes foreseen to simplify the transition.

The impacts of the implementation of IFRS 15 and the amendments to IFRS 15 are presented in Note 1.2.

IFRS 9 (new) – 'Financial instruments' IFRS 9 replaces the requirements of IAS 39 in (i) the classification and measurement of financial assets and liabilities; (ii) the recognition of impairment on receivables (through the expected loss model); and (iii) the requirements for the recognition and classification of hedge accounting.

The impacts caused by the implementation of IFRS 9 are presented in Note 1.2.

IFRS 4 – 'Insurance contracts' (application of IFRS 4 with IFRS 9) This amendment gives the entities that negotiate insurance contracts the option of recognising in Other Comprehensive Income, instead of in the Income Statement, the volatility that may result from the application of IFRS 9 before the new insurance contract standard is published.

In addition, a temporary exemption is granted to the application of IFRS 9 until 2021 to entities whose predominant activity is that of an insurance company. This exemption is optional and does not apply to consolidated financial statements that include an insurance entity. The adoption of this amendment is not applicable in the presented financial statements.

Amendment to IFRS 2, 'Classification and measurement of payment transactions based on shares'. This amendment clarifies the measurement basis for cash-settled share-based payment transactions and the accounting for changes to an equity-based payment plan that changes its classification from cash-settled to equity-settled. In addition, it introduces an exception to the principles of IFRS 2, which require that an action-based payment plan be treated as if it were fully equity-settled when the employer is required to withhold an amount from the employee and to pay that amount to the tax authority. The adoption of this amendment did not cause significant changes in the presented financial statements.

Amendment to IAS 40, 'Transfer of investment properties'. This amendment clarifies that assets can only be transferred to and from the investment property category when there is evidence of change in use. Only the change in management intent is not sufficient to effect the transfer. The adoption of this amendment is not applicable in the presented financial statements.

Annual improvements to IFRS 2014 - 2016: this cycle of improvements affects the following regulations: IFRS 1, 12 and IAS 28. The adoption of these improvements did not cause significant changes in the presented consolidated financial statements.

(New) standards (and amendments) which become effective on or after 1 January 2019, already endorsed by the EU:

	EFFECTIVE DATE
IFRS 16 - Leases	01-01-2019
Amendments to IFRS 9 – Financial instruments	01-01-2019

IAS 16 (new) - 'Leases' (to be applied for annual periods beginning on or after 1 January 2019). This new standard replaces IAS 17, with a significant impact on accounting by lessees who are now required to recognise a lease liability reflecting future lease payments and a "right of use" asset for all lease contracts, except for certain short-term and low-value asset leases. The definition of a lease has also been changed, based on the "right to control the use of an identified asset". As regards the transitional regime, the new standard can be applied retrospectively, or a modified retrospective approach can be followed.

Amendments to IFRS 9, 'Negative Offset Prepayment Elements' (effective for annual periods beginning on or after 1 January 2019). This amendment introduces the possibility of classifying financial assets with prepayment conditions with a negative offset at amortised cost, provided that specific requirements are verified, instead of being classified at fair value through profit or loss.

To this date, no significant impacts that result from the adoption of the standards, amendments and interpretations referred to above are expected.

In the particular case of the adoption of IFRS 16, using the modified retrospective approach with the initial cumulative effect recognised in results carried-over on 1 January 2019, and considering, on that date, the lease liabilities equal to the right of use, the provisionally estimated increase on the assets and liabilities on 1 January 2019 is null.

(New) standards (and amendments) that become effective on or after 1 January 2019, not yet endorsed by the EU:

	EFFECTIVE DATE
IAS 19 – Employee benefits	01-01-2019
IAS 28 – Investments in associates and joint ventures	01-01-2019
IFRS 3 – Business combinations	01-01-2020
IAS 1 – Presentation of financial statements; IAS 8 – Accounting policies, changes in accounting estimates and errors	01-01-2020
Annual improvements to IFRS 2015 – 2017	01-01-2019
Conceptual framework - Amendments to references to other IFRS	01-01-2020
IFRS 17 - Insurance contracts	01-01-2021

Amendment to IAS 19, 'Defined benefit plan changes, reductions and settlements' (to be applied in that fiscal year that starts on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. This amendment to IAS 19 requires that an entity: (i) uses updated assumptions to determine the current service cost and the net interest for the remaining period after the change, reduction or settlement of the plan; and (ii) recognises the result of the fiscal year as part of past service cost, or as a gain or loss in the settlement of any reduction in the excess of coverage, even though the excess of coverage has not been previously recognised due to the asset ceiling impact. The asset ceiling impact is always recorded in Other comprehensive income, and cannot be reused in the result of the fiscal year. Not applicable to the Company.

Amendment to IAS 28, 'Long-term investments in associates and joint ventures' (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. This amendment clarifies that the long-term investments in associates and joint ventures (components of an entity's investment in associates and joint ventures), which are not being measured using the equity method, are accounted for under IFRS 9. The long-term investments in associates and joint ventures are subject to the impairment of estimated losses approach, before being added for impairment testing to the overall investment in an associate or joint venture, when there are impairment indicators.

Amendment to IFRS 3, 'Definition of business' (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to the process of endorsement by the European Union. It is a revision of the definition of a business for accounting concentrations of business activities. The new definition requires that an acquisition includes an *input* and a substantial process that together generate *outputs*. *Outputs* are now defined as goods and services that are provided to clients that generate income from financial investments and other income, excluding returns in the form of cost reductions and other economic benefits for shareholders. Concentration testing is now allowed to determine if a transaction refers to the acquisition of an asset or a business.

Amendments to IAS 1 and IAS 8, 'Definition of material' (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to the process of endorsement by the European Union. It introduces a change to the concept of material. It includes clarifications regarding the reference to unclear information, corresponding to situations in which the effect is similar to omit or distort such information, in the overall context of financial statements, and also clarifications regarding the designation 'principal users of financial statements', these being defined as 'current and future investors, lenders and creditors' that depend on financial statements to obtain a significant part of the information that they need.

Improvements to 2015 - 2017 Standards (effective for annual periods beginning on or after 1 January 2019). This cycle of improvements is still subject to endorsement by the European Union. This cycle of improvements affects the following regulations: IAS 23, IAS 12, IFRS 3 and IFRS 11.

Conceptual structure, 'Changes in reference to other IFRS' (to be applied in fiscal years that start on or after 1 January 2020). These amendments are still subject to approval by the European Union. As a result of the publication of the new Structure, IASB introduced changes to the text of various standards and interpretations, such as: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32 in order to clarify the application of the new definitions of assets/liabilities and expense/income, in addition to some of the characteristics of financial information. These amendments are of retrospective application, except if impracticable.

IFRS 17 (new), 'Insurance Contracts' (valid for annual periods beginning on or after 1 January 2021). This standard is still subject to endorsement by the European Union. This standard replaces IFRS 4 and applies to all entities issuing insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. IFRS 17 is based on the current measurement of technical liabilities on each reporting date. The current measurement can be based on a complete "building block

approach" or "premium allocation approach". The recognition of the technical margin is different depending on whether it is positive or negative. IFRS 17 is of retrospective application. It does not apply to the Company.

The Management is analysing the impact, if any, on the financial statements.

Interpretations that become effective on the date stated below:

	EFFECTIVE DATE
IFRIC 22 – Foreign currency transactions and advance consideration	01-01-2018
IFRIC 23 – Uncertainty over Income tax treatments	01-01-2019

IFRIC 22 (new), 'Foreign currency transactions and advance consideration'. It is an interpretation to IAS 21 'The effects of changes in foreign exchange rates' and refers to the determination of the "transaction date" when an entity pays or receives in advance the consideration of contracts denominated in foreign currency. The "transaction date" determines that the exchange rate be used to convert the transactions in foreign currency. The adoption of this interpretation did not cause significant changes in the presented financial statements.

IFRIC 23 (new) 'Uncertainty over income tax treatment' (to be applied in fiscal years that begin on or after 1 January 2019). It is an interpretation to IAS 12 - 'Income Tax', referring to the requirements of measurement and recognition to be applied when there are uncertainties regarding the acceptance of a particular tax treatment by the Tax Authority concerning Income tax. In case of uncertainty regarding the position of the Tax Authority on a specific transaction, the entity shall make its best estimate and record the assets or liabilities due to tax for income in the light of IAS 12 and not IAS 37 - 'Provisions, contingent liabilities and contingent assets', based on the expected value or on the most probable value. The application of IFRIC 23 can be retrospective or retrospectively modified. No significant impacts are expected on the application of this interpretation on the financial statements.

In the preparation of the financial statements, in accordance with IAS/IFRS, the Company's Board of Directors adopted certain assumptions and estimates that can affect the reported assets and liabilities, as well as the profits and losses incurred in the reporting periods. All of the Board of Directors' estimates and assumptions were made taking into consideration the best knowledge available at the financial statements' approval date based on the information available at that time.

1.2 COMPARABILITY OF INFORMATION

The Company's financial statements on 31 December 2018 were prepared in accordance with accounting policies and calculation methods similar to those presented in the financial statements on 31 December 2017, except the effects resulting from the adoption of IFRS 9 and IFRS 15.

Concerning the new standards that became effective in the fiscal year started on 1 January 2018, the main comments on their adoption are presented below, as well as the impact caused by them in the attached financial statements.

a) Adoption of IFRS 9 - 'Financial Instruments'

IFRS 9 now defines new criteria for the classification, measurement and derecognition of financial instruments, also introducing changes to (i) the classification of financial assets; (ii) the calculation of impairment in financial assets; and (iii) the designation of coverage relations.

IFRS 9 introduces a new approach for the classification and measurement of financial assets, which now reflects the business model used in its management and the characteristics of the contractual cash flows. Thus, IFRS 9 established three new categories to classify financial assets: (i) measured at amortised cost; (ii) at fair value through other comprehensive income; and (iii) at fair value through results, and eliminated the categories: (i) loans and receivables; (ii) held to maturity; and (iii) held for sale provided for in IAS 39.

With the adoption of IFRS 9, the Company assessed which business models applied to their financial assets and the characteristics of the contractual cash flows on the date of the initial application of IFRS 9 (1 January 2018). On 31 December 2017, the financial assets recognised by the Company referred mainly to (i) Loans and receivables; and (ii) Financial assets held for sale.

From the analysis carried out, the result was that the financial assets included in the category Loans and receivables (items: trade receivables and other debtors) should be allocated to the category "hold to collect" and be measured at amortised cost. The reclassification of these assets had no impact on equity on 1 January 2018, since the implementation of the new criteria for the classification of IFRS 9 did not alter the asset measurement model before impairment losses, and the amortised cost continued to be applied.

Regarding other financial assets, they began to be recorded at fair value and allocated to the category "at fair value through the income statement." This reclassification did not cause any impact on the Company's equity.

As regards the remaining financial assets and liabilities, they remained at amortised cost.

In relation to impairments, the application of IFRS 9 requires the determination of impairment losses based on the expected credit losses approach, instead of the evaluation carried out on the basis of the losses incurred as provided in IAS 39, so the company chose the application of a historical matrix of uncollectability (simplified model) for the determination of the new impairment on their receivables (including those arising from the adoption of IFRS 15), recognising the estimate of impairment losses for the entire life cycle of credits.

Thus, in a first phase the actual incurred losses were calculated over a historical period considered statistically relevant, and it was concluded that they were not very significant, so potential impairment on credits that on 31 December 2017 and 2018 (in the case of 2017 invoicing) was overdue and not yet received were chosen to be considered. However, each of the credits in this situation was analysed, and the following were excluded:

- Credits with entities that are simultaneously suppliers and which also present values to be received
- Credits on Group companies, even if they do not consolidate according to the full consolidation method, and companies belonging to the reference shareholders

The analysis carried out, taking into account that the Company's operations are mostly with Group companies, has resulted in a matrix with estimated rates of intangible losses.

Finally, for the adoption of IFRS 9, the Company decided to use the powers provided for in the transitional regime of that standard, i.e., the retrospective application with the initial cumulative effect in retained earnings on 1 January 2018. As a result of what has been referred to in the previous paragraph, there has been no impact on retained earnings.

The impacts resulting from the adoption of IFRS 9 on the date of initial application (1 January 2018) can be analysed as follows:

€	BALANCES AT DECEMBER, 31 ST 2017	RECLASSIFICATIONS	BALANCES AT JANUARY, 1 ST 2018
ASSETS			
Non-current assets			
Tangible fixed assets	77	-	77
Investments in subsidiaries and associated companies	162.677.617	-	162.677.617
Group companies	52.500	-	52.500
Financial assets at fair value through profit or loss	-	1.597	1.597
Other financial assets	1.597	(1.597)	-
Deferred tax assets	2.065.066	-	2.065.066
	164.796.857	-	164.796.857
Current assets			
Trade receivables	482.137	-	482.137
Advances to suppliers	64.672	-	64.672
Current tax assets	11.000	-	11.000
Income tax	597.281	-	597.281
Group companies	15.475.183	-	15.475.183
Other debtors	1.926.719	-	1.926.719
Deferrals	93.240	-	93.240
Cash and cash equivalents	85.741	-	85.741
	18.735.973	-	18.735.973
Total assets	183.532.830	-	183.532.830
EQUITY			
Issued capital	50.000.000	-	50.000.000
Treasury stock	(2.868.519)	-	(2.868.519)
Legal reserves	7.766.906	-	7.766.906
Other reserves	2.868.519	-	2.868.519
Retained earnings	(28.599.368)	-	(28.599.368)
Profit for the year	16.162.256	-	16.162.256
Total equity	45.329.794	-	45.329.794
LIABILITIES			
Non-current liabilities			
Provisions	4.374.178	-	4.374.178
Loans obtained	92.263.205	-	92.263.205
	96.637.383	-	96.637.383
Current liabilities			
Trade payables	574.078	-	574.078
Current tax liabilities	72.775	-	72.775
Income tax	432.074	-	432.074
Group companies	40.166.973	-	40.166.973
Other payables	319.753	-	319.753
	41.565.653	-	41.565.653
Total liabilities	138.203.036	-	138.203.036
Total equity and liabilities	183.532.830	-	183.532.830

b) Adoption of IFRS 15 - 'Revenue from contracts with customers'

IFRS 15 ("Revenue from contracts with customers") entered into force on 1 January 2018 and replaced, among others, IAS 11 ("Construction Contracts") and IAS 18 ("Revenue"). The fundamental principle of this standard is that an entity should recognise the revenue for the transfer of goods and services promised to customers in an amount that reflects the consideration that the entity expects to receive in exchange for those goods and services.

Revenue should be recognised in accordance with the fundamental principle, and the "5-step approach" should be applied. The "5-step approach" includes the following:

- Identify the contract(s) with the client;
- Identify the performance obligations set out in the agreements;

- Determine the value of the transaction;
- Allocate the value of the transaction;
- Recognise revenue when (or as) the performance obligations are met.

For the application of this standard, the Company proceeded to the identification of the primary transactions that originate the registration of revenue, having also identified the following main sources of revenue:

a) Support and management services to subsidiaries

The main source of revenue of the Company consists in support and management services to its subsidiaries. This way, given that customers receive and consume at the same time the economic benefits arising from the performance of the Company as it develops its activity (support and management services), the Company's performance obligation is met over time, and the revenue is also recognised over time.

Finally, for the purposes of adoption of IFRS 15, the Company used the transitional regime of the standard, i.e., applied it retrospectively with the initial cumulative effect recognised in retained earnings on 1 January 2018, with the adoption of the following practical proceedings:

- Application only to contracts not completed on 1 January 2018; and
- No restatement of contracts modified before 1 January 2017.

As a result of the adoption of IFRS 15, the equity of the Company on 1 January 2018 did not suffer any change.

If the Company were to continue to apply IAS 18, on 31 December 2018 there would be no differences in the statements of financial position and results.

1.3 MAIN ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

The main accounting policies, judgements and estimates used in the preparation of the Company's financial statements, for the years presented, are as follows:

i) Financial investments

The equity holdings in Group and associates are registered at acquisition cost. An evaluation of the investments in subsidiaries and associated companies is made when there are signs that the asset may be impaired. In that case, the impairment losses that are shown to exist are registered as cost.

Subsidiaries are all entities (including special purpose entities) that the company controls, by being exposed to or being the holder of rights regarding the varying results generated by the entity through its relationship with this one, and have the ability to allocate these results due to the power it has over the entity.

Associates are entities on which the Company has a significant influence on the definition of the financial and operational policies.

ii) Tangible fixed assets

Tangible assets are recorded at their acquisition cost, net of depreciation and accumulated impairment losses.

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

Office equipment	3 to 5 years
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Maintenance and repair costs that neither increase the useful life nor create significant improvements in tangible fixed assets are recognised as costs in the year in which they are incurred.

iii) Financial assets and liabilities

The Company adopted IFRS 9 in the year 2018; however, no adjustment to the opening balance of the item "Retained earnings" occurred in the separate statement of financial position on 1 January 2018. Comparative information regarding the year 2017 was not restated and is submitted in accordance with IAS 39.

Accounting Policy adopted by the Company in 2018 for financial assets and liabilities (under IFRS 9)

Financial assets and liabilities are recognised in the Company's statement of financial position when this becomes part of the instrument's contractual provisions.

The financial assets and liabilities are initially measured at their fair value. The transaction costs directly attributable to the acquisition or the issue of financial assets and liabilities (which are not financial assets or liabilities measured at fair value through the income statement) are added to or deducted from the fair value of the financial asset or liability, as the case may be, in initial recognition.

The transaction costs directly attributable to the acquisition of assets or liabilities are recognised at fair value through the income statement and are recognised immediately in the income statement.

iii.a) Financial assets

All purchases and sale of financial assets are recognised at the date of signing of the respective sale and purchase agreements, regardless of the date of their financial settlement.

All of the recognised financial assets are subsequently measured at amortised cost, or at their fair value, depending on the business model adopted by the Company and the characteristics of their contractual cash flows.

Classification of financial assets:

a) Debt instruments and accounts receivable

Debt instruments of fixed income and accounts receivable that comply with the following conditions are measured subsequently at amortised cost:

- (i) the financial asset is held taking into account a business model whose goal is to keep it to receive their contractual cash flows; and
- (ii) the contractual terms of the financial asset give rise, on specific dates, to cash flows that are solely payments of capital and interest on the amount of capital in debt.

The effective interest rate method is a method of calculating the amortised cost of a financial instrument and to allocate the respective interest during the period of its validity.

For financial assets that are not acquired or originated with impairment (i.e., impaired assets on initial recognition), the effective interest rate is the rate that discounts exactly the estimated future cash flows (including fees and commissions paid or received, which are an integral part of the effective interest rate, transaction costs and other premiums or discounts) during the expected life cycle of the instrument in its gross carrying amount on the date of its initial recognition.

The amortised cost of a financial asset is the amount by which it is measured in the initial recognition deducted from capital repayments, plus the accumulated amortisation, using the effective interest rate method, of any difference between that initial amount and the amount of its repayment, adjusted in any possible impairment losses.

The income associated to interest is recognised in the income statement in the heading 'income and financial gains', through the method of effective interest rate, for financial assets recorded subsequently at amortised cost or fair value through the income statement. The interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset.

The debt instruments and accounts receivable that comply with the following conditions are subsequently measured at fair value through Other comprehensive income:

- (i) the financial asset is held taking into account a business model whose objective foresees the receipt of its contractual cash flows and its divestiture; and
- (ii) the contractual terms of the financial asset give rise, on specific dates, to cash flows that are solely payments of capital and interest on the amount of capital in debt.

(b) Capital instruments designated at fair value through Other comprehensive income.

On initial recognition, the Company may make an irrevocable choice (financial instrument by financial instrument) to designate certain investments in equity instruments (shares) at fair value through Other comprehensive income.

The designation at fair value through other comprehensive income is not permitted if the investment is held for trading purposes or if it is the result of a contingent consideration recognised in the context of a concentration of business activities.

An equity instrument is held for trading, if:

- (i) it is purchased mainly with the purpose of alienation in the short term;
- (ii) on initial recognition, it is part of a portfolio of identified financial instruments that the Company administers in conjunction and in which there is evidence of a recent real pattern of obtaining profits in the short term; or if
- (iii) it is a derivative financial instrument (except if it is allocated to a hedging operation).

Investments in equity instruments recognised at fair value through Other comprehensive income are measured initially at their fair value plus transaction costs. Subsequently, they are measured at their fair value with gains and losses arising from their variation recognised in other comprehensive income. At the moment of their sale, the accumulated gain or loss generated with these financial instruments is not reclassified for the income statement, but transferred only to the item 'Reserves and retained earnings'.

The dividends associated with investments in equity instruments recognised at fair value through Other comprehensive income are recognised in the income statement at the moment they are assigned/ determined unless they clearly represent a recovery of part of the investment cost. Dividends are recorded in the income statement in the item 'Income and financial earnings'.

(c) Financial assets at fair value through results

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through Other comprehensive income are measured at fair value through the income statement.

Financial assets recorded at fair value through the income statement are measured at the fair value determined at the end of each reporting period, being the respective earnings or losses recognised in the income statement, except if they are part of a hedging relation.

Impairment of financial assets

The Company recognises expected impairment losses for debt instruments measured at amortised cost, as well as accounts receivable from customers and other debtors.

The amount of expected impairment losses for the financial assets mentioned above is updated at every reporting date to reflect changes in credit risk occurred since the initial recognition of the respective financial assets.

The Company recognises the expected impairment losses for credit granted for the entire life cycle of accounts receivable from customers and other debtors.

In what concerns balances receivable from associates, which are not considered part of the financial investment in those companies, the impairment of credit is assessed taking into account the following criteria: (i) if the balance receivable is payable on demand; (ii) if the balance receivable has low risk; (iii) if it has a term of less than 12 months.

In cases in which the balance receivable is payable on demand and the related party can pay, the probability of default was considered close to 0% and, therefore, the impairment is considered equal to zero. In cases in which the balance receivable is not payable on demand, the credit risk of the related company is assessed and if it is 'low' or if the term is less than 12 months, then the Company only assesses the probability of occurrence of a default for the cash flows that are due in the following 12 months.

For all other situations and natures of balances receivable, the Company applies the general impairment approach, assessing on each reporting date if there has been a significant increase in the credit risk since the date of the initial recognition of the asset. If there has not been an increase in the credit risk, the Company calculates an impairment corresponding to the amount equivalent to the expected losses in a period of 12 months. If there has been an increase in the credit risk, the Company calculates an impairment corresponding to the amount equivalent to the expected losses for all contractual cash flows until the maturity of the asset. The credit risk assessment is made according to the criteria published in the credit risk management policies contained in the Management Report.

Write-offs Policy

The Company shall write-off a financial asset when there is information that demonstrates that the debtor is in a very weak financial situation, particularly when it is in the process of liquidation or bankruptcy and when there is no realistic prospects of credit recovery. However, the written-off financial assets may still be subject to recovery procedures by the Company.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the asset's cash flows expire, or when it transfers the financial asset and substantially all the risks and benefits associated with its ownership to another entity. If it does not transfer or retain substantially all the risks and benefits associated with the ownership of a financial asset but continues to control it, the Company recognises its interest in the retained asset and an equivalent liability to the amount that it will have to return. If the Company retains substantially all the risks and benefits associated with the ownership of a transferred financial asset, then it continues to recognise it and additionally recognises a loan in the amount received in the meantime.

In the derecognition of a financial asset calculated at amortised cost, the difference between its carrying amount and the sum of the consideration received and receivable is recognised in the income statement.

iii.b) Financial liabilities and equity instruments

Classification as a financial liability or as an equity instrument

Financial liabilities and equity instruments are classified as liabilities or as equity according to the contractual substance of the transaction.

Equity

The Company classifies as equity instruments those whose contracts evidence a residual interest of the company in a set of assets after deducting a set of liabilities.

Equity instruments issued by the Company are recognised by the amount received, net of the costs directly attributable to their issue.

The repurchase of equity instruments issued by the Company (own shares) is accounted for by its acquisition cost as a deduction from equity. The gains or losses inherent to the alienation of own shares are registered under the item "Reserves and retained earnings".

Financial liabilities

After initial recognition, all financial liabilities are subsequently measured at amortised cost or fair value through the income statement.

The financial liabilities recorded at fair value through the income statement are measured at fair value with the respective gains or losses arising from their variation recognised in the income statement, except if they are affected to hedging transactions.

Financial liabilities measured subsequently to the amortised cost

The financial liabilities that are not designated for registration at fair value through the income statement are measured subsequently at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating the respective interest during the period of its validity.

The effective interest rate is the rate that discounts exactly the estimated future cash flows (including fees and commissions paid or received, which form an integral part of the effective interest rate, transaction costs and other premiums or discounts) during the expected life cycle of the financial liabilities in its carrying amount at the date of its initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the obligations of the Company are settled, cancelled or expired.

The difference between the derecognised carrying amount of the financial liabilities and the consideration paid or payable is recognised in the income statement.

When the Company changes a debt instrument with a certain creditor for another with substantially different terms, this change is accounted for as a cancellation of the original financial liability and the recognition of a new financial liability.

Similarly, the Company accounts for the substantial modifications in terms of an existing liability, or part of it, as a cancellation of the original financial liability and the recognition of a new financial liability. The terms are assumed to be substantially different if the present value discounted of the cash flows of the renegotiated financial liability, including any fees paid net of any commissions received, discounted using the original effective interest rate, is at least 10 per cent divergent of the present value of discounted cash flows remnant of the original financial liability.

If the modification is not substantial, the difference between (i) the carrying amount of the liability before the modification and (ii) the present value of future cash flows after the modification is recognised in the income statement as a gain or loss of the modification.

Accounting policy adopted by the Company until 31 December 2017 in relation to financial assets and liabilities (under IAS 39)

Financial assets and liabilities are recognised in the balance sheet when the Company is a contractual party of the instrument.

a) Financial instruments:

The Company classifies financial assets in the following categories: 'Financial assets at fair value through profit or loss', 'Borrowings and receivables', 'Held-to-maturity investments' and 'Available-for-sale financial assets'. The classification depends on the intention inherent to the investment's acquisition.

The classification is made at the initial recognition date:

- Financial assets at fair value through profit or loss: this category is divided into two sub-categories: 'financial assets classified as held for trading' and 'financial assets designated at fair value through profit or loss'. A financial asset is classified under this category, namely, if it is acquired with the purpose of being sold in the short term. Derivatives are also classified as instruments held for trading, except if designated as an effective hedging instrument. Financial instruments in this category are classified as current if they are held for trading or if it is expected that they are going to be realized within 12 months of the balance sheet date;
- Held-to-maturity investments: this category includes financial assets, non-derivative, with fixed or variable repayments with a fixed maturity, and the Board of Directors intends to hold to maturity;

- Available-for-sale financial assets: these include financial assets, non-derivative, that are designated as available-for-sale or those that are not and cannot be classified in the preceding categories. This category is included in the non-current assets unless the Board of Directors has the intention to sell the investment within 12 months of the balance sheet date.
- b) Borrowings and other receivables: This category includes non-derivative financial assets with fixed or variable repayments and with maturity set or within view. These financial assets arise when the Group provides money, goods or services directly to a debtor with no intention of negotiating the debt. 'Borrowings and receivables' are classified as current assets, except in case their maturity is greater than 12 months from the date of the statement of financial position, a situation in which they are classified as non-current assets. This type of financial assets is recorded in the separate statement of financial position under the item 'Trade receivables' and 'Other debtors'. They have no implicit interest and are recorded at their nominal value less any impairment losses recognised under 'Losses on accumulated impairment' to reflect their net realisable value.

b) Loans obtained

Borrowings are recorded as liabilities at the nominal value received, net of up-front fees and commissions relating the issuance of these instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the P&L statement on an accruals basis.

d) Suppliers and other payables

Accounts payable, which do not bear interest, are recorded at their nominal value which is substantially equivalent to their fair value.

e) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified based on the contractual substance of the transaction. The Company classifies as equity instruments those contracts that evidence a residual interest of the Group in a group of assets after deducting a group of liabilities.

iv) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in banks, term deposits and other treasury operations with a maturity under three months, readily convertible to a known amount of cash, and which are subject to insignificant value changes.

v) Accrual based accounting

Revenue and expenses are recorded in the period to which they relate, regardless of their date of payment or receipt. The captions of 'Other accounts receivable', 'Deferred expenses' and 'Other accounts payable' include expenses and income, as well as payments and receipts

vi) Revenue

The Company adopted IFRS 15 in the year 2018, and no impact on 'retained earnings' was caused in the financial position statement on 1 January 2018. Hence, the comparative information regarding the year 2017 was not restated and is submitted in accordance with IAS 18.

Accounting policy adopted by the Company in 2018 concerning the recognition of revenue (under IFRS 15)

Nature, performance bonds and moment of recognition of revenue

The main source of revenue of the Company is the support and management services rendered to its subsidiaries.

The revenue in the fiscal year 2018 began to be measured in accordance with the consideration specified in the contracts executed with customers and excludes any amount received on behalf of third parties. Thus, the Company recognises revenue when it transfers control over a particular good or service to the client. The revenue is recorded net of any assigned taxes, trade discounts and financial discounts.

In determining the value of the revenue, the Company evaluates for each transaction the performance obligations that it assumes before customers, the transaction price to assign to each performance obligation identified in the transaction and the existence of variable price conditions that can lead to future adjustments to the registered revenue amount, and for which the Company performs its best estimate.

Accounting policy adopted by the Company until 31 December 2017 concerning the recognition of revenue (under IAS 18)

Revenue is recorded at the fair value of the assets received or to be received, net of discounts and is recognised at the time that the economic benefits go to the entity to which the Company provides the service.

Dividends from investments are recognised when the Company's right to receive them has been established.

Interest revenue is accrued on a time basis, with reference to the principal outstanding and the effective interest rate applicable for the operations.

vii) Balances and transactions expressed in foreign currency

All the assets and liabilities expressed in foreign currencies are translated to the functional currency, using the official exchange rates at the reporting date. The exchange differences, favourable or unfavourable, originating from the differences between the exchange rates at the transaction dates and those used at the collection, payment or the balance sheet date are recognised at their gross amount as gains and losses in the income statement.

viii) Income Taxes

The Income tax charge for the period includes current and deferred tax, in accordance with IAS 12. Current tax is calculated based on the taxable profit, in accordance with the local tax laws applicable to the location where the Company has its registered office.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the calculation of taxable profit as well as in respect of some fiscal credits attributed to the Company, and it is accounted for using the balance sheet liability method.

Deferred tax assets and liabilities are calculated and annually evaluated using the tax rates in force, or announced to take effect, at the date of reversal of the temporary differences.

Deferred tax assets are only recognised to the extent that there is a reasonable probability that taxable profits will be available against which to offset them. At the date of each financial position statement, deferred tax assets are reviewed and derecognised whenever it is probable that they will no longer have a future use.

Deferred tax liabilities are recognised for all taxable temporary differences, except those related to: (i) the initial recognition of goodwill; or (ii) the initial recognition of assets and liabilities, which do not result from a concentration of business activities, and which at the date of the transaction do not affect the accounting or tax result. However, with regards to the temporary taxable differences associated with investments in subsidiaries and associates, these should not be recognised to the extent that: i) the parent company has the ability to control the period of the reversal of the temporary difference; and (ii) it is likely that the temporary difference does not reverse in the near future.

The amount of deferred tax resulting from transactions or events recognised in equity accounts is recorded directly under these same items, not affecting the income statement.

ix) Financial costs on loans

Borrowing costs incurred with borrowings are recorded in the income statement on the accrual basis.

x) Provisions

Provisions are recognised when, and only when, the Group has an existing obligation (legal or implicit) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the said obligation. The provisions are reviewed on the date of each financial position statement and are adjusted to reflect the best estimate at that date, taking into consideration all the risks and uncertainties inherent to such estimates. When a provision is determined using future cash flows estimated to settle the existing obligation, its carrying amount is the present value of those cash flows.

xi) Impairment of assets

The Company reviews the carrying amounts of its assets at each balance sheet date or whenever there is any indication (an event or alteration of circumstances) that these assets may have suffered an impairment loss. When the asset carrying amount is greater than its recoverable amount, an impairment loss is recognised and recorded in the caption 'Provisions and impairment losses'. The recoverable amount is the highest between the two: net sale price and value in use. The net selling price is the amount that would be obtained with the sale of the asset in a transaction within reach of the parties involved, less expenses directly attributable to the sale. Value in use is the present value of the estimated future cash flows that are expected to arise from the continued use of the asset and its disposal at the end of its useful life. The recoverable amount is estimated for each asset individually or, if it is not possible, for the cash-generating unit to which the asset belongs.

The reversal of impairment losses recorded in previous years is recognised when the underlying reasons that caused that entry are no longer applicable and, consequently, the asset is no longer impaired. The reversal of impairment losses is recognised in the income statement as an operational result. However, the reversal of an impairment loss is only recognised up to the limit amount that would be recorded (whether using the historical cost or the revalued amount, net of amortisation and depreciation), if the impairment loss had not been recorded in previous years.

xii) Employee benefits

Variable remuneration

According to the Articles of Association of some Group companies, the shareholders of these companies approve at a General Meeting or within a Remuneration Committee elected by the shareholders, when elected, the fixed and variable remuneration to be distributed to members of governing bodies. Variable remuneration is recorded in the period to which it relates.

xiii) Classification in the statement of financial position

Assets to be realised and liabilities to be settled 12 months after the financial reporting date are classified, respectively, as non-current assets and liabilities. Likewise, given their nature, 'Deferred tax' and 'Provisions' are classified as non-current assets and liabilities.

xiv) Contingent assets and liabilities

Contingent liabilities are not recorded in the financial statements. Instead, they are disclosed in the notes to the financial statements, unless the possibility of an outflow of funds affecting future economic benefits is remote.

Contingent assets are not recorded in the financial statements but are disclosed when future economic benefits are probable.

xv) Cash Flow Statement

The cash flow statement is prepared, using the direct method, in accordance with IAS 7.

The cash flow statement is classified by operating, investment and financing activities. Operating activities include cash receipts from customers, payments to suppliers, payments to employees and other relating to operating activities. The cash flows part of investing activities include, among other things, acquisitions and disposals of investments in subsidiaries and receipts and payments arising from the purchase and sale of tangible and intangible assets.

The cash flows covered in financing activities include, in particular, payments and receipts relating to loans obtained and payment of dividends.

xvi) Subsequent events

Events occurring after the balance sheet date that provide additional information about conditions existing at the balance sheet date (adjusting events) are recognised in the financial statements. Events occurring after the balance sheet date that provide information on conditions occurring after the balance sheet date (non-adjusting events), if material, are disclosed in the notes to the financial statements.

xvii) Judgements and estimates

In preparing the financial statements, the Board of Directors used its best knowledge and accumulated experience of past and current events in making certain assumptions as to future events.

The most significant accounting estimates reflected in the financial statements for the periods ended on 31 December 2018 and 2017 include:

- Impairment tests made to investments in subsidiaries and associates (Note 12). Investments in subsidiaries and associates are subject to annual impairment testing or whenever there is evidence of possible impairment. The recoverable value of the units that generate cash flows to which the investment is assigned are determined on the basis of the expected cash flows. These calculations require the use of estimates by the Board of Directors regarding the future evolution of the activity and the discount rates considered.
- Register of Provisions (Note 19). The Group analyses regularly any obligations arising from past events and that should be recognised or disclosed. The subjectivity inherent in the determination of the probability of the existence of this responsibility and of the number of internal resources necessary for the payment of obligations may lead to significant adjustments, either by varying the assumptions used or by the future recognition of provisions previously disclosed as contingent liabilities.
- Recognition of deferred tax assets arising from tax losses (Note 10). Deferred tax assets are recognised only when there is reasonable expectation that there will be future taxable profits available for the use of temporary differences, or when there are deferred tax liabilities whose reversal is expected in the same period in which the deferred tax assets are reversed. The evaluation of deferred tax assets is made by the management at the end of each financial year, taking into account the expected future tax performance. The estimates were determined based on the best information available at the time of the preparation of the financial statements. However, events may occur in subsequent periods that, not being predictable at the time, were not considered in these estimates.

Estimates used are based on the best information available during the preparation of the financial statements. However, events may occur in subsequent periods that, not being predictable at the time, were not considered in these estimates. Changes to these estimates that occur after the date of the financial statements will be adjusted in the income statement prospectively, in accordance with IAS 8.

xviii) Financial risk management

Uncertainty, which is a dominant feature of the markets, involves in itself a variety of risks to which the Company's activities are exposed, namely exchange rate risk, interest rate risk, liquidity risk and credit risk.

a) Exchange rate risk

Foreign exchange risk has a strong interdependence with the other types of risk, with reference to the risk of countries through the evolution of economies and their impact on inflation and interest rates and credit risk, due to the possibility of currency fluctuations which may jeopardise future financial flows, originating the possibility of recording losses or gains as a result of changes in exchange rates among different currencies.

In the operations with subsidiaries, the Company carries out transactions in Euro, not being subject to a significant exchange rate risk.

b) Interest rate risk

Interest rate risk reflects the possibility of fluctuations in the amount of future financial charges on loans contracted due to the evolution of the market interest rate level.

The cost of the financial debt contracted by the Company is indexed to short-term reference rates, reviewed on a period of less than one year (primarily Euribor 6m) and added risk premiums in a timely manner. Thus, variations in interest rates can affect the results.

The Company's exposure to interest rate risk comes from financial liabilities contracted in more than 99,6% of the cases at a variable rate, so changes to the interest rate level have a direct impact on the amount of interest; therefore, causing variations in the company's treasury.

During the year 2018, the reference interest rates in the Eurozone remained at very low levels in line with what has been occurring in the last years. With the recovery of the European economy, the expectation was created of a possible rise in interest rates in the Eurozone for the next few years. However, at the end of 2018, the world economy showed signs of deceleration that remained in

the first quarter of 2019, which together with the monetary policy of the European Central Bank give the perspective of maintaining the interest rates in negative terrain for the years 2019 and 2020.

Thus, in accordance with the projections of the European Central Bank published in March 2019 ('March 2018 ECB staff macroeconomic projections for the euro area'), the short-term interest rates shall remain negative until 2020, maintaining the levels near zero until 2021, contrary to the projections of early 2018 that pointed to a smooth rate growth from 2020 onwards.

The Company's exposure to interest rate risk is currently very limited, not only by the expected maintenance of reference interest rates at very low levels, but also as a consequence of the restructuring agreements signed with banks in 2015 which enabled the temporal stability of the spreads at very competitive levels.

c) Liquidity Risk

Liquidity risk reflects the Company and the Group's ability to meet its financial responsibilities with the available financial resources.

The main objective of the liquidity risk management policy is to ensure that the company has at its disposal, at any time, sufficient financial resources to meet its responsibilities and to pursue the strategies outlined, honouring all commitments made with third parties through of adequate management of the cost-maturity relationship of the financing.

Currently, the Company maintains the levels of adequacy of the maturity of the debt to the degree of permanence of its long-term assets, allowing the cash surpluses to be sufficient to comply with its responsibilities, as result of the implementation of the Strategic Plan of the Group which included the signing of the restructuring of the financial debt plan with banks in 2015.

Thus, given the nature of medium/long-term investments made, the debt service shall accompany the maturity of the associated assets, not jeopardising the commitment deriving from its short-term operational activity in pursuit of the objective of the Group to match the maturity of the inflows of the operational activity and of the investment/divestment to the outflows from the financing activity.

The short-term liabilities of the Company are in more than 95% with subsidiaries.

The financial management department monitors the implementation of the risk management policies defined by the Board to ensure that economic and financial risks are identified, measured and managed in accordance with such policies.

d) Credit risk

The global economic conditions or hardships that affect the economies at a local scale, national or international, may lead to the inability of the Company's Customers to meet their obligations, with possible negative effects on the results of the Company. It should be noted that in spite of the economic recovery which started in 2017, in Portugal and at global level, the grant of credit by Banks is still reasonably contained, particularly for companies that operate in sectors strongly affected by the previous crisis.

The Company is subject to credit risk related to the operational activity - Customers and Other Debtors. To the extent that the majority of its transactions are with subsidiaries, credit risk arises indirectly from the credit risk of those companies.

Aware of this reality, the Company and the Group seek to assess the credit risk of all their Customers as a rationale for the establishment of the credit to be granted, and the ultimate objective is to ensure the effective collection of credits within the established deadlines.

With this objective in mind, the Group uses financial information and credit assessment agencies and performs regular risk analysis and credit control, as well as collection and management processes in litigation; these are essential procedures to manage the credit activity and to minimise the occurrence of irrecoverable amounts.

The Company considers the likelihood of default with the initial recognition of the asset, and depending on the occurrence of significant increases in the credit risk continuously in each reporting period. To assess whether there was a substantial increase in credit risk, the Company compares the default risk occurring by reference to the date of report, with the default risk assessed by reference to the date of initial recognition.

The main amount to be received is by Martifer Metallic Constructions, a subsidiary Company, and the risk of uncollectability is scarce.

xiv) Capital management

Capital management is made to ensure the continuity and development of operational activities, and focus is given to the management of the financial debt and liquidity risk.

The objective of the Company regarding capital management is to maintain an optimal capital structure, through the prudent use of debt, seeking thereby to reduce its cost.

On 31 December 2018, the Equity of the Company is positive in 39.3 million euros.

In what regards indebtedness, it decreased significantly compared to the previous year (gross debt registered a reduction of 7.8 million euros).

On 31 December 2018, bank indebtedness represents 62% of the liabilities (67% in the year 2017).

2. SALES AND SERVICES RENDERED

The sales and services rendered for the periods ended on 31 December 2018 and 2017 refer mainly to management fees charged to Group companies:

RUBRICS	FY 2018	FY 2017
Sales	-	-
Services rendered - Note 24	1.010.058	839.186
	1.010.058	839.186

3. SUPPLIES AND EXTERNAL SERVICES

The breakdown of supplies and external services for the periods ended on 31 December 2018 and 2017 is as follows:

RUBRICS	FY 2018	FY 2017
Specialized works	207.453	198.641
Advertising	15.761	4.920
Service Fees	49.349	42.151
Maintenance and repairs	61	13
Tools and devices	170	-
Office material	217	116
Offers	471	-
Other materials	-	6
Fuel	70	98
Travel and accommodation	10.126	8.889
Leases and rents	3.210	-
Communications	2.170	2.642
Insurance	33.445	36.282
Legal and notarial fees	931	1.233
Representation expenses	2.476	1.891
Cleaning, health and safety	17	8
Others	1.673	45
	327.601	296.935

4. STAFF COSTS

Staff costs for the periods ended on 31 December 2018 and 2017 can be analysed as follows:

RUBRICS	FY 2018	FY 2017
Remuneration	608.589	493.825
Social charges		
Social contributions and others	96.677	82.741
Others	8.085	6.973
	713.350	583.539

During 2018 and 2017, the company's average number of personnel was as follows:

RUBRICS	FY 2018	FY 2017
Functional division		
Directors	3	3
Other employees	1	1
	4	4

5. PROVISIONS AND IMPAIRMENT LOSSES

Provisions and impairment loss for the periods ended on 31 December 2018 and 2017 are as follows:

RUBRICS	FY 2018	FY 2017
Impairment losses net of reversals in financial assets - Note 12	(6.446.131)	10.510.073
Provisions for financial investments – Note 19	1.347.738	(4.351.890)
Provisions for legal claims – Note 19	(375.000)	-
	(5.473.393)	6.158.183

At the end of 2018, impairment losses and reversals in financial assets were recorded in the amount of 7,294,468 Euros and 848,337 Euros respectively, following the impairment testing carried out on those assets. The recorded provisions are also related to financial investments and derive from subsidiaries whose equity is negative.

The increase in the impairment loss in the year is mainly due to the deterioration in the equity of its subsidiaries, due to losses arising from operational activities (Note 12).

In 2017, the sale of Nutre, SGPS, SA was terminated, namely in what regards the Company's liabilities under the agreement entered into in 2014, resulting in the use of the impairment loss on receivables amounting to 14,700,000 euros referring to Ceres Agriculture Holdings (the entity that acquired Nutre). For the Company, there is no longer any right or responsibility related to the sale agreement of Nutre, SGPS.

31 DECEMBER 2018	OPENING BALANCE	INCREASES	REVERSIONS	UTILIZATION	CLOSING BALANCE
Impairment losses in financial assets - Note 12	251.289.250	7.294.468	848.337	2.087.390	255.647.991
Provisions	4.374.178	375.000	1.347.738	59.019	3.342.420
	255.663.428	7.669.468	2.196.075	2.146.409	258.990.412

31 DECEMBER 2017	OPENING BALANCE	INCREASES	REVERSIONS	UTILIZATION	CLOSING BALANCE
Impairment losses in financial assets - Note 12	261.799.323	1.859.207	12.369.280	-	251.289.250
Impairment losses in receivables - Note 14	14.700.000	-	-	14.700.000	-
Provisions	22.288	4.351.890	-	-	4.374.178
	276.521.611	6.211.097	12.369.280	14.700.000	255.663.428

6. OTHER INCOMES AND EXPENSES

The operational results of the years ended on 31 December 2018 and 2017 can be analysed as follows:

RUBRICS	FY 2018	FY 2017
Social services	918	962
Others supplementary incomes	-	7.500
Foreign exchange gains	1.583	19.821
Sales of tangible fixed assets	81	41
Other incomes and gains	62.370	259
Refund of taxes	-	140.526
	64.951	169.109

RUBRICS	FY 2018	FY 2017
Legal expenses	136.357	-
Indirect taxes	-	45.000
Taxes	15.410	7.364
Corrections for previous periods	13.766	1.500
Contributions	12.590	12.590
Others non-specified	-	599
Foreign exchange losses	9.707	15.854
	187.830	82.907

7. INTANGIBLE ASSETS

The information on the gross values of intangible assets, with reference to the years ended on 31 December 2018 and 2017, can be analysed as follows:

	OPENING BALANCE	INCREASES	SALES AND WRITE-OFFS	TRANSFERS	CLOSING BALANCE
31 DECEMBER 2018					
Software and other rights	1.349	-	-	-	1.349
Other intangible assets	42.265	-	-	-	42.265
	43.614	-	-	-	43.614
31 DECEMBER 2017					
Software and other rights	1.349	-	-	-	1.349
Other intangible assets	42.265	-	-	-	42.265
	43.614	-	-	-	43.614

The information relating to the depreciation amounts and accumulated impairment losses of intangible assets, with reference to the years ended on 31 December 2018 and 2017, can be analysed as follows:

	OPENING BALANCE	INCREASES	SALES AND WRITE-OFFS	TRANSFERS	CLOSING BALANCE
31 DECEMBER 2018					
Software and other rights	1.349	-	-	-	1.349
Other intangible assets	42.265	-	-	-	42.265
	43.614	-	-	-	43.614
31 DECEMBER 2017					
Software and other rights	1.349	-	-	-	1.349
Other intangible assets	42.265	-	-	-	42.265
	43.614	-	-	-	43.614

The net value of intangible assets, with reference to the years ended on 31 December 2018 and 2017, is 0 Euro.

8. TANGIBLE FIXED ASSETS

Information on the gross values of administrative equipment for the years ended on 31 December 2018 and 2017 can be analysed as follows:

	OPENING BALANCE	INCREASES	SALES AND WRITE-OFFS	TRANSFERS	CLOSING BALANCE
31 DECEMBER 2018					
Office equipment	29.676	1.313	750	-	30.239
	29.676	1.313	750	-	30.239
31 DECEMBER 2017					
Office equipment	30.461	-	785	-	29.676
	30.461	-	785	-	29.676

The information on depreciation amounts and accumulated impairment losses of transportation and administrative equipment for the years ended in 2018 and 2017 can be analysed as follows:

	OPENING BALANCE	INCREASES	SALES AND WRITE-OFFS	TRANSFERS	CLOSING BALANCE
31 DECEMBER 2018					
Office equipment	29.599	186	750	-	29.035
	29.599	186	750	-	29.035
31 DECEMBER 2017					
Office equipment	29.517	867	785	-	29.599
	29.517	867	785	-	29.599

The net amount of fixed tangible assets for the years ended on 31 December 2018 and 2017 is 1.204 Euros and 77 Euros, respectively.

9. FINANCIAL RESULTS

The financial results for the periods ended on 31 December 2018 and 2017 may be analysed as follows:

RUBRICS	FY 2018	FY 2017
Interest and similar revenue		
Borrowings and accounts receivable (including bank deposits)		
Interest income	397.024	439.249
Financial assets disposals	20	306
Other financial income	105	5.909
Dividends obtained form other financial assets	618.000	1.050.000
Other incomes	-	9.567.823
	1.015.149	11.063.287

RUBRICS	FY 2018	FY 2017
Interest and similar expenses		
Borrowings and accounts payable		
Interest expenses in bank loans	2.694.780	2.209.167
Other financial expenses	82.900	20.004
	2.777.680	2.229.171

The item "Other similar income" of the year 2017 refers to an extraordinary gain obtained with a financial renegotiation agreement (debt amortisation with a discount).

The amount of other expenses and financial losses results mostly from the fees incurred in authorised overdrafts.

10. INCOME TAX

The breakdown of assets giving rise to deferred tax in the periods ended on 31 December 2018 and 2017 may be analysed as follows:

RUBRICS	FY 2018	FY 2017
Tax losses carried forward	4.229.079	2.027.137
Fair value of derivatives	-	37.929
Deferred tax assets	4.229.079	2.065.066

According to tax returns and estimates of corporate income tax, deferred tax assets related to tax losses in December 2018 and 2017, using for that purpose the tax rates at that date, were reported as follows:

	TAX LOSSES CARRIED FORWARD	DEFERRED TAX ASSET	TIME LIMIT
31 DECEMBER 2018			
Generated in 2014	20.138.472	4.229.079	2026
	20.138.472	4.229.079	
31 DECEMBER 2017			
Generated in 2014	9.009.498	2.027.137	2026
	9.009.498	2.027.137	

On 31 December 2018 there were reported tax losses, calculated in the companies taxed under the Special Regime for Taxation of Corporate Groups (RETGS) of which Martifer SGPS is the dominant company, before and during the application of RETGS, amounting to 72,178,642 Euros (87,952,630 Euros on 31 December 2017), whose potential deferred tax assets amount to 16,240,195 Euros (19,789,342 Euros on 31 December 2017). In a perspective of prudence, deferred tax assets were registered, related to tax losses in Portugal to be used in the future, only in the amount of 4,229,079.00 euros.

The breakdown of total reportable tax losses and potential tax credits, in Portugal, can be analysed as follows:

	FY 2018			FY 2017		
	TAX LOSSES CARRIED FORWARD	TAX CREDIT	TIME LIMIT	TAX LOSSES CARRIED FORWARD	TAX CREDIT	TIME LIMIT
Generated in 2013			2018	23.299.590	5.242.408	2018
Generated in 2014	28.860.620	6.493.639	2026	37.968.459	8.542.903	2026
Generated in 2015	5.094.387	1.146.237	2027	5.489.330	1.235.099	2027
Generated in 2016	21.237.388	4.778.412	2028	21.195.251	4.768.931	2028
Generated in 2017	16.986.247	3.821.906	2022	-	-	-
	72.178.642	16.240.195		87.952.630	19.789.342	

Concerning the above tax losses, the following should be noted:

- i. The tax losses generated in 2013 changed, compared to the reportable amount on 31 December 2017, in the overall amount of 6,448,405 euros, which is detailed as follows: corrections made by the Tax Authority, following an inspection to the company Martifer Alumínios in the amount of 2,191,130 euros, which was not contested by the Group; and deduction of tax losses in the amount of 4,257,275 euros to occur in 2018.

Given that the Group in 2018 presents an estimated taxable profit in the amount of 6,081,821 euros, a deduction of tax losses generated in the fiscal year 2013 is expected, amounting to 70% of the taxable profit calculated in 2018, totalling a deduction of 4,257,275 euros;

- ii. The tax losses generated in 2014 suffered a change, compared to the reportable amount on 31 December 2017, in the overall amount of 9,107,839 euros. This amendment arises from corrections made by the Tax Authority, following inspections to Martifer Construções and Martifer Alumínios in the amount of 7,749,386 euros and 1,358,453 euros, respectively, and these corrections were not contested by Martifer Group;
- iii. The tax losses recorded in 2015 suffered a change, compared to the reportable amount on 31 December 2017, amounting to 394,943 euros, which arises from the correction made by the Tax Authority, following an inspection to the company Gebox (incorporated in Martifer Construções in 2016), which was not contested by the Group.

The reconciliation of tax for the year and current tax can be analysed as follows:

RUBRICS	FY 2018	FY 2017
Current tax	(1.373.386)	(1.175.482)
Deferred taxes relating to the reversal of timing differences	-	-
Excess/Insufficiency of income tax estimate	(65.000)	49.572
Tax charge for the period	(65.000)	49.572
Effective tax rate	-	-
Income tax	1.438.386	1.125.910

On 31 December 2018 and 2017, the reconciliation between the normal and effective rate is as follows:

RUBRICS	FY 2018	FY 2017
Earnings before taxes	(7.389.883)	15.036.346
Income tax rate (nominal rate of 21%)	(1.551.875)	3.157.633
Elimination of economics double taxation of profits and distributed reserves	(129.780)	(220.500)
Impairment losses	1.086.134	(2.207.115)
Restitution of not deductible taxes and over taxation estimates	-	(29.511)
Restriction on deductibility of net financing expenses	273.080	-
Provisions not accepted	-	913.897
Others	3.831	4.302
Reversion of provisions	(15.471)	(3.087.000)
Tax benefits	(1.322)	(1.322)
Tax losses arising in this period in respect of which no deferred tax assets were recognised	332.535	1.469.616
Excess/ Insufficiency of income tax estimate	(65.000)	49.572
Autonomous taxation	869	378
Consolidated tax net effect	(1.371.388)	(1.175.860)
Effective income tax	(1.438.386)	(1.125.910)
Net profit for the year	(5.951.497)	16.162.256

In 2018, Martifer SGPS, S.A. is subject to corporate income tax (IRC) at the normal rate of 21%, increased by the municipal surcharge of up to 1.5% of the taxable profit.

Additionally, on the portion of taxable income exceeding 1,500,000.00 euros, subject to and not exempt from IRC, the following rates of state surcharge apply: 3% on the part over 1,500,000 euros and less than 7,500,000 euros; 5% on the part over 7,500,000 euros and up to 35,000,000 euros; and 7% on the part of taxable income that exceeds 35,000,000 euros.

In terms of article no. 88 of the Corporate Tax Code (IRC), the company is, additionally, subject to autonomous tax over a number of expenses, at the rates laid down in the said Code.

In the 2011 fiscal year, Martifer SGPS, SA chose to apply the Special Regime for the Taxation of Groups of Companies ("RETGS"), which includes Portuguese companies that hold, directly or indirectly, at least 75% of its capital and that comply simultaneously with the other conditions defined by that regime.

The companies that belong to the Special Regime of Taxation of Groups of Companies ("RETGS") are the following:

COMPANIES BELONGING TO RETGS

Cedilhas ao Vento S.A.
 Martifer - Construções Metalomecânicas S.A.
 Martifer Metallic Constructions SGPS S.A.
 Martifer Renewables S.A.
 Martifer Renewables SGPS S.A.
 Martifer SGPS S.A.
 Martifer Solar - SGPS S.A.
 Navalria - Docas Construções e Reparações Navais S.A.
 Sociedade de Madeiras do Vouga S.A.
 West Sea - Estaleiros Navais, Lda.

Under Portuguese law, Martifer SGPS, SA's tax returns are subject to review and correction by the tax authorities for a period of four years (five years for social security), except when tax losses have occurred, tax benefits have been granted, or inspections,

complaints or appeals are underway, in which case, depending on the circumstances, the time limits may be extended or suspended. Consequently, the tax declarations for the years 2015 through to 2018 may be subject to review.

The Board of Directors believes that any adjustments resulting from reviews/ inspections by the tax authorities will have no significant impact on the financial statements on 31 December 2018.

On 31 December 2018 and 2017 the detail of the Tax on the income of legal persons was the one indicated below:

RUBRICS	FY 2018	FY 2017
Income tax		
Special on account payment	497.983	500.845
Payments on account	99.036	33.189
Retentions	1.366	63.248
Group income tax estimate (RETGS)	(941.547)	(432.074)
Tax payable	(101.313)	-
	(444.476)	165.207

The amount of 101,313 euros referred to as tax payable relates to the year 2013 and is the result of corrections made by the Tax Authority which were claimed by the Company. From those corrections, whose effect is reflected in the reduction of reportable tax losses and the value of autonomous taxation, resulted the repayment of the referred to amount.

11. EARNINGS PER SHARE / TOTAL COMPREHENSIVE PER SHARE

Martifer SGPS has only issued ordinary shares, so there are no special dividends or voting rights.

Martifer SGPS, SA's share capital is represented by 100,000,000 ordinary shares, totally subscribed and paid-up, representing a share capital of 50,000,000.00 euros.

The weighted average number of shares in circulation is reduced in 2,215,910 shares, corresponding to own shares acquired by Martifer SGPS.

As of 31 December 2018 and 2017, there is no difference between the calculation of basic earnings per share and the calculation of diluted earnings per share, which can be demonstrated as follows:

RUBRICS	FY 2018	FY 2017
Net profit for the year (I)	(5.951.497)	16.162.256
Weighted average number of shares outstanding (II)	97.784.090	97.784.090
Basic and diluted earnings per share (I) / (II)	(0,0609)	0,1653

12. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATE COMPANIES

On 31 December 2018 and 2017, the breakdown of financial investments in subsidiaries and associates was as follows:

RUBRICS	% HELD	ACQUISITION VALUE	SUPPLEMENTARY CAPITAL	IMPAIRMENT LOSSES	TOTAL
31 DECEMBER 2018					
Duelobrigatório	55%	27.500	4.950.000	4.977.500	-
Martifer Metallic Constructions SGPS *	75%	12.273.756	123.089.899	79.254.085	56.109.570
Martifer Renewables SGPS *	100%	99.765.968	145.462.327	145.983.981	99.244.314
Martifer Romania SRL	98%	1.265	-	-	1.265
Martifer Solar SGPS	100%	26.280.763	-	25.432.426	848.337
Patris Investimentos SGPS	3%	25.000	-	-	25.000
Ventinveste	6%	3.000	-	-	3.000
		138.377.252	273.502.226	253.820.952	156.231.486
31 DECEMBER 2017					
Duelobrigatório	55%	27.500	4.950.000	4.977.500	-
Eviva Hidro	1%	47	2.006.564	2.006.611	-
Martifer Gmbh	100%	21.800	58.979	80.779	-
Martifer Metallic Constructions SGPS *	75%	12.273.756	123.089.899	72.396.959	62.966.696
Martifer Renewables SGPS *	100%	99.765.968	145.462.327	145.546.639	99.681.656
Martifer Romania SRL	98%	1.265	-	-	1.265
Martifer Solar SGPS	100%	26.280.763	-	26.280.763	-
Patris Investimentos SGPS	3%	25.000	-	-	25.000
Ventinveste	6%	3.000	-	-	3.000
		138.399.099	275.567.769	251.289.251	162.677.617

Provisions have been incorporated for the financial investments disclosed in Note 19.

The direct and indirect investment (via Martifer Renewables, SGPS) in Ventinveste is 48.5%.

The movement occurred under this heading, in the years ended on 31 December 2018 and 2017, is as follows:

	FY 2018	FY 2017
Opening balance	162.677.617	153.012.099
Dissolution MT GMBH	(21.847)	-
Supplementary capital	(2.065.543)	(844.554)
Impairment losses on financial investments	870.184	(2.040.694)
Impairment losses on supplementary capital	(5.228.925)	12.550.766
	156.231.486	162.677.617

In 2018 the companies Eviva Hidro and Martifer Gmbh were closed having generated a net gain of 73,672 euros due to reversal of provisions.

The equity and the net result of subsidiaries and associates is the following:

RUBRICS	EQUITY	NET PROFIT FOR THE YEAR
Martifer Renewables SGPS *	99.355.235	197.933
Martifer Metallic Constructions SGPS *	(32.627.388)	2.624.923
Ventinveste	10.000.457	2.629.249
Martifer Solar SGPS	848.337	1.888.662
Martifer Romania SRL	(2.331.661)	(2.647.010)
Duelobrigatório	(5.395.309)	(1.704.881)
	69.849.671	2.988.876

* Consolidated accounts

Financial investments are measured as to their recoverable value whenever there is evidence of impairment, and evidence is considered whenever the Equity of the subsidiaries (considering when consolidated Equity is applicable) is lower than their acquisition value. Based on this principle, indications of impairment have been identified in the holdings held in Martifer Metallic Constructions, SGPS, SA, in Martifer Renewables, SGPS, SA, in Martifer Solar, SGPS, SA and in Duelobrigatório, SA. The impairment tests carried out consider the following assumptions:

- For the participation in Martifer Metallic Constructions, SGPS, SA, it was considered appropriate to validate its recovery based on the value in use, in accordance with the discounted cash flow method, based on business plans made by the company managers and duly approved by the Group's Board of Directors and using discount rates that vary according to the risks inherent to the various businesses.
- On 31 December 2018, an impairment of 79,254,084 euros was calculated, which compares with the impairment calculated in the year 2017 of 72,396,959 euros, resulting in a reinforcement of the impairment in 6,857,126 euros. The methods and assumptions used to measure the existence or not of impairment for these financial assets were as follows:

	MARTIFER METALLIC CONSTRUCTIONS
Financial assets (values in thousand of euros)	56.110
Period used	5 years cash flows projection
Growth rate (g) (1)	2,00%
Average growth rate of turnover for 5 years (2)	2,92%
Discount rate (3)	6,41%

The impacts of a change (from a normal scenario) in the main assumptions used in the calculation of the recoverable value would have the impacts listed in the table below:

In thousand of €	WACC INCREASE IN 1.0 P.P.	WACC DECREASE IN 1.0 P.P.	VAR. TURNOVER +5.0 P.P. (1)	VAR. TURNOVER -5.0 P.P. (1)	INCREASE IN EBITDA / TURNOVER MARGIN IN 0.5 P.P. (2)	DECREASE IN EBITDA / TURNOVER MARGIN IN 0.5 P.P. (2)
Weighted Average Cost of Capital (WACC)	6,41%	7,41%	5,41%	6,41%	6,41%	6,41%
CAGR turnover [2018; 2023] (3)	2,9%	2,9%	2,9%	7,9%	-2,1%	2,9%
EBITDA / Turnover average margin [2018; 2023]	6,70%	6,70%	6,70%	6,70%	6,70%	7,2%
Net book value	56.110	56.110	56.110	56.110	56.110	56.110
Total recoverable amount	56.110	34.026	90.999	63.286	8.660	77.601
Estimated impact	-	(22.084)	34.889	7.177	(47.449)	21.491
Conclusions of the sensitivity analysis	Impairment	No impairment	No impairment	Impairment	No impairment	Impairment

(1) Growth rate used to extrapolate cash flows beyond the period considered in the business plan

(2) Estimated average growth rate based on the 5-year business plan of the company based on the estimates and assumptions of the Board of Directors based on its best knowledge at the date of approval of the Financial Statements

(3) Discount rate applied to projected cash flows

On 31 December 2017, an impairment loss of 72,396,959 euros was calculated, which compares with the impairment in the year 2016 of 77,403,565 euros, resulting in a reversal of an impairment of 5,006,606 euros. The methods and assumptions used to measure the existence or not of impairment for these financial assets were as follows:

MARTIFER METALLIC CONSTRUCTIONS	
Financial assets (values in thousand of euros)	62.967
Period used	5 years cash flows projection
Growth rate (g) (1)	2,00%
Average growth rate of turnover for 5 years (2)	6.15%
Discount rate (3)	6,50%

The impacts of a change (from a normal scenario) in the main assumptions used in the calculation of the recoverable value would have the impacts listed in the table below:

	MMC	WACC INCREASE IN 1.0 P.P.	WACC DECREASE IN 1.0 P.P.	VAR. TURNOVER +5.0 P.P. (1)	VAR. TURNOVER -5.0 P.P. (1)	INCREASE IN EBITDA / TURNOVER MARGIN IN 0.5 P.P. (2)	DECREASE IN EBITDA / TURNOVER MARGIN IN 0.5 P.P. (2)
Weighted Average Cost of Capital (WACC)	6,50%	7,50%	5,50%	6,50%	6,50%	6,50%	6,50%
CAGR turnover [2017; 2022] (3)	5,88%	5,88%	5,88%	10,88%	0,88%	5,88%	5,88%
EBITDA / Turnover average margin [2017; 2022]	5,75%	5,75%	5,75%	5,75%	5,75%	6,25%	5,25%
Net book value	62.967	62.967	62.967	62.967	62.967	62.967	62.967
Total recoverable amount	62.967	39.270	100.174	100.806	29.538	82.158	49.313
Estimated impact	-	(23.697)	37.208	37.840	(33.428)	19.192	(13.654)
Conclusions of the sensitivity analysis		Impairment	No impairment	No impairment	Impairment	No impairment	Impairment

(1) Growth rate used to extrapolate cash flows beyond the period considered in the business plan

(2) Estimated average growth rate based on the 5-year business plan of the company based on the estimates and assumptions of the Board of Directors based on its best knowledge at the date of approval of the Financial Statements

(3) Discount rate applied to projected cash flows

- For Martifer Renewables, SGPS, S.A., the value of consolidated Equity was considered as a valid indicator, resulting in the calculation of impairments of 145,983,981 euros. Compared with the impairments calculated in 2017, as a result of the impairment calculated in 2018, there was an impairment in the fiscal year of 437,342 euros. This principle was based on the fact that Martifer Renewables, SGPS, SA had a relatively low turnover in relation to the value of its assets, and included in its consolidated balance sheet, essentially, assets related to wind farms and solar projects under development and in respect of which, when applicable, assessments have already been made of their realizable values and the respective impairments have already been recorded, so the consolidated Equity already reflects these adjustments.
- For Duelobrigatório, SA and Martifer Solar, SGPS, SA the value of the individual Equity was considered as a valid indicator (both companies did not hold any financial interest in other companies at the end of 2018), and as result provisions and impairments of 2,967,420 euros and 25,432,426 euros were calculated, respectively. Compared to the provisions and impairments calculated in 2017, as a result of the impairments calculated in 2018, a reversal of the provision of 233,741 euros was recorded in the year in relation to the participation in Duelobrigatório, S.A. and a reversal of the impairment/ provision of 1,888,662 euros in relation to the participation in Martifer Solar, SGPS, S.A..

Supplementary capital doesn't bear interest or repayment term.

13. GROUP COMPANIES

On 31 December 2018 and 2017, the open positions related to supply contracts and other active financial operations are as follows:

RUBRICS	31 DECEMBER 2018			31 DECEMBER 2017		
	NON-CURRENT	CURRENT	TOTAL	NON-CURRENT	CURRENT	TOTAL
Duelobrigatório	-	91.870	91.870	-	87.668	87.668
Martifer Construções	-	563.750	563.750	-	185.481	185.481
Martifer Gmbh	-	-	-	52.500	-	52.500
Martifer Metallic Constructions SGPS	-	12.112.000	12.112.000	-	13.779.960	13.779.960
Martifer Renewables	-	13.082	13.082	-	7.664	7.664
Martifer Renewables SGPS	-	163	163	-	31.491	31.491
Navalria	-	23.218	23.218	-	19.558	19.558
Sociedade de Madeiras do Vouga	-	-	-	-	362	362
West Sea - Estaleiros Navais	-	1.711.853	1.711.853	-	1.362.999	1.362.999
	-	14.515.934	14.515.934	52.500	15.475.183	15.527.683

These loans bear interest at the 3-month Euribor rate + 3.50%.

Of the amount referred to under 'Other financial operations', 2,312,065 euros relate to the tax estimated by the controlled companies that form part of the RETGS tax group (Martifer Construções: 563,750 euros, Martifer Renewables S.A.: 13.082 euros, Martifer Renewables SGPS: 163 euros, Navalria: 23.218 euros and West Sea – Estaleiros Navais: 1,711,853.00 euros). The remaining amount is related to other short-term treasury operations.

The liabilities presented by the company, with Group companies, on 31 December 2018 and 2017, are as follows:

RUBRICS	FY 2018	FY 2017
Martifer Construções	4.532.646	2.396.702
Martifer Metallic Constructions SGPS	8.326	51.714
Martifer Renewables	888	231
Martifer Renewables SGPS	40.334.966	37.600.005
Martifer Solar SGPS	2.761	2.104
Navalria	45.156	67.899
Sociedade de Madeiras do Vouga	4.081	13.120
West Sea - Estaleiros Navais	1.247.836	35.198
Cedilhas ao Vento	656	-
Duelobrigatório	1.710.790	-
	47.888.105	40.166.973

On 31 December 2018, the amount presented in Group companies (liabilities) essentially refers to the liabilities that the Company has with the subsidiaries arising from RETGS (5,843,006 euros) and to treasury operations granted by Martifer Renewables SGPS, SA. These treasury operations bear interest at the 3-month Euribor rate + 3.50%.

14. TRADE RECEIVABLES AND OTHER ACCOUNTS RECEIVABLE

On 31 December 2018 and 2017, these items are broken down as follows:

RUBRICS	FY 2018	FY 2017
Trade receivables		
Trade receivables	295.653	482.137
	295.653	482.137
Other debtors		
Other debtors	962.810	1.926.719
	962.810	1.926.719
	1.258.463	2.408.856

In the sale agreement of Nutre, SGPS, SA entered into in 2014, certain obligations of the Company were envisaged, namely the payment of compensation up to a maximum amount of 14,700,000 Euros related to a court case filed by one of the subsidiary companies of Nutre Group in the Netherlands, if the court ruling were to be unfavourable, which was the case. In 2017, the Company had to pay the compensation, which was done through compensation of claims involving the Company, Ceres Agriculture Holdings (entity that acquired Nutre, SGPS) and Nutre Farming BV (entity involved in the court case). As a result of the settlement of accounts between the three entities, there is no longer any amount receivable and payable between these entities (see Note 5)

On 31 December 2018 and 2017, the ageing of balances in these captions was as follows:

31 DECEMBER 2018	TOTAL	NOT DUE	DUE			
			UNTIL 90 DAYS	90 TO 180 DAYS	180 TO 360 DAYS	MORE THAN 360 DAYS
Trade receivables	295.653	252.398	100	-	-	43.155
Other debtors	962.810	2.784	-	-	-	960.027
	1.258.463	255.181	100	-	-	1.003.182

31 DECEMBER 2017	TOTAL	NOT DUE	DUE			
			UNTIL 90 DAYS	90 TO 180 DAYS	180 TO 360 DAYS	MORE THAN 360 DAYS
Trade receivables	482.137	251.663	54.053	-	18.053	158.368
Other debtors	1.926.719	4.288	-	-	-	1.922.431
	2.408.856	255.951	54.053	-	18.053	2.080.799

The Company considers that there is no deterioration of the credit rating of the counterparty (including subsidiaries and associates) meaning that balances over 360 days are not at risk of uncollectability.

The amount related to prepayment to suppliers on 31 December 2018 and 2017 was 61,583 euros and 64,672 euros, respectively.

15. STATE AND OTHER PUBLIC ENTITIES

On 31 December 2018 and 2017, the balance of the caption 'State and other public entities' is as follows:

RUBRICS	FY 2018	FY 2017
Assets		
Withholding taxes	-	11.000
	-	11.000
Liabilities		
Withholding taxes	27.738	24.050
Value added taxes	45.585	40.952
Social Security contributions	12.089	7.773
	85.412	72.775

16. DEFERRED EXPENSES

The caption 'Deferrals' may be analysed as follows:

RUBRICS	FY 2018	FY 2017
Insurance	1.108	1.262
Other expenses to recognize	-	91.978
	1.108	93.240

On 31 December 2017, there is in 'Other expenses to recognise' the amount of 91,978 Euros referring to ongoing proceedings.

17. CASH AND CASH EQUIVALENTS

The caption 'Cash and cash equivalents' may be analysed as follows:

RUBRICS	FY 2018	FY 2017
Cash	800	800
Bank deposits	55.971	84.941
	56.771	85.741

On 31 December 2018 and 2017, there were no restrictions associated with the balance of the caption 'Cash and cash equivalents'.

18. EQUITY

Issued capital

Martifer SGPS's issued capital, fully subscribed and paid-up on 31 December 2018, amounted to 50,000,000 euros and is represented by 100,000,000 bearer shares with a par value of 0.50 euros each. All shares hold the same rights, namely one share, one vote. During the 2018 and 2017 economic periods there were no changes in the number of shares representing the Company's issued capital.

Treasury stock

During the 2018 economic period, Martifer SGPS didn't acquire treasury stock. The Group holds 2,215,910 treasury stock, corresponding to 2.22% of its issued capital. In accordance with Portuguese commercial legislation in force, the company is required to keep unavailable a reserve corresponding to the treasury stock amount. This is included in the caption 'other reserves'.

On 31 December 2018, the issued capital of Martifer SGPS, S.A. was held in 42.741% by I'M SGPS, S.A., 37.50% by Mota-Engil SGPS, S.A., 2.22% are treasury stock and 0.54% by board members, with the remaining 17.33% dispersed on the Stock Exchange.

Share premium

Share premium correspond to excess amounts gained with the issue of or an increase in issued capital. In accordance with the Portuguese commercial legislation, the amounts included in this caption must comply with the regime applicable to 'legal reserves', that is, they are not distributable except in the event of liquidation, but they may be used to offset losses, after all the other reserves have been used up, and/or be incorporated in issued capital.

In 2017 there were 186,500,000 euros of emission premiums that were used to cover losses.

Reserves

Legal reserves

The Portuguese commercial legislation establishes that at least 5% of the annual net income must be used to increase the 'legal reserve' until the latter represents at least 20% of the issued capital. This reserve is non-distributable, except in the event of liquidation, but may be used to offset losses, after all the other reserves have been used up, and/or be incorporated in issued capital.

Other reserves

On 31 December 2018, this caption included a reserve that is not available, amounting to 2,868,519 euros (2017: 2,868,519 euros), related to the treasury stock amount.

Under the Portuguese legislation, the amount of reserves considered distributable is determined based on the Company's individual financial statements, prepared in accordance with International Financial Reporting Standards (IFRS). On 31 December 2018, Martifer SGPS, S.A. has no distributable reserves available.

19. PROVISIONS

On 31 December 2018 and 2017, the balance of 'Provisions' was 3,342,420 euros and 4,374,178 euros, respectively.

RUBRICS	FY 2018	FY 2017
Duelobrigatório	2.967.420	3.201.161
Eviva Hidro	-	22.288
Martifer Gmbh	-	110.404
Martifer Solar SGPS	-	1.040.325
Total provisions to financial investements	2.967.420	4.374.178
Legal claims in progress	375.000	-
	3.342.420	4.374.178

20. BORROWINGS

The borrowings obtained, with reference to the periods ended on 31 December 2018 and 2017, are as follows:

31 DECEMBER 2018	TOTAL	DUE			
		UNTIL 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	MORE THAN 5 YEARS
Financial institutions borrowings					
Bank loans	84.466.041	-	84.466.041	-	-
	84.466.041	-	84.466.041	-	-

31 DECEMBER 2017	TOTAL	DUE			
		UNTIL 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	MORE THAN 5 YEARS
Financial institutions borrowings					
Bank loans	92.263.205	-	-	92.263.205	-
	92.263.205	-	-	92.263.205	-

The average interest rate on Martifer SGPS loans in December 2018 was 2.26% (in 2017 it was 1.227%).

The variation in loans between 2017 and 2018 is the following:

	FY 2017	CASH FLOWS	TRANSACTIONS NOT AFFECTING CASH	FY 2018
Bank loans	92.263.205	(9.667.142)	1.869.978	84.466.041
Total	92.263.205	(9.667.142)	1.869.978	84.466.041

The value of 9,667,142 euros is the repayment of loans, and the amount of 1,869,978 euros corresponds to the capitalised interest on bank loans.

The guarantees related to these loans are presented in Note 22.

The currency of the loans is Euros.

The decrease in bank loans is mainly due to the amortisation of the debt resulting from agreements with banks.

21. TRADE PAYABLES

The information relating to 'Trade Payables' for the years ended on 31 December 2018 and 2017 can be analysed as follows:

RUBRICS	FY 2018	FY 2017
Trade payables	403.670	574.078
	403.670	574.078
Other accounts payables		
Cost accruals	84.019	318.006
Other creditors	265.729	1.748
	349.748	319.753
	753.418	893.832

On 31 December 2018 and 2017, this caption includes amounts due to trade payables and other creditors arising from the Company's operational activity.

The Board of Directors believes that the fair value of these balances does not differ significantly from their carrying amount and the impact of updating these amounts is not material.

On 31 December 2018 and 2017, the ageing of balances recorded in items 'Trade payables' and 'Other creditors' is as follows:

31 DECEMBER 2018	TOTAL	NOT DUE	DUE			
			UNTIL 90 DAYS	90 TO 180 DAYS	180 TO 360 DAYS	MORE THAN 360 DAYS
Trade payables	403.670	14.215	27.272	12.191	353	349.640
Other creditors	265.729	265.729	-	-	-	-
	669.399	279.944	27.272	12.191	353	349.640

31 DECEMBER 2017	TOTAL	NOT DUE	DUE			
			UNTIL 90 DAYS	90 TO 180 DAYS	180 TO 360 DAYS	MORE THAN 360 DAYS
Trade payables	574.078	61.947	68.000	55.641	10.305	378.185
Other creditors	1.748	1.748	-	-	-	-
	575.826	63.695	68.000	55.641	10.305	378.185

The accounts payable due for more than 180 days refer to amounts to be paid to suppliers with which the Group maintains regular commercial relations.

22. COMMITMENTS

Real Guarantees

On 31 December 2018 the guarantees given by the Company may be summarised as follows:

COMPANY	GUARANTEE	ASSET VALUE	DEBT AMOUNT
Martifer SGPS	1st degree mortgage of industrial building Cutting Unit (Monoblocos).	1.052.338	2.004.640
	1st degree mortgage of administrative building,	5.263.861	
	2nd degree mortgage of industrial building Tower's plant (article 1914)		
Martifer SGPS	Generic Mortgage (7.5M€) of industrial building Towers' plant (article 1914).	7.060.378	
Martifer SGPS	1st degree share pledge of Martifer Renewables SGPS 65 % (nr. shares 65,000,000)	65.696.380	
Martifer SGPS	Mortgage of building in Oliveira de Frades (article P-2003) Unit OIF MTC	522.043	
Martifer SGPS	Pledge of 8 Wind Turbines Suzlon S88 - 2,1 MW Hub height 79m	8.863.862	82.461.402
	Martifer OF warehouse	31.779	
	Multipark Paços de Ferreira	361.646	
	Other Lands MGI	326.097	
	1st degree share pledge of Martifer Renewables SGPS (nr. shares 10,000,000)	10.107.135	
	Various Mercantil equipment pledge	169.864	513.233
	Equipment Mercantil pledge	38.958	113.172
		99.494.342	85.092.447

On 31 December 2018, there were no bank guarantees provided by the Company.

23. REMUNERATION PAID TO MANAGEMENT, THE SUPERVISORY BOARD AND THE CHARTERED ACCOUNTANT

Remuneration attributed to the key management personnel, by remuneration category, can be summarised as follows:

RUBRICS	FY 2018	FY 2017
Fixed remuneration	477.201	235.669
Variable remuneration	-	-
	477.201	235.669

The remuneration attributed to the Supervisory Board in 2018 amounted to 14,400 euros (2017: 9,600 euros), and the remuneration paid to the Chartered Accountant amounted to 48,200 euros (2017: 48,200 euros).

The remuneration policy applicable to Martifer' s management and supervisory bodies, approved according to Law 28/2009, as well as the annual remuneration received by the members of the said bodies, in total and individually, is presented in the Corporate Governance Report.

24. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Beyond the balances and transactions described in the notes above, the balances or transactions performed with related parties are as follows:

RUBRICS	COSTS		REVENUES		ACCOUNTS RECEIVABLE		ACCOUNTS PAYABLE	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Shareholders	-	-	-	-	930.000	930.000	-	-
Group and associated companies	1.098.257	901.134	2.025.187	2.341.771	177.428.611	169.888.135	52.702.195	40.641.017
	1.098.257	901.134	2.025.187	2.341.771	178.358.611	170.818.135	52.702.195	40.641.017

Accounts receivable include supplementary capital contributions registered in financial investments (see Note 12).

25. ANNEX TO THE SEPARATE STATEMENT OF CASH FLOWS

The item other operating payments/receipts essentially includes receipts arising from RETGS relating to tax determined individually by companies belonging to the fiscal group and the settlement of a balance under the agreement of the sale of Martifer Solar, S.A. in 2016.

Receipts and payments of financial investments for the years ended on 31 December 2018 and 2017 refer primarily to supplementary contributions (see Note 12).

Receivables and payments related to loans for the periods ended on 31 December 2018 and 2017 may be analysed as follows:

	FY 2018	FY 2017
Cash Receivables:		
Treasury operations with group companies	36.179.114	33.013.559
Total of Receivables	36.179.114	33.013.559
Cash Payments:		
Treasury operations with group companies	34.539.000	24.987.550
Bank loans	9.667.142	28.373.658
Total of Payments	44.206.142	53.361.208

26. SUBSEQUENT EVENTS

No other facts that affect the released financial information have occurred since the reference date of the results up until the release of this report.

27. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 17 April 2019. In addition, the accompanying financial statements reporting on 31 December 2018 are pending approval by the Board of the General Shareholders Meeting. However, the Company's Board of Directors understands that these will be approved without significant changes.

EXPLANATION ADDED FOR THE TRANSLATION OF THE FINANCIAL STATEMENTS

These financial statements are a translation of the individual financial statements originally issued in Portuguese in accordance with the International Financial Reporting Standards as adopted by the European Union.

Oliveira de Frades, 17 April 2019

The Certified Accountant

Marlene Henriques Pereira

The Board of Directors

Carlos Manuel Marques Martins
(President)

Arnaldo José Nunes da Costa Figueiredo
(Vice-President)

Jorge Alberto Marques Martins
(Vice-President)

Pedro Miguel Rodrigues Duarte
(Member of the Board of Directors)

Pedro Nuno Cardoso Abreu Moreira
(Member of the Board of Directors)

Maria Sílvia da Fonseca Vasconcelos da Mota
(Member of the Board of Directors)

Vítor Manuel Álvares Escária
(Member of the Board of Directors)

Mariana França Gouveia
(Member of the Board of Directors)



**CORPORATE
GOVERNANCE
REPORT**



CONTENTS

PART I INFORMATION ON SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

- A. Shareholder Structure
- B. Corporate Boards and Committees
- C. Internal Organisation
- D. Remuneration
- E. Related Party Transactions

PART II CORPORATE GOVERNANCE ASSESSMENT

ANNEXES

- Annex I – Professional Qualifications
- Annex II – Positions held and duties carried out by the members of the Board of Directors
- Annex III - Statement on the remuneration policy for 2018
- Annex VI - Declaration of the Board of Directors on the remuneration policies applicable to Martifer Group managers
- Annex V - Declaration referred to in subparagraph (c) of paragraph 1 of article no. 245 of the Securities Code
- Annex VI - Qualifying Holdings

Note: For all intents and purposes, the Portuguese version shall prevail.

**CORPORATE GOVERNANCE
REPORT**

PARTE I

**INFORMATION ON
SHAREHOLDER
STRUCTURE
ORGANISATION AND
CORPORATE GOVERNANCE**

PART I

Information on shareholder structure, organisation and corporate governance

A. SHAREHOLDER STRUCTURE

I. CAPITAL STRUCTURE

1. Capital Structure

The share capital of Martifer SGPS, S.A., publicly traded company (henceforth also referred to as 'Company' or 'Martifer'), amounts to € 50,000,000.00 (fifty million Euros), is fully subscribed and paid up and is represented by 100,000,000 (one hundred million) nominative, scriptural shares, with a par value of € 0.50 (fifty Euro cents) each.

All the shares are ordinary, no different categories of shares existing, nor rights and duties beyond those foreseen in law or in the Company's Articles of Association (henceforth also 'Articles of Association').

All the shares issued by Martifer have been admitted to trading on the Euronext Lisbon regulated market, corresponding to ISIN Code PTMFR0AM0003, trading under the Mnemo Code MAR.

The itemised information on the distribution of share capital by the reference shareholders is present in Section 7, Part I of the Corporate Governance Report.

2. Restrictions on transfer and ownership of shares

There are no restrictions on the free transfer of the Company's shares, nor shareholders holding special rights. Consequently, all shares admitted to trading on the stock exchange are freely transmissible in accordance with the normally applicable regulations.

3. Own shares

During 2018, no transactions involving its own shares occurred. Consequently, on 31 December 2018, the Company held, as it did in 2017, own shares totalling 2,215,910, representative of 2.22% of its share capital. These shares correspond to 2.22% of the voting rights of the Company.

4. Impact of changes in shareholder control over the Company on important agreements

Martifer neither celebrated nor is it part of any important agreement that comes into effect, is amended or terminates in the event of a change in shareholder control over the Company due to a takeover bid.

Similarly, the Company has not adopted, via the approval of any statutory provision or other measures adopted by the Company, rules or regulations designed to prevent the success of takeover bids.

Likewise, there are no statutory provisions limiting the number of votes that can be held or exercised by a single shareholder, individually or in conjunction with other shareholders.

5. Countermeasures in the event of changes in shareholder control

During the 2018 financial period, no countermeasures were adopted in the event of changes in shareholder control.

6. Shareholder Agreements that the Company is aware of

The only Shareholders Agreement known by the Company was executed on 28 May 2007 between I'M SGPS, S.A. (ex- MTO - SGPS, SA) and Mota-Engil, SGPS, SA, and was altered by the amendments executed on 22 December 2009 and 17 April 2012.

The shares subject to the Shareholders Agreement, on 31 December 2018, are held by the mentioned shareholders in the following amounts:

SHAREHOLDER	NO. SHARES	PERCENTAGE	VOTING RIGHTS ¹
Mota-Engil, SGPS, S.A.	37.500.000	37.50%	38.35%
I'M SGPS, S.A.	42.405.689	42.41%	43.37%
Total	79.905.689	79.91%	81.72%

¹ % of voting rights = no. Shares Held / (no. Total Shares - Own Shares)

The abovementioned Shareholders Agreement regulates a few aspects of the Company's corporate life, namely:

1. Attribution of voting rights – The shareholders agree to exercise at the Company's General Meeting, in a concerted way, their voting rights regarding the matters for which the law demands the deliberation by the Shareholders to be made by a qualified majority.

2. Various provisions – At the request of any of them, the shareholders oblige themselves to deliberate changes in the Company's Articles of Association, whenever they are needed to ensure, broadly, the good execution of the provisions in the Shareholders Agreement;

The shareholders commit, during the validity of the Shareholders Agreement, not to celebrate with other company shareholders any Shareholders Agreement; and

The Shareholders Agreement does not foresee any restrictions regarding share transfer.

3. Validity – The Shareholders Agreement will last for an undetermined period, but any of the shareholders can freely terminate it with a minimum 30-day notice before the date that the termination should take effect.

II. SHAREHOLDINGS AND BONDS HELD

7. Qualifying Holdings

On 31 December 2018, the main shareholders, holders of qualifying holdings, continued to be the companies I'M SGPS, S.A. and Mota-Engil SGPS, S.A.

The Directors of the Company, Carlos Manuel Marques Martins and Jorge Alberto Marques Martins are the majority shareholders of the company I'M SGPS, S.A., holding, respectively, shares representing 48% and 50% of its share capital.

Mota-Engil SGPS, S.A.'s voting rights are held pursuant to article no. 20 of the Securities Code (Código de Valores Mobiliários - CVM), by the company Mota-Engil, SGPS, S.A.

On 31 December 2018, 82.27% of the voting rights of the Company are imputed to both of these shareholders under the Shareholders Agreement in force on that date.

The 305,542 shares held by the shareholder Carlos Manuel Marques Martins are held on an indirect basis, under the household of this Member of the Board of the Company, through the company BLACK AND BLUE INVESTIMENTOS, S.A., of which that Board Member is a shareholder.

The 230,260 and 3,000 shares held respectively by the shareholders and board members Jorge Alberto Marques Martins and Arnaldo José Nunes da Costa Figueiredo are directly held.

On 31 December 2018, based on the information made available to the Company, the following entities were holders of qualifying shareholdings, calculated in accordance with paragraph 1 of article no. 20 of the Securities Code (“CVM”), in the share capital of the Company:

SHAREHOLDERS	NO. SHARES	% OF SHARE CAPITAL	% OF VOTING RIGHTS ¹
I'M – SGPS, SA	42.405.689	42.41%	43.37%
Carlos Manuel Marques Martins*	305.542	0.31%	0.31%
Jorge Alberto Marques Martins*	230.260	0.23%	0.24%
Total Imputable to I'M – SGPS, SA	42.941.491	42.94%	43.91%
Mota-Engil – SGPS, SA	37.500.000	37.50%	38.35%
Arnaldo José Nunes da Costa Figueiredo **	3.000	0.00%	0.00%
Total Imputable to Mota-Engil, SGPS, SA	37.503.000	37.50%	38.35%

¹ % of voting rights = no. Shares Held / (no. Total Shares - Own Shares)

* Member of a corporate body of I'M SGPS, SA; ** Member of a corporate body of Mota-Engil SGPS, SA

8. Number of shares and bonds held by members of the management and supervisory boards

(In accordance with the dispositions of paragraph 5 of article no. 447 of the Portuguese Commercial Companies Code – “CCC”)

NAME OF THE MEMBER OF THE CORPORATE BODY	CORPORATE BODY	SHARES HELD ON 31.12.2018
Carlos Manuel Marques Martins*	Board of Directors	305.542
Jorge Alberto Marques Martins	Board of Directors	230.260
Arnaldo Nunes da Costa Figueiredo	Board of Directors	3.000
Pedro Miguel Rodrigues Duarte	Board of Directors	0
Pedro Nuno Cardoso Abreu Moreira	Board of Directors	0
Maria Sílvia da Fonseca Vasconcelos da Mota	Board of Directors	0
Vitor Manuel Álvares Escária	Board of Directors	0
Mariana Machado França Gouveia Sande Nogueira	Board of Directors	0
Paulo Sérgio Jesus das Neves	Supervisory Board	0
Américo Agostinho Martins Pereira	Supervisory Board	0
Mária Maria Machado Lapa de Barros Peixoto	Supervisory Board	0
António Baia Engana	Supervisory Board	0

* The 305,542 shares held by the shareholder Carlos Manuel Marques Martins are held on an indirect basis, under the household of this Member of the Board of Directors of the Company, through the company BLACK AND BLUE INVESTIMENTOS, SA, of which that Board Member is a shareholder.

Note: There are no obligations held by members of management and supervisory boards.

9. Special Powers of the Board of Directors, namely in what concerns operations of capital increase

The Board of Directors will set the terms and conditions of each capital increase, as well as the form and date/ period of the subscription and realisation, as set forth by article no. 4, paragraph 8 of the Company's Articles of Association, as amended by the resolution approved at the General Meeting Assembly held on 25 May 2007. The Board of Directors will set the terms and

conditions of each capital increase, as well as the form and date/ period of the subscription and realisation, as set forth by article no. 4, paragraph 8 of the Company's Articles of Association, as approved at the General Meeting held on 25 May 2007.

Up to this date, there has not been any capital increase in the Company under this assignment of the Board of Directors.

10. Significant Business Relationships between the Holders of Qualifying Holdings and the Company

On 31 December 2018, the main shareholders, holders of qualifying holdings, continued to be the companies I'M SGPS, S.A. and Mota-Engil SGPS, S.A.

During 2018, no significant business or commercial transactions occurred between the Company and the holders of qualifying holdings in the Company.

Regarding business or transactions between holders of qualifying holdings in the Company and other Company affiliates, they fell within the normal activities of these companies and were conducted under normal market conditions.

B. CORPORATE BODIES AND COMMITTEES

In Part B, the information referred to in article no. 447 of the CCC, in article no. 3 of Law no. 28/2009 of 19 July (Remuneration Policy), in subparagraph (r), paragraph 1 of article no. 245-A of the Securities Code (diversity in the management and supervisory boards) and in article no. 5 of Law no. 62/2017 of 1 of August (balanced representation of women and men in the management and supervisory boards) is also included.

Martifer is the holding company of a Group with headquarters in Portugal, internationally present through subsidiaries, affiliated companies and joint ventures. The vast project portfolio that it continuously develops answers various markets and clients.

Responding to the challenges arising in this framework, Martifer Group's corporate governance advocates a policy of diversity in the composition of its corporate boards, in particular, the Board of Directors and the Supervisory Board, to:

- Promote diversity in the composition of the respective board;
- Enhance the performance of each member and as a whole, of each board;
- Encourage comprehensive, balanced and innovative analyses; and, consequently, allow the decision-making and control processes reasoned and agile;
- Contribute to the increase of innovation and renewal of the Company, for its sustainable development and creation of value for shareholders and other *stakeholders* in the long term.

Martifer, thus, recognises the need to constantly promote diversity in its boards and other managers, in particular in the Board of Directors and the Supervisory Board, in particular on the following aspects:

- Appropriate academic qualifications and relevant professional experience for the exercise of a specific corporate position and that, in the respective corporate board, there are the necessary skills for the proper performance of the functions of that board;
- Inclusion of members of different ages, combining the knowledge and experience of senior members with the innovation and creativity of young members, to allow the respective board to have an innovative vision of the business and prudent management of risks;
- The promotion of gender diversity and, consequently, an appropriate balance of sensibilities and style of decision-making within the respective board.

In what concerns the Board of Directors and the Supervisory Board, whose composition was changed at the General Meeting on 18 May 2018, the policy is evidenced as indicated in 19 - *Board of Directors* and 33 - *Supervisory Board* of this report. In particular, it

should be stressed that, in both cases, the Board of Directors comprises 25% of people of the under-represented gender and the Supervisory Board integrates 33.3% in the same way.

The analysis of diversity in Martifer's corporate boards transmits the existence of a reasonable level of diversity. Verify the following table:

DIVERSITY FACTOR	PARAMETER	%
AGE	<45	33%
	45-60	42%
	>60	25%
GENDER	Female	25%
	Male	75%
EDUCATION	Engineering	33%
	Economics/ Management	42%
	Law	8%
	Other	17%

I. GENERAL MEETING

a) Composition of the Presiding Board of the General Meeting

11. Identification and position of the members of the presiding Board of the General Meeting and respective term of office

The Board of the Shareholders General Meeting comprises a president, a vice president and a secretary; and the present holders of these positions were elected at the 18 May 2018 Shareholders General Meeting for a three-year term of office, ending on 31 December 2020.

The members of the Board of the Shareholders General Meeting are:

PRESIDENT	José Joaquim Neiva Nunes de Oliveira
VICE PRESIDENT	Luís Leitão Marques Vale Lima
SECRETARY	Luís Neiva de Oliveira Nunes de Oliveira

(b) Exercise of the right to vote

12. Restrictions on the right to vote

The Company's Articles of Association do not establish any percentage or maximum limit regarding the right to vote by any shareholder. The Company has not issued preference shares without voting rights.

The Shareholders General Meeting is, therefore, comprised of shareholders holding Company shares, each share carrying one vote.

Shareholders can participate provided they hold shares, at least, five days before the date set for the General Meeting, and provided these shares are registered in their name in securities' accounts.

Up to three days before the date set for the General Meeting, a certificate issued by the relevant entity shall be presented to the Company as proof of ownership of the shares. In the event of suspension of the General Meeting, the Company does not require the blockage of the shares for the full suspension period until the session is resumed; instead, compliance with the ordinary notice period for the first meeting suffices.

Shareholders may be represented at the Shareholders General Meetings by way of a written proxy addressed to the President of the Board of the General Meeting. The aforementioned proxy may also be sent by electronic mail in accordance with the respective Shareholders General Meeting notice of meeting instructions.

Shareholders may also exercise their vote by correspondence on all matters subject to approval at the General Meeting.

The proposals to be submitted for approval at the General Meeting, as well as the other information necessary for the preparation and participation at the said meetings (including, amongst other, the template to exercise the vote by correspondence) are made available to the shareholders up to twenty-one (21) days before the date of the General Meeting, at the Company's registered office and in the Company's website. Such documentation can be found on the company's website at www.martifer.pt. In addition to the Company's website, such documentation is made available to shareholders, for consultation, at the company's registered office during business hours, as well as in the Information Disclosure System of CMVM (www.cmvm.pt), on the date of disclosure of the notice of the meeting. Also, in the same website of the Company, the minutes of the meetings of the General Meeting are also made available within five days after their occurrence.

Martifer has been ensuring and implementing measures to promote and encourage the participation of shareholders in general meetings:

- Voting by correspondence;
- Access to proxy forms and voting ballots in its website;
- Disclosing in the website, in Portuguese and English, the notice of the meeting for the General Meeting, the possible ways to exercise the vote and the procedures to adopt to vote by correspondence or by proxy;
- Disclosing in the website, in Portuguese and English, the preparatory information regarding the various points on the agenda;
- Creating an electronic mail address exclusively dedicated to the General Meeting, which is disclosed in the notice of the meeting, to facilitate the clarification of any doubts;

13. The maximum percentage of voting rights that may be exercised by a single shareholder or by shareholders that are in any relationship as set out in paragraph 1 of article no. 20 of CVM

There is no restriction on the number of votes that can be held or exercised by a single shareholder or group of shareholders.

14. Shareholders' resolutions that, imposed by the Articles of Association, can only be made with a qualified majority, besides the legally foreseen

Article no. 18 of the Company Articles of Association establishes both for a first or second notice of the meeting, the rule of a simple majority of the votes issued to pass resolutions unless otherwise foreseen in the CCC or in the Articles of Association.

The only exception to this rule relates to the provision in the Company's Articles of Association that sets a qualified majority of two-thirds of the votes counted for the passing of resolutions relating to the dismissal of directors without fair grounds.

II. MANAGEMENT AND SUPERVISION

a) Composition

15. Corporate Governance Model

The Company adopts the Latin monist government model, commonly known as the "*Latin strengthened*", which advocates the separation between the administration and supervisory boards (dual), being its Corporate Governance structure formed by the Board of Directors, a Supervisory Board and by a Statutory Auditor. All the boards are elected at the Shareholders General Meeting. For the term of office corresponding to the triennium 2018-2020, the Board of Directors delegated the management of the day-to-day affairs of the Company to an Executive Committee, under the terms and within the limits defined in 21.1 below.

The adoption of this model allows the existence of a Supervisory Board with strengthened powers of effective supervision, composed entirely by members subject to a regime of incompatibilities and independence requirements.

Except for the Statutory Auditor, that was elected for a biennium (2018-2019), the members who integrate the corporate boards, the Board of the General Meeting and the Remuneration Committee were elected for three years (2018-2020). The Remuneration Committee, elected at the Shareholders General Meeting, is responsible for setting the remuneration of the members of the Company's corporate boards as well as for defining the general guidelines to be observed in setting the amounts.

16. Articles of Association rules on the procedural and material requirements governing the appointment and replacement of members of the Board of Directors

The members of the Board of Directors are proposed and elected every third year by the Shareholders at a Shareholders General Meeting or co-opted by the Board of Directors, subject to ratification at the General Meeting; their re-election is allowed once or more than once.

In accordance with the Articles of Association, a member of the management board may be nominated by a minimum number of Shareholders, holding at least 10% (ten per cent) of the share capital, who voted against the passed proposal to elect the directors.

The Board of Directors designates the President and two Vice Presidents from amongst its members, and to the extent that it considers it pertinent and appropriate, it constitutes an Executive Committee or delegates powers to executive directors.

The substitution of directors is made as set forth in article no. 393 of the CCC. Following the Company's Articles of Association, for the purposes of substituting directors under paragraph 1 of the said article of the CCC, absence is qualified as permanent when, without justification accepted by the management board, a director is absent from more than five meetings, consecutive or not.

17. Composition of the Board of Directors

Following the Company's Articles of Association, Martifer's Board of Directors is composed of 5 (five) to 9 (nine) members elected at a General Meeting.

The term of office of the members nominated to the Board of Directors is 3 (three) calendar years, and there are no restrictions regarding their re-election. The members of the Board of Directors are considered inducted as soon as they are elected and they remain in office until they are replaced by newly elected directors.

On 31 December 2018, the Board of Directors had 8 (eight) members, elected at the Company's General Meeting for a three calendar year term of office, ending on 31 December 2020.

On 31 December 2018, the composition of the Board of Directors for the 2018-2020 term of office was as follows:

NAME OF THE DIRECTOR	FIRST NOMINATION	END OF CURRENT TERM OF OFFICE
Carlos Manuel Marques Martins (President)	2004	2020
Jorge Alberto Marques Martins (Vice President)	2004	2020
Arnaldo José Nunes da Costa Figueiredo (Vice President)	2010	2020
Pedro Nuno Cardoso Abreu Moreira	2015	2020
Pedro Miguel Rodrigues Duarte	2018	2020
Maria Sílvia da Fonseca Vasconcelos da Mota	2018	2020
Vítor Manuel Álvares Escária	2018	2020
Mariana Machado França Gouveia Sande Nogueira	2018	2020

18. The distinction between executive and non-executive members

NAME OF THE DIRECTOR	(Executive / Non-executive)	INDEPENDENT or NON-INDEPENDENT
Carlos Manuel Marques Martins (President)	Non-executive	Non-independent
Jorge Alberto Marques Martins (Vice President)	Non-executive	Non-independent
Arnaldo José Nunes da Costa Figueiredo (Vice Presidente)	Non-executive	Non-independent
Pedro Miguel Rodrigues Duarte	Executive	-
Pedro Nuno Cardoso Abreu Moreira	Executive	-
Maria Sílvia da Fonseca Vasconcelos da Mota	Non-executive	Non-independent
Vítor Manuel Álvares Escária	Non-executive	Independent
Mariana Machado França Gouveia Sande Nogueira	Non-executive	Independent

On 31 December 2018, of the 8 (eight) directors of the Board of Directors, 6 (six) are non-executive directors, whose duties are to monitor and assess the management of the Company by the executive directors, 2 (two) of these 6 (six) non-executive directors are independent directors.

Given the Company's size and the shareholder structure, the number of independent directors is considered adequate. To verify the independence of the members of the Board of Directors, the criteria used is that foreseen in article no. 414, paragraph 5 of the CCC, as well as that established in 18.1 of Annex 1 of Regulation no. 4/2103 of CMVM and in Recommendation III.4 of the Corporate Governance Code of the Portuguese Corporate Governance Institute (IPCG - Instituto Português de Corporate Governance) (2018).

19. Professional qualifications of the members of the Board of Directors

The experience and knowledge of the members of the Board of Directors are detailed in their curricula, presented in the document attached to this report as Annex I; these attest, in a rigorous and specific manner, their ability to carry out the duties attributed to them.

20. Meaningful family, professional or business relationships of members of the Board of Directors with shareholders that are assigned qualifying holdings

The President of the Board of Directors, Carlos Manuel Marques Martins and the Vice President, Jorge Alberto Marques Martins, both hold shares and voting rights in one of the major shareholders, I'M - SGPS, S.A. The abovementioned Board Members are brothers.

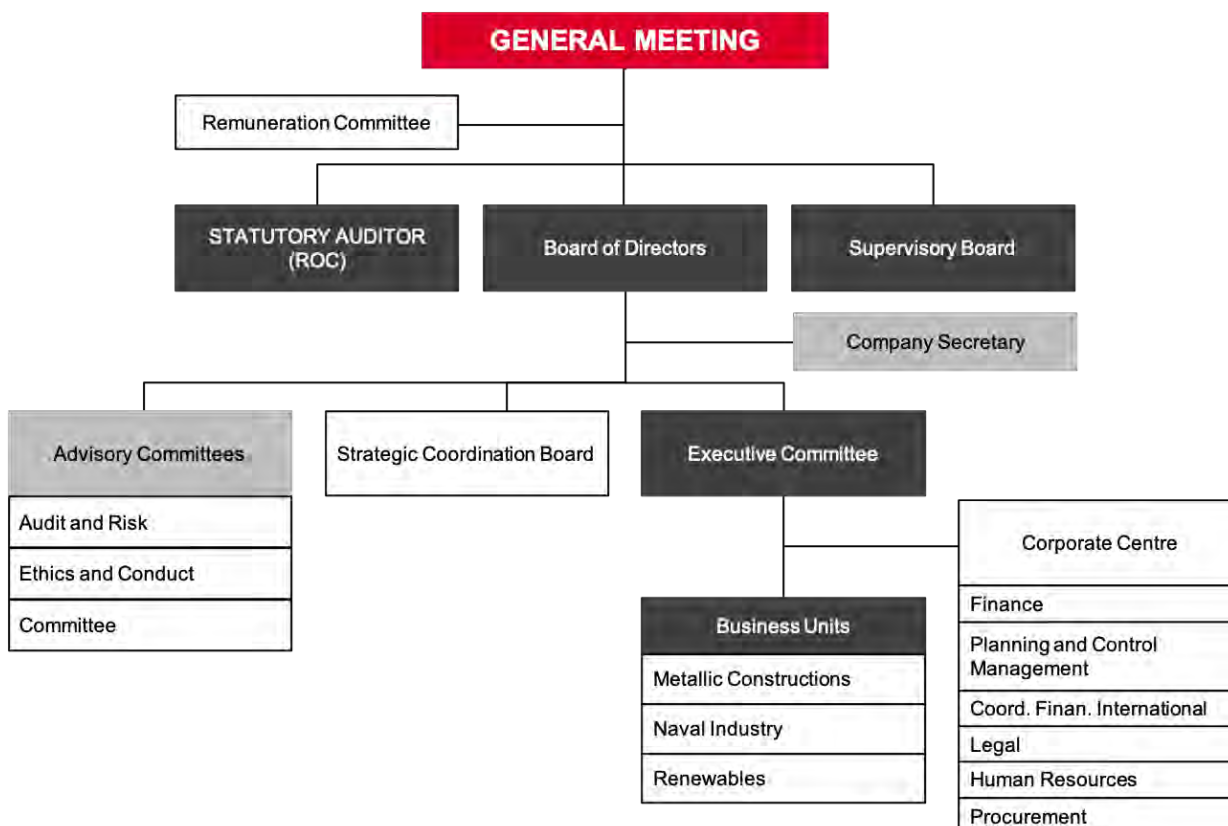
The Vice-President of the Board of Directors Arnaldo José Nunes da Costa Figueiredo exercises management positions in Mota-Engil Group companies. Mota-Engil SGPS, S.A., Martifer's other major shareholder, is the holding company of the aforementioned Group.

The Member of the Board of Directors Maria Sílvia da Fonseca Vasconcelos da Mota is a shareholder with a qualified holding of Mota-Engil, SGPS, S.A., a reference shareholder of the company, and is a Board Member in companies of the Mota-Engil Group.

The remaining Board Members have no kinship between them.

21. Organisational charts or flowcharts concerning the allocation of powers between the various corporate boards, committees and/ or departments of the Company, including information on delegation of powers, particularly in what regards the delegation of the Company's daily management

21.1 ORGANISATIONAL CHART



21.2 DIVISION AND DELEGATION OF POWER

Management Boards

On 31 December 2018, the Company presented a Board of Directors with eight (8) members: a President, two Vice Presidents and five Members. On the same date, 2 (two) of its members were Executive Directors and formed an Executive Committee, and the other 6 (six) were non-executive members.

In accordance with the Articles of Association and under article no. 407, paragraph 3 of the CCC, daily management powers were delegated to an Executive Committee, positions now held by Pedro Miguel Rodrigues Duarte (President) and by Pedro Nuno Cardoso Abreu Moreira. The referred to Executive Directors are responsible for the implementation of the strategic decisions taken by the Board of Directors, as well as the day-to-day management of the holding company, while holding company, all in the context of the powers that were delegated to them.

The duties delegated to the Executive Committee include the guidance for the good performance of the various business areas, as well as the running of the corporate services, the supervision of all the business areas, the promotion of synergies between these, the deployment of the necessary resources, the management of human and financial resources, the definition of the strategies for each business area and the supervision of the accomplishment of the objectives of each business area, establishing policies transversal to the Company as a whole. The Executive Committee must also exercise the powers that, at any given moment, have been delegated to it by resolution of the Board of Directors, except over matters for which the delegation of powers is forbidden by law or by the Articles of Association.

In accordance with the decision of the Board of Directors dated 24 May 2018, all the necessary or convenient powers for the achievement of the social object and for the exercise of the activity of the Company, of which are highlighted:

- Approval of operations, and possible issuance of binding instructions to the Boards of Directors of subsidiaries, to be carried out by the business units of Martifer Group;
- Issuance of any proposals to submit to the Board of Directors about matters of exclusive competence;
- Approval of transversal policies and rules, instructions or orientations such as procedural manuals, regulations and service orders;
- Participation in Joint-Ventures and in Economic Interest European Groups and, additionally, the execution of consortium and associative partnership contracts, except when they have as their objective the participation in projects involving a turnover of more than one hundred million Euros;
- Appointment of representatives at General Meetings of the Company's subsidiaries and determination of the voting intentions at the said Meetings;
- Representation of the company in court and outside it, actively or passively, including the submission, opposition and appeal regarding any legal or arbitration proceedings, including also the confession, withdrawal or transaction of any lawsuits and the acceptance of arbitration commitments, except processes relating Clients;
- The hiring of employees, defining remuneration levels, categories and conditions and other benefits or complements, in full compliance with the general remuneration policies;
- Exercise of disciplinary powers and application of sanctions;
- Appointment of proxies to carry out specific acts or categories of acts, defining the term of the respective mandates.

The ordinary meetings of the Executive Committee shall be held monthly, and at the beginning of each fiscal year, the meetings to be held during that year shall be scheduled. The President of the Executive Committee sends the President of the Board of Directors with the required prior notice, the meeting agendas and the minutes of the respective meetings. The executive members provide the non-executive board members, as well as the other members of the corporate bodies, with all the necessary clarifications for them to exercise their powers, either following his initiative or at their request.

Except for the matters that cannot be delegated by law under article no. 407, paragraph 4 and paragraph 8 of the CCC, the Board of Directors has expressly stated that certain matters are excluded from the powers delegated to Executive Directors, namely:

- I. Approval of the activity plans and budgets for Martifer Group companies;
- II. Investment or commitment to invest in new business areas;
- III. Investments and divestments unforeseen in the annual budgets of the Martifer Group companies, when the amounts involved are equal to or above five million Euros
- IV. Constitution of any covenants or encumbrances on Martifer Group's companies' share;
- V. The participation in Joint-Ventures and in Economic Interest European Groups and, additionally, the celebration of consortium and associative partnership contracts, the incorporation or participation in any other forms of temporary or permanent associations of companies and/ or private or public entities, if they intend to participate in projects involving a turnover of more than one hundred million Euros;
- VI. Appointment of proxies, individual or legal, to hold corporate positions in other companies;
- VII. The constitution of the Executive Committee and the Strategic Coordination Council, and the definition of the matters to be delegated to them;
- VIII. Subscription, acquisition or disposal of shareholdings in any company;
- IX. Acquisition and disposal of own shares according to and within the limits of the resolution made at the Company's General Meeting.

The delegation of powers will cease with the passing of a resolution by the Board of Directors or, automatically, with the end of the term of office of the Board of Directors that delegated the powers above.

The President of the Board of Directors has the powers conferred by law and by the Articles of Association.

On 31 December 2018, Pedro Miguel Rodrigues Duarte, as President of the Executive Committee was the *Chief Executive Officer* (CEO) of the Company, and Pedro Nuno Cardoso Abreu Moreira, responsible for the company's financial areas was the *Chief Financial Officer* (CFO).

Under article no. 407, paragraph 1 of the Portuguese Commercial Companies Code, the Board of Directors also attributed the Director Pedro Nuno Cardoso Abreu Moreira the particular position of being the Company Representative with the Market and with CMVM.

The non-executive directors accompanied the activity developed by the Company, ensuring the effective supervision, monitoring and assessment of the activity, in particular through regular meetings of the Board of Directors, without prejudice to their access to any information or documentation that may be requested at any time.

The Board of Directors holds meetings at least four times per year, or whenever it is convened by its President or by 2 (two) of its Members.

Supervision Boards

The supervision of the Company is exercised by a Supervisory Board and by a Statutory Auditor that shall carry out the duties resulting from the applicable law and Articles of Association. It is the responsibility of the General Meeting to elect the Supervisory Board, as well as to designate, based on a proposal from the Supervisory Board, the Statutory Auditor or the Statutory Auditor Company.

The Company's Supervisory Board has four members, a president, two effective members and one alternate.

Committees

REMUNERATION COMMITTEE

According to the Articles of Association, the Remuneration Committee, elected by the shareholders gathered at the General Meeting, shall define the remuneration policy of the members of corporate boards, setting the applicable remuneration, taking into account the positions held, the verified performance and the economic situation of Company and meets whenever necessary. Minutes are drawn up of all meetings.

STRATEGIC COORDINATION COUNCIL

The Strategic Coordination Council is an advisory body, resulting from the appointment by the Board of Directors of the Company, having as duties to decide, without a binding nature, on the matters set out in the framework of its regulation and others that are mandated by the Board of Directors for its analysis and potential issuance of opinions and recommendations.

The Strategic Coordination Council includes five directors of the Company, appointed by Martifer's Board of Directors, among them, compulsorily, the CEO and the CFO and by (i) a manager of the metallic constructions business area; (ii) a manager of the renewable energy business area; and (iii) a manager of the naval business area.

The Strategic Coordination Council is responsible for monitoring and, by its initiative, issuing recommendations to the Board of Directors on matters of the Company and of the economic group, which include: the annual budget execution; the implementation of the strategic plan; the general remuneration policy and the strategy for each geographical area.

The Strategic Coordination Council meets every month and, in addition, whenever convened by its President or at the request of any two of its Members.

The Board of Directors and the Members of the Strategic Coordination Council may indicate to the President of the Strategic Coordination Council any matters that they consider should be object of reflection by the Strategic Coordination Council.

b) Functioning

22. Availability and place where rules and regulations on the functioning of the Board of Directors may be consulted

The Board of Directors' Organisational and Functional Regulation in force can be found in Martifer's website at www.martifer.pt (Tab: Investors, Section: Corporate Governance, Articles of Association).

23. The number of meetings held and the attendance of each member of the Board of Directors

The Board of Directors meets ordinarily once per quarter and, as defined in the Articles of Association and in the respective Regulation, whenever the President or 2 (two) of its Members call a meeting; resolutions may be approved with the presence or representation of the majority of its Members, in accordance with the provisions of paragraph 1 of article no. 10 of the Articles of Association and no. 1 of article no. 5 of the Regulation of the Board of Directors.

Following the abovementioned, any 2 (two) board members without delegated powers may convene meetings, to exercise their powers of supervision, monitoring and assessing the activity of the members to whom the Board of Directors attributes delegated powers.

To that end, and to safeguard the exercise, in an independent and informed manner, of the competencies of the non-executive directors referred to in the previous paragraph, the following mechanisms and procedures were instituted by the Board of Directors and enshrined in Internal Regulations:

- (i) the obligation to give the Directors all the information considered necessary or convenient and they request that to the Company or to any of the Directors with delegated powers;
- (ii) the satisfaction of the requests of directors with no delegated powers shall be made in an appropriate and timely manner;
- (iii) the possibility of any non-executive Director taking part in the Executive Committee meetings so that the non-executive Directors can exercise the powers attributed to them; and
- (iv) the specialised committees with monitoring, supervision and appraisal competencies over the activities of the directors with delegated powers shall be presided and primarily composed of directors with no delegated powers.

During the 2018 financial year, no constraints were detected regarding the management and operations of the Company; it can, therefore, be considered that the mechanism that assures the coordination of the work of the non-executive directors is safeguarded.

In 2018, a year to appoint members for corporate boards, the Board of Directors met twenty-one times. The minutes are written and signed by the Directors and the Company Secretary and recorded in the respective minute book, with copies also being sent to the President of the Supervisory Board.

During the year 2018, 15 (fifteen) meetings of the Board of Directors were held and 12 (twelve) meetings of the Executive Committee, with the attendance degree of each Director at those meetings, during the exercise of their respective functions, being the following:

NAME OF THE DIRECTOR	Board of Directors ATTENDANCE	Executive Committee ATTENDANCE
Carlos Manuel Marques Martins (President of the BD) (*)	100%	100% ¹
Jorge Alberto Marques Martins (Vice President) (*)	100%	100% ¹
Arnaldo José Nunes da Costa Figueiredo (Vice Presidente)	100%	-
Pedro Miguel Rodrigues Duarte (**) (***)	100% ²	100% ⁴
Pedro Nuno Cardoso Abreu Moreira	100%	100%
Maria Sílvia da Fonseca Vasconcelos da Mota (***)	100% ²	-
Vítor Manuel Álvares Escária (***)	100% ²	-
Mariana Machado França Gouveia Sande Nogueira (***)	100% ²	-
Luís António de Castro de Valadares Tavares (****)	100% ³	-
Jorge Bento Ribeiro Barbosa Farinha (****)	100% ³	-

Note: If the director was not physically present at a given meeting, he was represented by another director at the meeting, as mandate letter respectively issued to that effect.

(*) A Board Member with delegated powers who ceased functions on 18 May 2018.

(**) A Board Member with powers delegated by a resolution of the Board of Directors on 24 May 2018.

(***) Appointed on 18 May 2018 for the term 2018 - 2020.

(****) Ceased functions on 18 May 2018.

¹ Present in 5 meetings held after 18 May 2018.

² Present in 10 meetings held after 18 May 2018.

³ Present in 5 meetings held until 18 May 2018.

⁴ Present in 7 meetings held after 24 May 2018.

24. Competent Corporate Boards to appraise the performance of the executive directors

The Company's Corporate Governance Committee includes non-executive Members of the Company's Board of Directors and is presided by an independent director that meets all the independence and compatibility requirements foreseen in 18.1 of Annex I of Regulation no. 4/2013 of CMVM and Recommendation III.4 of the Corporate Governance Code of the Portuguese Corporate Governance Institute (IPCG) (2018). This Committee has, amongst others, the power to appraise the performance of the executive directors and the overall performance of the Board of Directors, as well as that of the various existent committees.

The Company's Remuneration Committee also undertakes, within its scope of powers, the appraisal of the performance of the members of the Board of Directors, endeavouring towards a convergence of the interests of the directors of the remaining corporate boards and managers with the interests of the Company, promoting a long-term perspective.

25. Predefined criteria for assessing the performance of the executive directors

The performance of the Directors is appraised based on the principles listed in the Remuneration Policy Statement. The remuneration policy and the remuneration of the Company's Corporate Boards are reviewed annually and submitted for approval at the Company's Annual Shareholders General Meeting.

The remuneration policy is oriented along principles and criteria based on the duties carried out, the degree of complexity and the responsibility assumed, on the alignment of the interests of the board members with the interests of the company, on performance assessment, on the economic situation of the company and on the general market conditions for equivalent positions, as better set out in number 70 below.

In addition, within the scope of the Corporate Governance Committee and in compliance with Recommendation V.1.1 of the Corporate Governance Code of the Portuguese Corporate Governance Institute (IPCG) (2018), this board analyses the performance of the Company's Executive Committee considering for that purpose:

- (i) a set of economic and financial indicators of performance;
- (ii) the deviations in relation to the established budgets;
- (iii) the level of compliance with the strategic and operational objectives agreed on by the Board of Directors for the year; and
- (iv) the impact of the evolution of the external environment of the Group, in particular, the national and international economic and financial situation, as well as the general condition of supply and demand in their markets.

26. The availability of each member of the Board of Directors and details of the positions held by each of them in other companies, inside and outside the Group, and other relevant activities undertaken by members of those boards throughout the financial year

The indication and description of the positions held and duties carried out by the members of the Board of Directors are better described in the document attached to the present report as Annex II.

The Company considers that all the members of the Board of Directors have shown total availability to perform the duties inherent to the bodies for which they were elected by the shareholders. Being considered, on the one hand, the Directors' availability to participate in the meetings of the boards they are a part of (Board of Directors, Risk Committee, Ethics and Conduct Committee and Corporate Governance Committee) and, on the other hand, the total availability to perform the tasks attributed to them by the Board of Directors, regarding both their areas of work and the management responsibilities in given business areas.

c) Committees within the Board of Directors or Supervisory Board and Board Delegates

27. Details of the Committees created within the Board of Directors and where the Regulations on the functioning thereof are available

To adopt the best corporate governance practices, the Board of Directors appointed 3 (three) specialised committees to boost its operational effectiveness (according to 21.1 above).

The Corporate Governance Committee, the Ethics and Conduct Committee and the Risk Committee have their own Regulations that lay down the rules relating to their composition, functioning and powers, which can be consulted in the Company's website at www.martifer.pt (Tab: Investors, Section: Corporate Governance / Articles of Association).

28. Details of the Executive Committee's Members

The Board Members appointed by the Company's Board of Directors to be part of the Executive Committee are:

NAME OF THE DIRECTOR	POSITION
Pedro Miguel Rodrigues Duarte	President (CEO)
Pedro Nuno Cardoso Abreu Moreira	Member (CFO)

The powers delegated to the Executive Committee are set down in 21.2 above.

29. Description of the powers of each of the Committees established and a summary of activities undertaken in the exercise thereof

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee, as per the respective Regulation, shall have 2 to 6 members that are also members of the Supervisory Board and/ or the Board of Directors, but that do not exercise executive positions. Presently, the Corporate Governance Committee has the following composition:

PRESIDENT	Mariana Machado França Gouveia Sande Nogueira (independent and non-executive Board Member)
MEMBERS	Arnaldo Figueiredo (non-executive Board Member) Inês Filipa Serra (Corporate Legal Director)

The Corporate Governance Committee is competent to issue suggestions to improve the governance model of Martifer Group, with the objective of promoting compliance with strict ethical and deontological principles and compliance with practices that ensure compliance with corporate governance standards and best practices established and that sustain a diligent, efficient, balanced and promoting ethical and responsible conduct management, from the perspective of the interests of the shareholders and other stakeholders.

Besides the presence of its members in informal meetings and work groups, the Corporate Governance Committee met formally twice in 2018. This Committee records the minutes of its meetings.

The Corporate Governance Committee has its own Regulation that establishes the rules regarding its composition, functioning and powers, which can be consulted in the Company's website at www.martifer.pt (Tab: Investors, Section: Corporate Governance/ Articles of Association).

The Corporate Governance Committee has as its primary responsibilities and powers:

- to assess and to develop the corporate governance model;
- to reflect on the governance system adopted and verify its effectiveness;
- to advise and to propose to the Company's relevant corporate boards measures aimed at improving Corporate Governance;
- to undertake performance appraisals of the executive directors and of the Board of Directors as a whole, as well as of other Committees.

ETHICS AND CONDUCT COMMITTEE

The Ethics and Conduct Committee has three to seven members, appointed by the Board of Directors, which designates the President. Presently, the Ethics and Conduct Committee has the following composition:

PRESIDENT	Mariana Machado França Gouveia Sande Nogueira (independent and non-executive Board Member)
MEMBERS	Vitor Escária (independent and non-executive Board Member) Inês Filipa Serra (Corporate Legal Director)

The Ethics and Conduct Committee has its own Regulation that establishes the rules regarding its composition, functioning and powers related to the elaboration, implementation, follow-up and control of ethics and conduct norms in Martifer. The Ethics and Conduct Committee's Regulation can be consulted in the Company's website at www.martifer.pt (Tab: Investors, Section: Corporate Governance/ Articles of Association).

The Ethics and Conduct Committee is also responsible for constituting and assuring compliance with the irregularities disclosure policy regarding irregularities occurring inside Martifer Group, under which employees can communicate, in an adequate, immediate and confidential (if requested) manner whilst safeguarding their professional integrity, information relating to the report of irregularities occurred within Martifer Group, establishing and making available the most adequate and effective communication channels for this purpose.

The Ethics and Conduct Committee coordinates its activity with the company's Supervisory Board, given the specific powers of that board, namely those laid down in the CCC.

The Committee meets periodically or whenever it is called by its President, by notice of meeting sent by the President to its members with a minimum notice period of seven work days, which will also indicate the respective agenda. The Ethics and Conduct Committee writes up minutes of all its meetings.

In 2018, in addition to informal meetings to monitor the implementation of the new Ethics and Conduct Code, two meetings were formally held, and the presence of its members was ensured in various work groups.

RISK COMMITTEE

The Risk Committee has three to six members that integrate the Board of Directors and/ or the Supervisory Board, but the majority of the members cannot hold executive positions. The President of the Company's Board of Directors may not form part of the Risk Committee, but he may participate in the meetings, without the right to vote. The Risk Committee has the following composition:

PRESIDENT	Vitor Escária (independent and non-executive Board Member)
VICE PRESIDENT	Jorge Martins (non-executive Board Member)
MEMBER	Paulo César Ferreira (Corporate Management Planning and Control Director)

The Risk Committee has its own Regulation that establishes the rules regarding its composition, functioning and powers related to the elaboration, implementation and follow-up of a risk management system transversal to Martifer Group. The Risk Committee's Regulation can be consulted in the Company's website at www.martifer.pt (Tab: Investors, Section: Corporate Governance/ Articles of Association).

The mission of the Risk Committee is to propose and monitor the implementation of Martifer Group's risk management policy, which aims to establish a strategy for risk prevention and management transversal to the Group, so as to reduce the exposure to risk and to safeguard the Groups' worth and the creation of value for its stakeholders.

The main responsibilities attributed to the Risk Committee are:

- to issue recommendations or opinions as to: (a) the definition of a risk policy for Martifer Group; (b) the content, format and methodologies to be considered in investment analysis reports, be they organic or of company acquisitions; and (c) the creation of risk identification, monitoring, control and management systems of a (i) legal and contractual, (ii) financial, (iii) technical and operational, (iv) commercial, (v) environmental, (vi) political and (vii) of any other nature, that the Risk Committee considers relevant;
- to ensure compliance with the guiding principles of Martifer Group's risk policy, assisting the Board of Directors with the setting of the strategic objectives of the Company in matters of risk assumption;
- to prepare opinions on financing and investment operations that require the previous opinion of the Risk Committee;
- to submit proposals, suggestions of methodologies to the Board of Directors to identify and cover appropriate risks and that should be adopted by Martifer Group as measures aimed at improving the risk management model in force and to facilitate the pursuit of higher corporate objectives;
- to inform the Board of Directors of any situations or occurrences of which it is aware and that, in its opinion, are non-compliant with the norms and practices of risk identification, monitoring and control;
- to monitor and analyse the reflections and guidance produced on risk management by national and international organisms, to take advantage of these to improve Martifer Group's Risk Management model.

In addition to the informal meetings and the presence of its members in work groups, the Risk Committee did not formally meet in 2018 since there were no facts that occurred that called for the issuance of recommendations.

III. SUPERVISION

a) Composition

30. Details of the Supervisory Board

Martifer's supervision model is based on a Supervisory Board and a Statutory Auditor (ROC). The functional separation between the Supervisory Board and the Statutory Auditor basically follows a division of the functions: the political supervision is exercised by the Supervisory Board, whereas the review and certification of the financial statements rest with the Statutory Auditor.

31. Composition of the Supervisory Board with details on the minimum and maximum number of members, duration of the term of office, number of effective members, date of first appointment and end of the term of office of each member

The Company's Supervisory Board has three effective members and an alternate member, elected at the 18 May 2018 General Meeting, for the triennium 2018-2021, re-electable as permitted by law.

The members of the Supervisory Board may only be elected, as a general rule, by the General Meeting, and in case there is a vacancy in the Board, this vacancy shall be occupied by the alternate member. If there is another vacancy to be occupied, it may only be occupied by means of an election of a new member at a General Meeting.

The members appointed for the current term are:

MEMBER	FIRST NOMINATION	END OF CURRENT TERM OF OFFICE
Paulo Sérgio Jesus das Neves (President)	2015	2020
Américo Agostinho Martins Pereira (permanent)	2015	2020
Mária Maria Machado Lapa de Barros Peixoto (Effective)	2018	2020
António Baia Engana (alternate)	2015	2020

32. Details of the members of the Supervisory Board

Currently, Martifer's Supervisory Board has the following composition:

PRESIDENT	Paulo Sérgio Jesus das Neves
MEMBERS	Américo Agostinho Martins Pereira Mária Maria Machado Lapa de Barros Peixoto
ALTERNATE	António Baia Engana

33. Professional qualifications of each one of the members of the Supervisory Board and other relevant curricular elements

The experience and knowledge of the Members of the Supervisory Board, currently in office, are better described in their curricula presented in the document attached to this report as Annex I and indicate in a rigorous and specific manner, their ability to carry out the duties attributed to them.

The Supervisory Board of the Company is formed by independent members, and they are subject to legal and regulatory requirements regarding incompatibilities, independence and expertise in force, in particular, those stated in article no. 414-A of the CCC, as well as the criteria of independence contained in paragraph 5 of article no. 414 of the CCC.

The elements that compose the Supervisory Board of the Company comply with the rules of incompatibility and independence identified above, being that on 31 December 2018, its members were not holders of Martifer shares, in accordance with Article no. 447 of the CCC.

b) Functioning

34. Place where the regulation can be consulted

The competencies of the Supervisory Board are indicated in the Regulation that can be consulted in the Company's website at www.martifer.pt (Tab: Investor, Section Corporate Governance, Articles of Association).

35. Number of meetings held and the attendance report of each member of the Supervisory Board

The Supervisory Board meets, at the very least, once every quarter, whenever its President decides or whenever any of the members request a meeting. The President is responsible for calling and running the meetings. Resolutions are passed when the majority of the members are present and by a majority of the votes expressed.

In 2018 the Supervisory Board met 8 (eight) times, and the minutes of every meeting were drawn up.

The attendance of each member of the Supervisory Board to the abovementioned meetings was as follows:

	ATTENDANCE
Paulo Sérgio Jesus das Neves	100%
Américo Agostinho Martins Pereira	100%
Mária Maria Machado Lapa de Barros Peixoto	100%

36. The availability of each member of the Supervisory Board, indicating the positions held simultaneously in other companies, in and outside the Group, and other relevant activities undertaken

All the members of the Supervisory Board demonstrated throughout the 2018 financial year full availability to exercise the functions attributed to them, having regularly attended the meetings called as well as being present whenever their presence was considered convenient. The President is adequately supported by the remaining members of the Supervisory Board.

In so far as the activities of the members of the Supervisory Board are concerned, all the members of the Supervisory Board are statutory auditors and develop their activity in different institutions, as described in the curricula presented in the annex of this report, endowing this board with operational knowledge on the Company's business areas. Within the scope of the most relevant activities of the members of the Supervisory Board, we refer to the information indicated in 33.

c) Powers and duties

37. Description of the procedures and criteria applicable to the supervisory board to hire additional services to be rendered by the external auditor

The Company's External Auditor has been the company PricewaterhouseCoopers & Associados, SROC, SA (PwC) since the 2010 financial period. The change in the External Auditors was a consequence of a market consultation that year, which was the object of analysis and assessment by the Supervisory Board.

Services falling outside the statutory and external audit scope requested by Martifer Group companies to the External Auditor and other entities belonging to the same company, in 2018, did not represent relevant amounts. The Supervisory Board approved the contracting of services outside the scope of the statutory and external audit to be rendered by the External Auditor, considering that these services, do not impair the External Auditors' independence in addition to not exceeding a relative weight above 30% of the total services rendered to the Company.

Additionally, any new service to be rendered by PwC and its companies (national or international) to Martifer Group is subject to the prior approval of both the management of Martifer and the PwC Partner responsible for the PwC work at Martifer Group, within the scope of its quality control system.

Martifer's Supervisory Board, within the scope of its supervision duties to the Company's activity, has analytical and appraisal responsibilities over the most significant aspects of the relationship with the External Statutory Auditor, namely in the aspects relating the independence of the External Statutory Auditor's work, under paragraph 11 of article no. 77 of the articles of the Portuguese Institute of Statutory Auditors, approved by Law no. 140/2015 of 7 September. During 2018, the Company's Supervisory Board appraised the activity carried out by the External Auditor, having concluded that it was conducted in a manner consistent with applicable regulations and norms, and that it had acted with technical rigour, transparency and civility.

Additionally, the Supervisory Board reflects, whenever necessary or adequate according to the developments at the Company or the market configuration in general, on the adequacy of the External Auditor in what concerns the performance of the duties attributed to it.

38. Other duties of the Supervisory Board

In addition to the duties described in the previous number, the Supervisory Board has the powers set forth by law and in the Articles of Association, amongst others, those relating to the monitoring of the Company's operations, the compliance with the applicable legislation, the Articles of Association and regulations, as well as to issue opinions on the budget, the balance sheet, inventories and the annual financial statements.

Hence, in exercising its powers and carrying out its duties, the Supervisory Board proposes to the Board of the General Meeting:

- To nominate the Company’s effective and alternate Statutory Auditors;
- To monitor the Statutory Auditors’ independence, namely in respect of the rendering of additional services and the scope of these, and in respect of the statutory audit of the Company’s financial statements;
- To examine, whenever it considers convenient and with regularity, the Company’s bookkeeping;
- To monitor the Company’s activity and compliance with the applicable laws, the Articles of Association and the regulations;
- To represent itself at the Board Meetings whenever it considers such presence convenient;
- To request the call of the Shareholders’ General Meeting whenever it considers such call convenient;
- To examine situations presented by the Board of Directors, periodically, during its term of office;
- To issue opinions on the budget, the balance sheet, inventories and the annual accounts.

The Supervisory Board is also responsible for representing the Company vis-à-vis the External Auditor, and for:

- proposing the supplier of these services and the respective remuneration;
- ensuring that adequate conditions for the rendering of these services are made available at the Company;
- annually appraising the services rendered as well as acting as the Company’s interlocutor, receiving simultaneously with the Board of Directors, the respective reports; and
- proposing the destitution of the External Auditor with just cause.

Finally, Martifer’s Supervisory Board is responsible for supervising and appraising the effectiveness of the risk management system and monitoring the activity of internal audit, including the functioning of the internal control and risk management systems. Both are object of regular monitoring and appraising by the Supervisory Board within the scope of its functional and legal powers, as can be inferred from the minutes of the meetings and the annual report, and the opinion issued by the Supervisory Board.

IV. STATUTORY AUDITOR

39. Details of the statutory auditor and the partner that represents it

The Statutory Auditors, effective and alternate, were elected for the biennium 2018-2019 at the 18 May 2018 General Meeting; those elected were:

EFFECTIVE	PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., as Statutory Auditor
ALTERNATE	José Miguel Dantas Maio Marques, as Statutory Auditor

The Statutory Auditor may only be elected at a General Meeting, for 2-year terms, according to legal terms. If a vacancy occurs in this body it shall be filled by the alternate member, and, if the latter does not remain in that function, it can only be filled in through the election of a new member at a Shareholders General Meeting.

The Statutory Auditor can be represented by Joaquim Miguel de Azevedo Barroso or by António Joaquim Brochado Correia, being certain that, in the year 2018, the representative of the Statutory Auditor of the Company was António Joaquim Brochado Correia.

40. Indication of the number of years that the statutory auditor consecutively carries out duties in the Company and/or Group

As better described in the previous number, the current Statutory Auditor, PricewaterhouseCoopers & Associados, SROC, Lda, was appointed at the General Meeting on 10 April 2013, having carried out its duties since then.

41. Description of other services that the statutory auditor provides to the company

The Statutory Auditor also provides the Company with External Audit services, as described in the following numbers.

V. EXTERNAL AUDITOR

42. Identification of the external auditor appointed in accordance with article no. 8 and of the partner that represents the external auditor in carrying out these duties, and the respective registration number at CMVM

The External Statutory Auditor is the company PricewaterhouseCoopers & Associados, SROC, SA (PwC) currently registered under no. 20161485 in CMVM (the Portuguese Securities Market Commission). PwC has, since 2017, been represented by António Joaquim Brochado Correia.

43. Indication of the number of years that the external auditor and respective partner that represents it have consecutively carried out duties at the Company and/or Group

As better described in the previous number, the External Statutory Auditor PricewaterhouseCoopers & Associados, SROC, Lda. has exercised duties at the Company consecutively since 2010, for around 9 years. The respective partner of the Statutory Auditor, who represents it in the fulfilment of those duties, António Joaquim Brochado Correia, has exercised his duties since 2017.

44. Rotation policy and schedule of the external auditor and the respective partner that represents the auditor in carrying out such duties

In so far as a rotation schedule of the External Auditor is concerned, Martifer Group has no formal policy regarding External Auditor rotation.

The Supervisory Board carries out an annual assessment on the External Statutory Auditor's work, ensuring compliance with the provisions of article no. 54 of the Articles of the Portuguese Institute of Statutory Auditors, approved by Law no. 140/2015 of 7 September, regarding the rotation of the partner responsible for the execution of the work.

On 27 September 2017, the Supervisory Board issued an opinion in favour of the proposed extension of the exercise of functions for two more years of PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. as Statutory Auditor and External Statutory Auditor in the years 2018 and 2019, that is, up to the maximum limit indicated in paragraph 4 of article no. 54 of the Articles of the Portuguese Institute of Statutory Auditors, approved by Law no. 140/2015 of 7 September.

The Supervisory Board conducted a thorough analysis, having concluded that the competence, reputation and experience of the current Statutory Auditor and External Auditor, and the independent manner with which they have been exercising their functions, underpin the option for their continuance in office, since this continuity doesn't question its independence, and prevents the

incurring of replacement costs arising from the loss of the historical knowledge and its importance for the effectiveness of the audit and review, provided that the independence and impartiality is ensured, as has been the case.

Additionally, the partner representing the Statutory Auditor Company took office in 2017 under a rotation policy, which is done in accordance with the best compliance practices.

In preparing the proposal, the Supervisory Board took into account what is indicated in paragraph 4 of article no. 54 of the Portuguese Institute of Statutory Auditors, approved by Law no. 140/2015 of 7 September, which foresees that the mandate may have a maximum period of 10 years provided that it is duly substantiated.

Thus, the Company complies with the rules currently in force, in what concerns the External Auditor and the partner of the Statutory Auditor that represents it in the fulfilment of these functions.

45. Body responsible for appraising the external auditor and periodicity of the appraisal

The Supervisory Board, in the conduct of its functions, carries out an annual appraisal on the External Auditor's independence.

Additionally, the Supervisory Board, throughout each financial period and whenever necessary or adequate according to the developments in the activity of the Company or to the general market configuration, reflects on the adequacy of the External Auditor vis-à-vis the conduct of its duties.

46. Services, other than auditing, carried out by the External Auditor for the Company and/or companies in a control relationship and indication of the internal procedures for approving the contracting of such services and indication of the reasons for contracting such services

In addition to auditing services for the Company and/or companies of the Group, tax advisory and accounting services were rendered for foreign companies.

The approval and contracting of the services rendered by the External Auditor, other than the auditing services, were based on the procedures described in no. 37; the contracting of such services occurred due to the lack of internal resources (of the Company).

Additionally, any new service to be rendered by PwC and its companies (national or international) to Martifer Group is subject to the prior approval of both the management of Martifer and the PwC Partner responsible for the PwC work at Martifer Group, within the scope of its quality control system.

47. Annual remuneration paid by the Company and/or legal entities in a control or group relationship to the auditor and other natural or legal persons pertaining to the same network and description of the services in question

During the 2018 financial period, the annual remuneration paid to the auditors and other private or corporate bodies belonging to the same network by the Company and/or legal entities in a control or group relationship amounted to 245,450.00 Euros (including expenses and remuneration paid by foreign subsidiaries). The breakdown of that remuneration is as follows:

OTHER	2018	%	2017	%	2016	%
Legal account audit and audit services	173.019	87.72%	166.658	97.64%	187.161	93.50%
Other reliability assurance services	2.100	1.06%	2.000	1.17%	2.760	1.38%
Tax consultancy services	6.968	3.53%	0	0.00%	5.250	2.62%
Other services other than statutory audit	15.163	7.69%	2.026	1.19%	5.000	2.5%
Total	197.250	100.00%	170.684	100.00%	200.171	100.00%

MT SGPS	2018	%	2017	%	2016	%
Legal account audit and audit services	48.200	100.00%	48.200	99.08%	53.200	91.41%
Other reliability assurance services	0	0.00%	0	0.00%	5.000	8.59%
Tax consultancy services	0	0.00%	0	0.00%	0	0.00%
Other services other than statutory audit	0	0.00%	450	0.92%	0	0.00%
Total	48.200	100.00%	48.650	100.00%	58.200	100.00%

TOTAL GLOBAL	245.450		219.334		258.371	
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** Including individual and consolidated financial statements

C. INTERNAL ORGANISATION

I. ARTICLES OS ASSOCIATION

48. Rules applicable to the amendment of the Company's Articles of Association (article no. 245-A, paragraph 1, subparagraph h)

Martifer's Articles of Association do not foresee special rules applicable to the amendment of the Articles of Association, thus applying the rules set out in the CCC. Thus:

- Constitutive Quorum, the provisions of paragraph 2 of article no. 383 of the CCC shall apply. In order for the General Meeting to be able to decide, on first call, on the amendment of the Company's agreement, shareholders must be present or must be represented by shareholders who hold at least one-third of the share capital;
- Deliberative quorum, the rule of paragraph 3 of article no. 386 of the CCC due to paragraph 1 of article no. 18 of the Articles of Association, namely the corporate resolutions to be taken at the General Meeting, regarding proposals for amendments to the Articles of Association shall be taken either on first call or on second call by two-thirds of the votes cast.

II. COMMUNICATION OF IRREGULARITIES

49. Means and policy for reporting irregularities in the Company

The irregularities reporting policy indicates the Ethics and Conduct Committee as the responsible entity for receiving and managing complaints or reporting irregularities, without prejudice to the powers of the Supervisory Board in this matter.

Additionally, to the Supervisory Board, the Committee pursues, applies and handles procedures on complaints about internal irregularities, giving appropriate internal treatment to the complaints and reporting irregularities, ensuring a speedy resolution of the facts reported.

Thus, Martifer Group aims to ensure the existence of conditions that allow any employee to freely communicate his/her concerns in these areas to the Ethics and Conduct Committee and to facilitate early detection of irregular situations that, if true, can cause damage to Martifer Group as well as to its stakeholders.

The participation, communication or report of irregularities occurred within Martifer Group is received directly in an email box, exclusively accessed by the President of the Ethics and Conduct Committee. The anonymity and confidentiality are guaranteed whenever requested in the participation or complaint. This channel was considered the most appropriate and independent to receive the complaints, without prejudice to being sent by post.

Communications of irregularities addressed directly to the Supervisory Board and all others that fall within the exclusive competence of the Supervisory Board shall also be immediately communicated by its President to the President of the Ethics and Conduct Committee.

During 2018 no irregularities were reported to the Ethics and Conduct Committee of Martifer Group.

The Company's communication and reporting of irregularities policy is posted on the Company's website at <http://www.martifer.pt/>, as well as in the Company's intranet.

Martifer's irregularity reporting policy covers the entire perimeter of Martifer Group.

III. INTERNAL CONTROL AND RISK MANAGEMENT

50. Persons, bodies or committees responsible for internal audit and/or implementation of internal control systems

Board of Directors

The risk policy is defined by the Board of Directors based on risk analysis and measurement, and the Board also coordinates and develops risk management processes to ensure integrated risk management in accordance with the strategy and objectives of Martifer Group.

Risk Committee

Martifer's Risk Committee, which is a specialized committee at the service of the Board of Directors, is responsible for the compliance with the guiding principles of Martifer Group's Risk Policy, assisting the Board of Directors in setting the Company's strategic objectives in matters concerning risk-taking, also issuing recommendations or opinions, among others, on the definition of a Risk Policy for Martifer Group and the creation of identification, monitoring, control and risk management systems of (i) a legal and contractual nature, (ii) a financial nature, (iii) a technical-operational nature, (iv) a commercial nature, (v) an environmental nature, (vi) a political nature and (vii) of another nature.

The composition, functioning, duties and powers of the Risk Committee are described in no. 29 above and can be found in the Risk Committee Regulation available on the Company's website at <http://www.martifer.pt/> (Tab: Investors, Section: Corporate Governance/ Articles of Association).

Supervisory Board

The evaluation of internal control and of the risk management system is subject to regular analysis and discussion by Martifer's Supervisory Board within its scope of legal competences.

External Audit

Among its functions, it assesses the reliability and integrity risks of the accounting and financial information, reporting them to the Supervisory Board.

The Internal Audit Department

In its organisational structure, Martifer has an Internal Audit Department that carries out its activity to evaluate the effectiveness and efficiency of the internal control system and the business processes of the entire Martifer Group in an independent and systematic

manner, to verify whether the assets of Martifer Group are properly registered and adequately protected against possible risks and losses, to examine and assess the rigour, quality and application of operational, accounting and financial controls, by promoting a cost-effective control and by proposing necessary measures to address any deficiencies in the internal control system.

During the year 2018, due to some employees leaving the group, the Internal Audit Department's activity was reduced. However, the Company is actively endeavouring to ensure that the Internal Audit Department can be provided with the necessary human resources in the short term to carry out the functions assigned to it as part of the Company's organisational structure.

Planning & Management Control Department and Consolidation & Reporting Department

The Company also has a Planning & Management Control Department, which supported by the company's IT systems, produces, monitors and analyses management information, raising questions on each business area.

The consolidated financial statements are prepared by Martifer's Consolidation & Reporting Department, which ensures consistency in the application of the adopted accounting policies.

It should be noted that the reliability and integrity risks of the accounting and financial information are also evaluated and reported by the Statutory Auditors and by the External Auditor.

It should also be highlighted that the existence of a Code of Ethics and Conduct and a system of communication of irregularities allow the improvement of Martifer Group's control culture.

51. Explanation, by the inclusion of an organisational chart, of hierarchical and/or functional dependency relationships with other bodies or committees of the Company

In what regards the relations of dependency and/or functional hierarchy between the bodies and the departments responsible for the implementation and monitoring of the internal control systems better described in the previous paragraph:

- The Risk Committee is a committee formed by the Board of Directors, formed mainly by non-executive members of the Board of Directors and/or the Supervisory Board, and presided by an independent member;
- The Supervisory Board is elected at the Shareholders General Meeting of the Company and is an independent body;
- The External Auditor, proposed by the Supervisory Board, is elected at the Company's Shareholders General Meeting and the results of its activity are appraised by the Supervisory Board;
- The Internal Audit Department reports functionally to the independent non-executive Member of the Board of Directors;
- The Management Planning & Control Department and the Consolidation & Reporting Department report to the Company's Board of Directors.

52. Existence of other functional areas with risk control responsibilities

We understand that this item is already explained in detail in the previous paragraph, so we refer to the answer given in the previous paragraph.

53. Identification and description of the main types of risks (financial, operational and legal) to which the Company is exposed in the exercise of its activity

The management of risks within Martifer Group is based on the permanent identification and analysis of the exposure to different types of risks inherent to its activities (metallic constructions, naval industry and *renewables*) in the various geographies where it is

present and that are transversal to the whole Company - financial risks; currency exchange risks, interest rate risk, liquidity risks, credit risks, operational risks and legal risks, among others - and in the adoption of strategies to maximize profitability.

The main risks to which Martifer Group is exposed in its business are described in detail in a separate chapter of the Management Report, which is considered an integral part of this report by reference (Chapter 08 of the Management Report).

54. Description of the process of identification, appraisal, monitoring, control and risk management

Risk management systems

Risk Management is one of the components of Martifer's culture, being present in all management processes and being a responsibility of all managers and employees at different levels of the organisation.

The risk policy is defined by the Board of Directors based on risk analysis and measurement, and it also coordinates and develops risk management processes in order to ensure integrated risk management in line with the Group's strategy and objectives.

In parallel, Martifer continues to implement internal control and risk management procedures to strengthen the integrated risk management, establishing a strategy for risk prevention and management across the Group, to reduce the exposure to risk and to safeguard the value of the Group. The procedure is characterised, briefly, by identifying risks in each of the business areas, accompanied in parallel by the formalisation of a risk evaluation, management, prevention and mitigation process to be carried out by the Board of Directors of the Company, supported by the Risk Committee.

Risk management comprises the processes of identifying current and potential risks, analysing their possible impact on the strategic objectives of the organisation and predicting the likelihood of their occurrence in order to determine the best way to manage the exposure to these risks.

All of these risks are appropriately identified, assessed and monitored, and the different structures within the Company manage and/or mitigate them.

Risk management in Martifer Group begins with the identification and measurement and analysis of the different risks to which it is exposed, with particular attention to operational and market risks, the probability of occurrence of the various factors that determine them and their potential impact on the business of the company or of the activity in question.

Without prejudice to the definition of the risk strategy by Martifer's Board of Directors, the managers responsible for operational activities are also responsible for the implementation of risk control mechanisms, which are subject to the scrutiny of the competent Financial, Tax and Legal departments.

Risk identification is a responsibility that is transversal to the different levels of the organisation. Templates have been created to identify and categorise the main risks of each Business Area, as well as new risks that arise as the activities are developed, including:

- (i) economic and business risks,
- (ii) financial risks, and
- (iii) legal risks.

The company's Risk Committee is also responsible for assessing and issuing opinions, which are submitted to the Board of Directors, among others, about new investments by Martifer Group above a certain amount and about new countries for the Group.

The effectiveness of these mechanisms is periodically assessed by the holding company through the Internal Audit department, in compliance with a financial auditing plan and with IT, process and compliance systems with the approved procedures. This audit plan is prepared and carried out annually, based on a prior assessment of business risks, and the mechanisms and assessments of the internal audit department are monitored and supervised by the Company's Supervisory Board within the scope of its functional competencies.

The Planning & Management Control Department also promotes and supports the integration of risk management in the process of planning and management control of the companies.

It is the *Holding's* objective to obtain an integrated view of the risks which the Group faces in each of its different activities or business areas and ensure the consistency of the resultant risk profile with the Group's overall strategy and, in particular, what it believes to be an acceptable risk level, given its capital structure.

In this sense, the operations of greater relevance and impact in Martifer Group, as well as those of a more financial nature are directly assessed and validated by the Financial, Tax and Legal Departments at the *holding company*, following the risk policies and strategies set by the administration and based on a risk matrix implemented for that purpose.

55. Core details on internal control and risk management systems implemented in the Company regarding the procedure for reporting financial information (article no. 245-A, paragraph 1, subparagraph m)

Concerning the release of financial information, Martifer Group promotes strict cooperation amongst all the bodies, departments and remaining participants in the process, so that the financial information is prepared in accordance with the legal requirements in force, complying with the best practices concerning transparency, relevance and reliability; it is subject to an effective verification, both an internal analysis and an analysis by the supervisory bodies and the External Auditor; it is approved by the responsible corporate body, and its disclosure complies with all the legal requirements and recommendations, namely those of CMVM.

In the financial information disclosure process, we highlight:

- The use of accounting policies that are explained in the Notes to the Financial Statements;
- The financial information is analysed by those responsible for the management of the respective business areas, seeking to exercise permanent monitoring and the respective budget control;
- The accounting records and the preparation of the financial statements are prepared by the Financial, Accounting and Corporate Planning & Management Control Departments, that guarantee the control over the recording of the transactions of the business processes and over the balances of the asset, liability and equity accounts;
- The consolidated financial statements are prepared periodically, on a half-yearly basis, by the Consolidation & Reporting Department and validated by the Planning & Management Control Department;
- The Management Report is prepared by the competent internal departments, with the contribution and additional review of the various business and support areas. The Statutory Auditor also reviews the content of this report and its conformity with the supporting financial information;
- The Group's financial statements are prepared under the supervision of the executive directors of the Group. The documents comprising the annual report are sent for the review and approval of the Board of Directors. After their approval, the documents are sent to the External Auditor, who issues the Legal Certification of the Accounts and the External Audit Report;
- The Statutory Auditor carries out quarterly analytical revisions to the consolidated accounts, accompanying and supporting the Supervisory Board and the Board of Directors;
- The Statutory Auditor carries out an annual audit in accordance with the Auditing Standards in force.

IV. INVESTOR ASSISTANCE

56. Department responsible for investor relations, composition, functions, information made available and contact details

Martifer has always privileged permanent contact with the capital market, seeking to guarantee permanent access to information on the Group in a continued and consistent manner, be it through the disclosure of periodic financial information or through contacts with institutional investors, namely by participating in roadshows and conferences, or through permanent contact with financial analysts.

Shareholders and investors can obtain all the relevant information on the Group at Martifer's website <http://www.martifer.pt/>, in particular in the Investor Relations page, where information of a corporate and financial nature can be found. Shareholders and Investors can also contact the Investor Assistance Office, which assures a permanent contact with the market.

The Investor Relations and Communications Office seeks to assure the disclosure of information on Martifer Group in a continued, timely and balanced manner to the market, to investors, to analysts and to journalists.

The main functions of the Investor Assistance Office are, amongst others:

- Assure compliance, vis-à-vis the authorities and the market, with the legal and regulatory reporting obligations applicable to Martifer SGPS, SA. The disclosure of information falling within the scope of “disclosure of privileged information”, the announcement of quarterly and annual information on the activities and results of the Group and the preparation of the annual and half-yearly financial statements, are to be highlighted;
- Satisfy investor (institutional and private), financial analyst and other agents' requests for information;
- Support and advise Martifer's Executive Committee in aspects relating to the Company's public status, an example being the monitoring of the evolution of Martifer's quoted share price, in its multiple aspects, supporting the Executive Committee with the direct contact that it maintains with financial analysts and institutional investors (national and foreign) in conferences, in meetings and road-shows. At an organic level, the Investor Assistance Office reports directly to the Executive Committee of the Board of Directors of Martifer SGPS.
- Information made available by the Investor Relations Office:
 - Investor Kit
 - General Information
 - Main Indicators
 - *Corporate Governance*
 - Corporate Bodies
 - Articles of Association
 - Ethics and Conduct
 - General Meetings
 - Agenda
 - Publications
 - Financial Information
 - Presentations
 - Notices

The Investor Assistance Office may be contacted at:

Martifer SGPS, Apartado 17
3684-001 Oliveira de Frades, Portugal
Tel.: +351 232 767 700
Fax: +351 232 767 750
Email: investor.relations@martifer.pt

57. Market Liaison Officer

In accordance with the Securities Code, the Market Relations Officer is Pedro Nuno Cardoso Abreu Moreira, who can be contacted at:

Pedro Moreira

Martifer SGPS, Apartado 17
3684-001 Oliveira de Frades, Portugal
Tel.: +351 232 767 700
Fax: +351 232 767 750

58. Data on the extent and deadline for replying to information requests received throughout the year or pending from preceding years

- Requests for information received by the Investor Assistance Office recorded an increase since the second-half of 2017, which is justified by the improvement in the financial markets' expectations regarding Portugal and the performance of the companies. Information requests were largely made by institutional investors, but some information requests were also placed by small retail investors.
- The Market Liaison Office aims to minimise the request-response time, and when an immediate response is not possible, it shall not exceed 24 hours, except for exceptional circumstances.

V. WEBSITE

59. Address(es)

Martifer has a website bearing the electronic address <http://www.martifer.pt/> with a wide range of information on the Group.

60. Place where information on the company is available, on the public company status, registered office and other elements referred to in article no. 171 of the Commercial Companies Code

Information can be consulted at the following electronic address:

<http://www.martifer.com/pt/grupo/legal-disclaimer/>

61. Place where the Articles of Association and regulations on the functioning of the boards and/or committees are available

Information can be consulted at the following electronic address:

<http://www.martifer.pt/pt/grupo/investidor/corporate-governance/estatutos/>

62. Place where information is available on the members of the corporate bodies, on the Market Liaison Officer, on the Investor Assistance Office or comparable structure, respective functions and contact details

Information can be consulted at the following electronic addresses:

<http://www.martifer.pt/pt/grupo/investidor/corporate-governance/orgaos-sociais/>

<http://www.martifer.pt/pt/grupo/investidor/informacoes-gerais/gabinete-de-apoio/>

63. Place where the documents are available and relate to financial accounts reporting, which should be accessible for at least five years and the half-yearly calendar of company events that is published at the beginning of every six months, including, inter alia, General Meetings, disclosure of annual, half-yearly and where applicable, quarterly financial statements

Information can be consulted at the following electronic address:

<http://www.martifer.pt/pt/grupo/investidor/publicacoes/informacoes-financeiras/>

64. Place where the notice convening the General Meeting and all the preparatory and subsequent information related thereto is disclosed

Information can be consulted at the following electronic address:

<http://www.martifer.pt/pt/grupo/investidor/corporate-governance/assembleias-gerais/>

65. Place where the historical archive on the resolutions passed at the company's General Meetings, share capital and voting results relating to the preceding three years are available

Information can be consulted at the following electronic address:

<http://www.martifer.pt/pt/grupo/investidor/corporate-governance/assembleias-gerais/>

D. REMUNERATION

I. Power to establish

66. Details of the powers for establishing the remuneration of corporate bodies, members of the executive committee and directors of the company

The remuneration policy and the remuneration of the Company's Corporate Bodies are established by a Remuneration Setting Committee, elected at the Shareholders General Meeting. This policy is reviewed annually and submitted for approval at the Company's Annual Shareholders General Meeting, where at least one representative of the said Remuneration Setting Committee is present.

The Remuneration Setting Committee is dedicated to the preparation of master guidelines and the determination of the remuneration policy of the Company's corporate bodies, to monitoring the execution of that policy and to guarantee the alignment of the actions of those bodies with the interests of the Company.

The Remuneration Setting Committee has as its main powers to:

- Define the remuneration policy of the Corporate Bodies of the Company, particularly of the executive members of the Board of Directors, fixing the criteria to determine the variable component of the remuneration;
- Determine the various components of the fixed and variable remuneration, possible benefits and complements, as well as the annual remuneration payable to the members of Martifer's Corporate Bodies;
- Monitor the performance of the executive members of the Board of Directors to determine the variable remuneration;
- Monitor the performance of the non-executive members of the Board of Directors;
- Submit, in an advisory character, an informative exposition on the company's remuneration policy to the annual General Meeting.

The Remuneration Setting Committee sporadically requests, if necessary, from Martifer's internal departments (namely the Human Resources Department, the Planning & Management Control Department and the Legal Department) specialised information and data of a technical nature, amongst other, relating to the structure of the Company, results of the Group and members and activities of the corporate bodies. The information requested and received by the Remuneration Committee is aimed at the compilation of a set of information and technical data that allows the definition and implementation of the Group's remuneration policy.

The information requested is provided free of charge, and the Remuneration Setting Committee does not need to hire persons, natural or legal, to carry out its duties.

The External Auditor is also obliged to verify the application of the policies described and the remuneration systems of the corporate bodies, having to report any potential non-conformity detected to the Supervisory Board.

II. Remuneration Setting Committee

67. Composition of the Remuneration Setting Committee, including details of persons, natural or legal, recruited to provide such services and a statement on the independence of each member and advisors

The composition of the Remuneration Setting Committee elected at the Shareholders General Meeting for a three-year term of office (2018-2020) is as follows:

PRESIDENT	António Manuel Queirós Vasconcelos da Mota
MEMBERS	Maria Manuela Queirós Vasconcelos Mota dos Santos Júlia Maria Rodrigues de Matos Nogueirinha

The members of the Remuneration Setting Committee are independent of the management body, considering the explanation contained in the paragraph that follows.

In the tax year of 2018, a member of the Remuneration Setting Committee - Júlia Maria Rodrigues de Matos Nogueirinha - was also a member of a corporate body of a commercial company whose share capital is held directly and/or indirectly by two non-executive Directors of the Company, namely Carlos Manuel Marques Martins and Jorge Alberto Marques Martins. However, the Company considers that the independence of the Remuneration Setting Committee is safeguarded not only by the professional training of this member in particular but also by the fact that the remaining members of the Committee, which form the majority, are independent from the executive members of the management body of the Company.

No persons were hired to integrate the Remuneration Setting Committee.

68. Knowledge and experience in remuneration policy issues by members of the Remuneration Setting Committee

The Company considers that all the members of this Remuneration Setting Committee are competent to carry out their duties with excellence, due to their professional training and based on positions previously held.

Maria Manuela Queirós Vasconcelos Mota dos Santos was President of the Human Resources Development Committee of Mota-Engil Group.

The experience and knowledge of the members of the Remuneration Setting Committee are better described in their curricula presented in the document attached to this report and attest their ability to carry out the duties attributed to them.

III. Remuneration structure

69. Description of the remuneration policy of the Board of Directors and Supervisory Board as set out in article no. 2 of Law no. 28/2009 of 19 June

The remuneration of the members of the Board of Directors and of the Supervisory Board of the Company is determined, according to the terms of the Articles of Association, by the Remuneration Setting Committee, which submits an annual document to be appraised at the General Meeting, containing the general guidelines to be followed in establishing the specific amounts to attribute to the members of the various Corporate Bodies.

At the Company's General Meeting on 18 May 2018, the remuneration policy of the management and supervisory bodies, prepared by the Remuneration Setting Committee in compliance with article no. 2 of Law no. 28/2009 of 19 June (with the wording given by Decree-Law no. 157/2014 of 24 October), and available at the Company's website at <http://www.martifer.pt/> (Tab: Investor, Section Corporate Governance/ General Meeting) was appraised and submitted for approval.

In general terms, the said remuneration policy of the management and supervisory bodies seeks to closely follow the applicable provisions of the CCC and the applicable recommendations of the Corporate Governance Code, and is reflected in the statement submitted for approval at the General Meeting referred to in the following number.

In the definition of the remuneration policy for 2018, the legal provisions foreseen (i) in the CCC, in particular in its article no. 399; (ii) Law no. 28/2009, of 19 June (with the wording given by Decree-Law no. 157/2014 of 24 October); (iii) the Corporate Governance Code; and (iv) the special regime established in the Company's Articles of Association regulations were considered.

70. Information on how remuneration is structured to enable the aligning of the interests of the members of the Board of Directors with the Company's long-term interests and how it is based on performance assessment and how it discourages excessive risk-taking

Martifer's remuneration policy aims to promote the convergence of the interests of the directors, those of the other corporate bodies and of the managers with the Company's interests, namely the ones regarding value creation for the shareholder and real growth for the Company, privileging a long-term perspective.

Hence, the Committee structured the components of the remuneration of the Management bodies to reward their performance in achieving high and, simultaneously, sustained growth, discouraging, however, excessive risk-taking. Additional determining factors include the Company's economic situation and general market conditions practised for equivalent positions.

The remuneration of the executive members of the Board of Directors shall comprise a fixed and, when so deliberated by the Remuneration Committee, a variable component, with the latter variable part of the remuneration not exceeding 5% (five per cent) of the results for the period, as set out in law and in paragraph 3 of article no. 20 of the Articles of Association.

The informative principles observed by the Committee in establishing the remuneration are:

- a) The duties carried out, the degree of complexity inherent to the duties and responsibilities attributed, time spent and the added-value to the Company of the work produced. Other duties carried out in group companies are also relevant, in virtue of increased responsibilities and because they constitute additional sources of income.
- b) The alignment of the interests of the members of the management body with those of the company, performance assessment of the members of the management body and of value creation for the shareholders.
- c) The economic situation of the company, present and future, privileging the interests of the Company in the long-term perspective and the achievement of real growth for the Company and value creation for its shareholders, based on criteria defining the economic situation of the Company, amongst others, those of financial nature.
- d) General market conditions for equivalent situations, considering that the remuneration shall be aligned with market practice, allowing it to serve as a means to achieve high individual and collective performance, assuring the interests of the member but primarily those of the Company and the shareholders.

The general guidelines governing the remuneration policy followed by the Remuneration Setting Committee during the 2018 financial period were those contained in the Remuneration Policy Statement, which was subject to resolution at the Company's General Meeting on 18 May 2018, and can be consulted in Annex III of this report.

71. Reference, where applicable, to the existence of a variable remuneration component and information on any impact of the performance appraisal on this component

As described in more detail in the preceding number, the remuneration of the executive members of the Board of Directors shall comprise a fixed and, when attributed, a variable component.

The fixed component of the remuneration of the members of the Board of Directors with executive functions, as well as of the non-independent non-executive Members (when attributed), shall consist of a monthly amount payable fourteen times a year; and the

variable part cannot exceed five per cent of the results for the financial period, as set out in law and in paragraph 3 of article no. 20 of the Articles of Association.

In setting all remuneration, namely including the distribution of the total amount of the variable remuneration amongst the members of the Board of Directors, the general principles indicated above shall be observed: duties carried out, alignment with the interests of the Company, privileging the long-term, the situation of the Company and market criteria.

The process of attributing variable remuneration (VR) to the executive members of the Board of Directors shall follow the criteria indicated by the Remuneration Setting Committee, namely their position in the hierarchy, the performance assessment carried out, the company's real growth; seeking in determining those criteria to strengthen the convergence of the interests of the Management bodies with those of the Company, privileging the long-term perspective; this perspective is considered in the performance criteria applied to Management. Thus, the following will be considered decisive for the assessment and measurement of the VR:

- the contribution of the executive directors to the results obtained;
- the profitability of the businesses from the shareholder perspective;
- the evolution of the share price quotation;
- the extent to which the projects integrated and measured by the Balanced Scorecard of the Group are accomplished.

During 2018, no contracts were celebrated, be it with the Company, or with third parties, to mitigate the risk inherent to the variable remuneration established by the Company for the members of the management board.

72. The deferred payment of the remuneration's variable component, specifying the relevant deferral period

During the 2018 financial year, no variable remuneration was attributed to the directors of Martifer. Consequently, the issue of deferral of this remuneration component did not arise. On the other hand, the Remuneration Policy of the management and supervisory bodies, drawn up by the Remuneration Setting Committee and approved at the General Meeting on 18 May 2018 does not foresee the deferral of variable remuneration, when attributed.

Therefore, during the relevant financial year, the Company's directors did not receive variable remuneration and, consequently, the deferred payment of this remuneration component did not occur.

73. The criteria on which the allocation of variable remuneration on shares is based, and also on maintaining company shares that the executive directors have had access to, on possible share contracts, including hedging or risk transfer contracts, the corresponding limit and its relation to the total annual remuneration value

Martifer's existing Remuneration Plan on Stock Options was constituted and attributed in the 2008 corporate period, foreseeing the deferral of the exercising of the options during a period of 4 years; consequently, the exercising of the options related thereto expired during the 2013 corporate period.

Regarding the 2008 Plan, none of the directors exercised their option rights during the respective deferral period.

During the course of the 2018 corporate year, the Company neither implemented nor attributed stocks and/or stock options plan and, consequently, no variable remuneration was allocated as shares to the directors and no criteria were established for the maintenance of those shares by the executive directors.

74. The criteria on which the allocation of variable remuneration on options is based and details of the deferral period and the exercise price

As better described in the preceding number, and given that during the 2018 fiscal year the Company did not implement, nor attributed a share allocation plan and/or share purchase option plan, the Company considers this subject as not applicable.

75. The key factors and grounds for any annual bonus scheme and any additional non-financial benefits

The Company has neither implemented any annual bonus scheme nor any additional non-financial benefits.

76. Key characteristics of the supplementary pensions or early retirement schemes for directors and date when the said schemes were approved at the General Meeting, on an individual basis

The Company does not have supplementary pensions or early retirement schemes for the members of the management and supervisory bodies or for other managers, as defined in no. 3 of article no. 248-B of the Securities Code.

77. Details on the amount relating to the annual remuneration paid as a whole and individually to members of the Company's Board of Directors

DIRECTOR	EXECUTIVE DIRECTOR	FIXED REMUNERATION	VARIABLE REMUNERATION	STOCK OPTIONS	ATTENDANCE FEES	TOTAL (€)
Carlos Manuel Marques Martins (President)	No(*)	166.603,03	-	-	-	166.603,03
Jorge Alberto Marques Martins (Vice President)	No(*)	13.650	-	-	-	13.650
Arnaldo Nunes da Costa Figueiredo (Vice President)	No	-	-	-	-	-
Pedro Miguel Rodrigues Duarte	Yes	96.166,62	-	-	-	96.166,62
Pedro Nuno Cardoso Abreu Moreira	Yes	135.781,30	-	-	-	135.781,30
Maria Sílvia da Fonseca Vasconcelos da Mota	No	-	-	-	15.000	15.000
Vítor Manuel Álvares Escária	No	-	-	-	15.000	15.000
Mariana França Gouveia	No	-	-	-	15.000	15.000
Luís António de Valadares Tavares (**)	No	-	-	-	10.000	10.000
Jorge Bento Ribeiro Barbosa Farinha (**)	No	-	-	-	10.000	10.000

Note: value in Euro.

(*) Exercised executive positions until 18 May 2018.

(**) Ceased functions on 18 May 2018.

78. Amounts of any kind paid by other companies in a control or group relationship or which are subject to a common domain

In 2018, only the following members of the Board of Directors received fixed remuneration paid by the following subsidiaries of the Company:

DIRECTOR	COMPANY	FIXED REMUNERATION
Jorge Alberto Marques Martins	Martifer Renewables, LTDA (Brazil)	R\$ 20,000 (i)
Jorge Alberto Marques Martins	SPEE 3 - Parque Eólico de Baião S.A	14.000
Jorge Alberto Marques Martins	SPEE 2 - Parque Eólico de Vila Franca de Xira, S.A.	14.000
Pedro Miguel Rodrigues Duarte	Navalria-Docas, Construções e Reparações Navais, S.A.	20.474
Pedro Miguel Rodrigues Duarte	West Sea – Estaleiros Navais, Unipessoal, Lda.	20.474

Note: Values in Euro, except (i).

(i) Remuneration received in local currency – Brazilian Real, whose global amount corresponds to €1.257,67, at the 29/12/2017 foreign exchange rate (R\$ 3,9756), i.e. that of the last day of the financial period being reported on.

79. Remuneration paid in the form of profit sharing and/or bonus payments and the reasons for the said bonuses and/or profit-sharing being awarded

During the 2018 financial period, no remuneration was paid in the form of profit sharing and/or bonus payments.

80. Compensation paid or owed to former executive directors concerning contract termination during the financial year

During 2018, no compensation was paid, nor is it owed to any former executive director regarding contract termination.

81. Details of the annual remuneration paid, as a whole and individually, to the members of the Company's Supervisory Board for the purposes of Law no. 28/2009 of 19 June

PAULO SÉRGIO JESUS DAS NEVES	4,800
AMÉRICO AGOSTINHO MARTINS PEREIRA	4,800
MÁRIA MARIA MACHADO LAPA DE BARROS PEIXOTO (*)	2,952.38
CARLOS ALBERTO DA SILVA CUNHA(**)	1,847.62
ANTÓNIO BAIA ENGANA	-
TOTAL	14,400

Note: value in Euro.

(*) Was elected for the position by determination at the General Meeting on 18 May 2018.

(**) Ceased functions on 18 May 2018.

82. Details of the remuneration for the year in question of the President of the Board of the General Meeting

José Joaquim Neiva Nunes de Oliveira	1,200
Luís Leitão Marques Vale Lima	-
Luís Neiva de Oliveira Nunes de Oliveira	400
TOTAL	1,600

Note: value in Euro.

V. Agreements with remuneration implications

83. Envisaged contractual restraints for compensation payable for the unfair dismissal of directors and relevance thereof to the remunerations' variable component

The Company has not established nor agreed to any contractual limitation relating any compensation possibly due to a Company Board Member in the event of dismissal without just cause other than that provided by law. The Company shall make use of the legal instruments available by law adequate to this situation, particularly if there is inadequate performance of a Board Member. On the other hand, there is no legal instrument signed with Board Members that commits the company, in the cases referred to in Recommendation V.3.6 of the Corporate Governance Code of the Portuguese Institute for Corporate Governance - IPCG (2018), to the payment of any indemnification or compensation beyond what is legally required.

84. Reference to the existence and description, with details of the sums involved, of agreements between the Company and members of the Board of Directors and managers, pursuant to article no. 248-B/3 of the Securities Code that envisages compensation in the event of resignation or unfair dismissal or termination of employment following a takeover bid (article no. 245-A/1/I)

The Company is not part of any agreement with the members of the management body or other managers, as defined in paragraph 3 of article no. 248-B of the Securities Code that foresees compensation in the event of resignation, unfair dismissal or employment termination following a takeover bid.

VI. Share-Allocation and/or Stock Option Plans ("stock options")

85. Details of the plan and the number of persons included therein.

Martifer does not currently have any active Remuneration Plan in Stocks and Stock Options.

86. Characteristics of the plan (allocation conditions, non-transfer of share clauses, criteria on share-pricing and the exercising option price, the period during which the options may be exercised, the characteristics of the shares or options to be allocated, the existence of incentives to purchase and/or exercise options)

The Company does not have any active Stock Attribution Plan or Stock Option Plan.

87. Option rights granted for the acquisition of stocks of which the employees and collaborators of the company are beneficiaries

The Company does not have any active Stock Attribution Plan or Stock Option Plan.

88. Control mechanisms for a possible employee-shareholder system inasmuch as the voting rights are not directly exercised by the said employees (article no. 245-A/1/e)

The Company has no active Stock Attribution or Stock Options Plan; consequently, the information determined in this number is not applicable.

E. RELATED PARTY TRANSACTIONS

I. Control mechanisms and procedures

89. Mechanisms implemented by the Company to control transactions with related parties (for this purpose, reference is made to the concept resulting from IAS 24)

Transactions with Martifer Directors or with companies that are in a group or domain relationship with that in which the intervener is a Board Member, regardless of the amount, are subject to prior authorisation by the Board of Directors with the favourable opinion of the supervisory body, according to paragraph 2 of article no. 397 of the CCC.

90. Details of transactions that were subject to control in the referred year

In 2018, no economically significant deals or transactions were carried out between the Company and the Board of Directors or the Supervisory Board:

91. Description of the procedures and criteria for the intervention of the supervisory body for the prior assessment of the business to take place between the Company and holders of qualified holdings or entities with which they are in any relationship, in accordance with article no. 20 of the Securities Code

The Supervisory Board defined procedures or criteria necessary for the definition of the relevant level of significance of business between the Company and the holders of qualifying shareholdings, or entities with which they are in any domain or group relationship, from which the intervention of the supervisory body is required.

Thus, without prejudice to the provisions set out in article no. 397 of the CCC, businesses or transactions between, on the one hand, the Company or the companies that are members of the Group and, on the other hand, the holders of qualifying holdings or entities with which they are in a relationship, are subject to assessment and prior opinion of the Supervisory Board, that fulfil one of the following criteria:

- a) Have a value greater than or equal to half a million Euros, or, being a lower value, when added to the value of other business transacted with the same shareholder holder of qualifying holdings during the same fiscal year, totalling an accumulated value equal to or exceeding one million Euros, except those related to the current activities of the companies;
- b) Regardless of the amount, they may have a material impact on the reputation of the Company in what concerns its independence from relationships with holders of qualifying holdings.

II. Elements relating to business

92. Indication of the place where the accounting documents are, in which information is available on the business with related parties, in accordance with IAS 24, or, alternatively, reproduction of this information

Business with related parties is described in Note 42 to the consolidated financial statements, as contained in the Report and Consolidated Accounts 2018, available on the company website at <http://www.martifer.pt/> (Tab: Investor, Section: Financial Information).

**CORPORATE GOVERNANCE
REPORT
PARTE II**

**CORPORATE
GOVERNANCE
ASSESSMENT**

PART II

CORPORATE GOVERNANCE ASSESSMENT

1. Details of the implemented Corporate Governance Code

Martifer, as an issuer of shares admitted to trading in the regulated market, is subject to the provisions of the Regulation of the Portuguese Securities Market Commission (hereinafter "CMVM") no. 4/2013 of 18 July 2013 and is governed by the recommendations in the Corporate Governance Code of the Portuguese Institute of Corporate Governance - IPCG (2018), available on the website www.cgov.pt.

Martifer has not voluntarily adhered to any other Corporate Governance code.

This report was prepared and complies, in accordance with paragraph 2 of article no. 4 of the CMVM Regulation no. 4/2013, with the model contained in the annex to the said Regulation, concerning the Corporate Governance Code of the Portuguese Institute of Corporate Governance - IPCG (2018), currently in force.

2. Analysis of compliance with the Corporate Governance Code implemented

In what concerns Corporate Governance and whilst a Public Company, Martifer has sought to promote the implementation and to adopt the best corporate governance practices, including those in the new Corporate Governance Code of the Portuguese Institute of Corporate Governance - IPCG (2018), guiding its policy along the highest standards of conduct, ethics and social responsibility, which are intended to be transversal to the Group.

It is an objective of the Board of Directors to implement an integrated and effective management of the Group, enabling the Company to create value by promoting and guaranteeing the legitimate interests of its Shareholders, clients, suppliers, employees, the capital market as well as of the community in general, permanently seeking transparency in its relations with the investors and with the market.

Martifer considers that even though it does not fully comply with the recommendations in the Corporate Governance Code of the Portuguese Institute of Corporate Governance - IPCG (2018), as comprehensively justified in the following chapters of this report, the degree of adoption of the recommendations is considerable and thorough.

Pursuant to and for the purposes of that laid down in subparagraph (o) of paragraph 1 of article no. 245-A of the Securities Code, the recommendations included in the Corporate Governance Code of the Portuguese Institute of Corporate Governance - IPCG (2018), with the indication of whether or not adopted, whenever applicable to Martifer's structure, and references to the text in the report where the form of adoption is described in greater detail, are listed below:

RECOMMENDATIONS IPCG (2018)	ADOPTION	REFERENCE
PART I GENERAL		
CHAPTER, TITLE, SECTION		
I.1. THE COMPANY'S RELATIONSHIP WITH INVESTORS AND INFORMATION		
I.1.1. The company should establish mechanisms to ensure, adequately and rigorously, the production, the processing and timely dissemination of information to their corporate bodies, to shareholders, to investors and to other <i>stakeholders</i> , to financial analysts and to the market in general.	Adopted	C, III, 54 and 55; C, IV, 56 to 58; C, V, 59 to 65

RECOMMENDATIONS IPCG (2018)	ADOPTION	REFERENCE
1.2. DIVERSITY IN THE COMPOSITION AND FUNCTIONING OF THE COMPANY'S CORPORATE BODIES		
<p>1.2.1. Companies should establish criteria and requirements relating to the profile of new members of corporate bodies appropriate to the position, and that, in addition to individual attributes (such as competence, independence, integrity, availability and experience), these profiles should consider diversity requirements, giving particular attention to gender, which may contribute to the improvement of the performance of the corporate body and for the balance in its composition.</p>	Adopted	<p>B (introduction); B, I, 11; B, II, 19; 21 and 26; B, III, 33 and 36; D, II, 67, and 68</p>
<p>1.2.2. The administration and supervisory bodies and their internal committees should have internal regulations - in particular, on the exercise of their respective positions, the presidency, frequency of meetings, functioning and framework of the duties of its members, and detailed minutes of the respective meetings should be drawn up.</p>	Adopted	<p>B, II, 21; 22; 23; 27; 29. B, III, 34 and 35;</p>
<p>1.2.3. The internal regulations of the administration and supervisory bodies and their internal committees must be disclosed in full on the website.</p>	Partially Adopted	<p>B, II, 22; B, III; 34; C, V, 61</p>
<p>1.2.4. The composition, the number of annual meetings of the administration and supervisory bodies and their internal committees should be on the company's website.</p>	Adopted	<p>B, II, 17; 21; 22; 23; 27; 28 and 29; B., III; 31 and 35</p>
<p>1.2.5. The company's internal regulations should foresee the existence and ensure the functioning of mechanisms for the detection and prevention of irregularities, as well as the adoption of a policy on reporting irregularities (<i>whistleblowing</i>) to ensure the adequate means for their communication and treatment to safeguard the confidentiality of the information transmitted and the identity of the notifier, whenever it is requested.</p>	Adopted	<p>C, II, 49.</p>
1.3. RELATIONSHIP BETWEEN CORPORATE BODIES		
<p>1.3.1. The articles of association or other equivalent means used by company must establish mechanisms to ensure that, within the limits of the applicable legislation, all the information and collaborators of the Company for performance assessment is permanently ensured to the members of the administrative and supervisory bodies, on the situation and the prospects of development of the company, including, inter alia, minutes, documentation to support the decisions made, the meeting agendas and the archive of the meetings of the executive board of directors, without prejudice to the access to any other documents or people to who clarifications may be requested.</p>	Adopted	<p>B, II, 21; 29; B, III, 38; C, III, 55</p>
<p>1.3.2. Each of the Company's corporate body and the committee should ensure, timely and adequately, the flow of information, from the outset of the respective meeting agendas and minutes, necessary to the exercise of legal and statutory competences of each of the other bodies and committees.</p>	Adopted	<p>B, II, 21; 29;</p>
1.4. CONFLICTS OF INTEREST		
<p>1.4.1. The obligation must be imposed on the members of corporate bodies and committees to promptly inform the respective body or committee about facts that could constitute or give origin to a conflict between their interests and the corporate interest.</p>	Adopted	<p>B, II, 21; 26 and 29;</p>
<p>1.4.2. Procedures should be adopted to ensure that the member in a conflict of interest does not interfere in the decision-making process, without prejudice to the obligation to provide information and clarifications that the corporate body, the committee or the respective members request.</p>	Adopted	<p>B, II, 21; 26 and 29; D, II, 67.</p>
1.5. RELATED PARTY TRANSACTIONS		
<p>1.5.1. The board of directors should define, with the prior and binding opinion of the supervisory body, the type, scope and the minimum value, individual or aggregate, of businesses with related parties that: (i) require the prior approval of the board of directors (ii) and those which, because they are of a high value, also require a favourable opinion of the supervisory board.</p>	Adopted	<p>E. I, 89 and 91.</p>

RECOMMENDATIONS IPCG (2018)	ADOPTION	REFERENCE
I.5.2. The board of directors shall, at least every six months, inform the supervisory board of all businesses covered by Recommendation I.5.1.	Adopted	E, I 89 to 91.
II. SHAREHOLDERS AND THE GENERAL MEETING		CHAPTER, TITLE, SECTION
II.1. The company should not establish an excessively high number of shares needed to confer the right to one vote and should explain in the governance report their choice whenever it implies a deviation from the principle that each share corresponds to one vote.	Adopted	B, II, 12
II.2. The Company should not adopt mechanisms that hinder the passing of resolutions by shareholders, including fixing a quorum for resolutions greater than that foreseen by law.	Adopted Partially	B, II, 14
II.3. The company should implement appropriate means for the exercise of the right to vote by correspondence, including electronically.	Partially Adopted	B, II, 12
II.4. The company should implement appropriate means for the participation of shareholders at the General Meeting by telematic means.	Not Adopted	B, II, 12
II.5. The company's Articles of Association that provide for the restriction of the number of votes that may be held or exercised by a sole shareholder, either individually or together with other shareholders, shall also foresee a resolution by the General Meeting (5-year intervals), on whether that statutory provision is to be amended or prevails – without super quorum requirements as to the one legally in force – and that in the said resolution, all votes issued be counted, without applying the said restriction.	Not applicable.	-
II.6. Measures that determine payments or the assumption of charges by the company in the event of a change of control or change in the composition of the administration body and which may appear to impair the economic interest in the transfer of the shares and the free appraisal by the shareholders of the performance of the Board Members should not be adopted.	Adopted	A, I, 4.
III. NON-EXECUTIVE DIRECTORS AND SUPERVISORY BOARD		CHAPTER, TITLE, SECTION
III.1. Without prejudice to the legal functions of the president of the Board of Directors, if he/she is not independent, the independent directors shall designate among themselves a coordinator (Lead Independent Director) to, inter alia, (i) act, whenever necessary, as the interlocutor with the president of the Board of Directors and the other Directors, (ii) to ensure a sufficient set of necessary conditions and means for the performance of his/her functions; and (iii) coordinate them in the performance assessment of the administrative body provided for in Recommendation V.1.1.	Not Adopted	B, II, 21
III.2. The number of non-executive members of the board of directors, as well as the number of members of the supervisory board and the number of members of the committee for financial matters, must be appropriate to the size of the company and the complexity of the risks inherent to its activities, but enough to ensure the duties to which they are committed efficiently.	Adopted	B, II, 17; B, III, 31
III.3. Anyhow, the number of non-executive directors should be higher than the executive directors.	Adopted	B, II, 17 and 18.
III.4. Every company must include a number of no less than one-third but always plural, of non-executive directors who meet the independence requirements. For this recommendation, a person is considered independent when he/she is not associated to any group of specific interest in the company, nor is under any circumstance likely to affect his/her exemption to analyse or decide, in particular because he/she:	Adopted	B, II, 18.
(i) has worked for more than 12 years, consecutively or not, in a position in any board of the company;		
(ii) was an employee of the company or of a company related to it in a relationship of control or group relationship within the last three years;		
(iv) is paid by the company or by a company with which it is in a control or group relationship besides the remuneration arising from the exercise of the board member position;		

RECOMMENDATIONS IPCG (2018)	ADOPTION	REFERENCE
(v) lives in a nonmarital partnership or is a spouse, relative or any first degree next of kin, up to and including the third degree of collateral affinity to directors of the company, to directors of a corporate entity holding a qualified holding in the company or of natural persons directly or indirectly holding a qualified holding;		
(vi) is a qualified shareholder or representative of a qualified shareholder.		
III.5. The provisions of subparagraph (i) of recommendation III.4 do not preclude the qualification of a new director as independent if, between the end of his/her functions in any company board and his/her new term of office, at least three years (<i>cooling-off period</i>) have passed.	Not Applicable	-
III.6. The non-executive directors must participate in the definition, by the board of directors, of the strategy, the key policies, the corporate structure and the decisions that should be considered strategic for the company due to its amount or risk, as well as in assessing their compliance.	Adopted	B, II, 21
III.7. The General and Supervisory Board shall, within the framework of their legal and statutory competences, collaborate with the Executive Board of Directors in the definition of the strategy, core policies, corporate structure and decisions that should be considered strategic for the company, due to its amount or risk, as well as assessing their compliance.	Not Applicable	-
III.8. Regarding the competences conferred by law, the supervisory board shall, in particular, monitor, evaluate and comment on the strategic guidelines and the risk policy defined by the board of directors.	Adopted	B, II, 21; B,III, 38
III.9. The companies should establish specialised internal committees appropriate to their size and complexity, covering, separately or cumulatively, matters of Corporate Governance, remuneration and performance assessment, and appointments.	Partially Adopted	B,II, 21
III.10. The risk management systems of internal control and internal audit should be structured in terms appropriate to the size of the company and the complexity of the risks inherent to its activity.	Adopted	C, III, 50 to 55.
III.11. The supervisory board and the committee for financial matters shall monitor the effectiveness of the risk management, internal control and internal audit systems and propose any adjustments that are needed.	Adopted	C, III, 50 and 51.
III.12. The supervisory board shall comment on the work plans and resources allocated to internal control services, including control of compliance with the rules applied to the company (compliance services) and internal audit, and shall be the addressees of the reports made by such services, at least in the case of matters relating to legal reporting, the identification or resolution of conflicts of interest and the detection of potential irregularities.	Adopted	B, III, 38; C, II, 49. C, III, 50 and 54.
IV. EXECUTIVE BOARD OF DIRECTORS		CHAPTER, TITLE, SECTION
IV.1. The board of directors shall approve, using an internal regulation or through equivalent means, how the executives should act and the exercise of their executive position in entities outside the Group.	Partially Adopted.	B,II, 21 and 26.
IV.2. The Board of Directors shall ensure that the company acts in accordance with its objectives and shall not delegate its responsibilities as regards the following: i) define the strategy and general policies of the company, ii) define the business structure of the group iii) decisions considered strategic due to the amount, risk and particular characteristics involved.	Adopted	B,II, 21
IV.3. The board of directors shall establish objectives in terms of risk assumption and ensure their achievement.	Adopted	C, III, 50 to 55.
IV.4. The supervisory board shall organise itself internally, implementing mechanisms and procedures for periodic inspection in order to ensure that the risks effectively incurred by the company are consistent with the objectives set by the board of directors.	Adopted	C, III, 50.

RECOMMENDATIONS IPCG (2018)	ADOPTION	REFERENCE
V. PERFORMANCE ASSESSMENT, REMUNERATION AND APPOINTMENTS		CHAPTER, TITLE, SECTION
V.1 ANNUAL PERFORMANCE ASSESSMENT		
V.1.1. The board of directors should assess its performance annually, as well as the performance of its committees and delegated board members, taking into account the compliance with the company's strategic plan and the budget, the management of risks, its internal functioning and the contribution of each member, and the relationship between bodies and committees of the company.	Adopted	B, II, 24; 25; 27 and 29.
V.1.2. The supervisory board should supervise the administration of the company and, in particular, annually assess the compliance with the company's strategic plan and budget, risk management, the internal functioning of the board of directors and its committees, as well as the relationship between bodies and committees of the company.	Adopted	B, III 38 C, III, 50
V.2 REMUNERATION:		
V.2.1. The responsibility of remuneration setting must belong to a committee, whose composition ensures its independence in relation to the board of directors.	Adopted Partially	D, II, 67 to 69
V.2.2. The remuneration committee should approve, at the beginning of each term, implement and annually confirm, the remuneration policy of the members of the governing bodies and committees of the company within which the respective fixed components are set, and as to executive directors or directors that are at times involved in executive tasks, if any variable remuneration component exists, the respective allocation and measurement criteria, the limitation mechanisms, for remuneration payment deferment mechanisms and the mechanisms of remuneration based on stock options or company own shares.	Adopted	D, II, 66 D, III, 69 ANNEX III
V.2.3. A statement on the remuneration policy of the management and supervisory bodies referred to in article no. 2 of Law no. 28/2009 of 19 June, should also contain the following:	Adopted Partially	D, III, 69 to D, IV, 81
(i) The total remuneration broken down by the different components, the relative proportion of fixed remuneration and variable remuneration, an explanation of how the total remuneration meets the remuneration policy adopted, including how it contributes to the performance of the company in the long term and information about how the performance criteria were applied;		
(ii) The remuneration from companies belonging to the same group;		
(iii) The number of shares and stock options granted or offered, and the main conditions for the exercise of rights, including the price and the date of exercise and any amendment to those conditions;		
(iv) Information on the possibility of requesting the refund of variable remuneration;		
(v) Information on any withdrawal of the application procedure of the remuneration policy approved, including an explanation of the nature of exceptional circumstances and the indication of the specific elements subject to derogation;		
(vi) Information regarding the enforceability or unenforceability of payments for the termination of service of board members.		
V.2.4. For each term of office, the remuneration committee must also approve the pension scheme of the board members, if the articles of association allow it, and the maximum amount of all the compensations to be paid to any member of any board or committee of the company due to their termination of service.	Not applicable	-
V.2.5. In order to provide information or clarifications to shareholders, the president or, in his/her absence, another member of the remuneration committee must be present at the Annual General Meeting and in any other if the respective agenda includes a matter related to the remuneration of members of the governing bodies and committees of the company or if such presence has been requested by the shareholders.	Adopted	B, II, 21.
V.2.6. Within the budget limitations of the company, the remuneration committee should be able to decide freely on the hiring, by the company, of the necessary or convenient consultancy services for the exercise of their duties. The Remuneration Committee shall	Adopted	D, II, 67.

RECOMMENDATIONS IPCG (2018)	ADOPTION	REFERENCE
ensure that the services are provided with independence and that the respective providers will not be hired for the provision of any other services to the company itself or other companies in a control or group relationship without express authorisation by the Committee.		
V.3 REMUNERATION OF DIRECTORS		
V.3.1. Having in mind the alignment of interests between the company and the executive directors, a part of their remuneration must be variable to reflect the sustained performance of the company and not to encourage excessive risk-taking.	Partially Adopted	D, II, 69 D, III, 71
V.3.2. A significant part of the variable component should be partially deferred for a period of not less than three years, associating it to the confirmation of the sustainability of the performance, according to the terms set out in the internal regulation of the company.	Not Adopted	D, III, 72.
V.3.4. When the variable remuneration includes stock options or other instruments directly or indirectly dependent on the value of shares, the beginning of the exercise period must be deferred for a term of not less than three years.	Not applicable	-
V.3.5. The remuneration of non-executive board members should not include any component whose value depends on the performance of the company or of its value.	Adopted	D, II, 69 D, IV, 77
V.3.6. The company must have appropriate legal instruments to ensure that the termination of service before the end of the term does not entail, directly or indirectly, payment to the administrator of any amounts beyond those provided for in law, and should clarify the legal instruments adopted in the report of the Company Corporate Governance Report.	Adopted	D, II, 69
V.4 APPOINTMENT:		
V.4.1. The company shall, in accordance with the terms that it deems appropriate, but in a way possible to demonstrate, promote that the proposals for the election of members of the governing bodies are accompanied by an explanation about the adequacy of the profile, knowledge and curriculum to the position to be held by each candidate.	Adopted	B, II, 21
V.4.2. Unless the dimension of the company does not justify it, the function of monitoring and supporting the appointment of managers should be assigned to an appointment committee.	Not Adopted	B, II, 21
V.4.3. This committee includes a majority of independent non-executive members.	Not Applicable	-
V.4.4. The appointment committee should provide their terms of reference and should induce, to the extent of their powers, transparent selection processes that include effective mechanisms for identification of potential candidates, and that are chosen for the proposal those that present greater merit, that are best suited to the requirements of the position and promote, within the organisation, an adequate diversity including gender diversity.	Not Applicable	-
VI. RISK MANAGEMENT		CHAPTER, TITLE, SECTION
VI.1. The Board of Directors shall discuss and approve the strategic plan and the risk policy of the company, which includes the definition of risk levels considered acceptable.	Adopted	C, III, 50 to 55.
VI.2. Based on its risk policy, the company should establish a risk management system, identifying (i) the main risks to which it is subject in the development of its activity, (ii) the likelihood of their occurrence and the respective impact, (iii) the instruments and measures to be adopted for the respective mitigation, (iv) procedures for monitoring, for its follow-up and (v) the supervision procedure, periodic evaluation and adjustment of the system.	Adopted	C, III, 53 and 54.
VI.3. The company should annually evaluate the degree of internal compliance and the performance of the risk management system, as well as the prospect of change in the risk framework previously defined.	Adopted	C, III, 54
VII. FINANCIAL INFORMATION		CHAPTER, TITLE, SECTION
VII.1 FINANCIAL INFORMATION		

RECOMMENDATIONS IPCG (2018)	ADOPTION	REFERENCE
VII.1.1. The internal regulation of the supervisory body should stipulate that it supervises the adequacy of the process of preparation and disclosure of financial information by the board of directors, including the adequacy of the accounting policies, forecasts, the trials, relevant disclosures and its consistent application between exercises, in a duly documented and communicated manner.	Adopted	B, III, 38.
VII.2 STATUTORY AUDIT AND SUPERVISION		
VII.2.1. Through internal regulation, the supervisory board should define:	Adopted	B, III, 37 and 38.
(i) The criteria and the selection process of the statutory auditor;		
(ii) The communication methodology of the company with the statutory auditor;		
(iii) The supervision procedures to ensure the independence of the statutory auditor;		
(iv) The services that are not audit that cannot be provided by the statutory auditor.		
VII.2.2. The supervisory board should be the main interlocutor with the statutory auditor in the company and the first addressee of the respective reports, being responsible, in particular, for proposing the respective remuneration and ensuring, within the company, the appropriate conditions for the provision of services.	Adopted	B, III, 38.
VII.2.3. The supervisory board should annually assess the work performed by the statutory auditor, its independence and suitability for the exercise of the position and propose to the competent body its dismissal or the termination of the contract for the provision of services whenever there is just cause for it.	Adopted	B, III, 37, and 38
VII.2.4. The statutory auditor should within the scope of its duties verify the implementation of remuneration policies and systems of the corporate bodies, the efficiency and functioning of the internal control mechanisms and report any shortcomings to the supervisory body.	Adopted	B, III, 38. C, III, 50
VII.2.5. The statutory auditor should collaborate with the supervisory board, immediately providing information on any irregularities relevant to the performance of the functions of the supervisory board which it has detected, as well as any difficulties that it has encountered in the exercise of its duties.	Adopted	B, III, 38. C, III, 50

CLARIFICATIONS AS TO DIVERGENCES BETWEEN THE COMPANY'S GOVERNANCE PRACTICES AND THE IPCG RECOMMENDATIONS

In this chapter, the grounds for the partial adoption or non-application of each individual recommendation, which should be read together with the table presented in the preceding chapter, are explained.

Recommendation I.2.3. *The internal regulations of the administration and supervisory bodies and their internal committees must be disclosed in full on the website.*

Martifer has not disclosed on its website the Regulations of the Executive Committee and the Strategic Coordination Council, so such documents are not available for consultation.

Martifer believes that the regulations of these two internal committees go beyond the aspects of mere functioning of the bodies, containing reserved content. For this reason, it does not make them available to the public. However, the main functions and responsibilities of these internal committees are explained throughout this report, see for example number 21.

Recommendation II.2. *The Company should not adopt mechanisms that hinder the passing of resolutions by shareholders, including fixing a quorum for resolutions greater than that foreseen by law.*

Article no. 18 of the Company's Articles of Association establishes the rule of a simple majority of the votes to pass corporate resolutions, except when otherwise established by the CCC or the Articles of Association. Hence, Martifer considers it has adopted this Recommendation, except as to the provision in the Articles of Association that requires a greater quorum than that foreseen in the CCC for resolutions on the unfair dismissal of Directors.

The reason for the inclusion in the Articles of Association of a quorum greater than that foreseen in the CCC for unfair dismissal of directors was to protect the interests of the Company, namely to mitigate the risk of the Company being obliged to compensate directors for unfair dismissal as laid down in paragraph 5 of article no. 403 of the CCC. Indeed, considering the gravity and impact of unfair dismissal of directors, the intention was to avoid the occurrence of such a resolution passed by a simple majority of shareholders as opposed to one based on grounds approved by a more expressive and representative majority of the shareholders.

Martifer considers that this is the model that best defends corporate interests.

Recommendation II.3. *The company should implement appropriate means for the exercise of the right to vote by correspondence, including electronically.*

Under article no. 17 of Martifer's Articles of Association, vote by correspondence is allowed without any restriction regarding all matters subject to the appreciation of the shareholders.

Martifer considers it has only adopted this Recommendation partially due to the fact that the company's Articles of Association do not foresee the possibility of electronic correspondence voting. It should be noted that Martifer has adopted a flexible acceptance of documentation in respect of correspondence or proxy voting sent by electronic means.

On the other hand, up until the present date, the Company has received no request or manifestation of interest from any Shareholder or Investor as to the availability of electronic voting, as a result of which Martifer considers that the correspondence voting system in place, as foreseen in the Articles of Association, totally safeguards all of the Shareholders' access to participation in the decisions submitted for deliberation.

Recommendation II.4. *The company should implement appropriate means for the participation of shareholders at the General Meeting by telematic means.*

Not adopted. The Articles of Association do not enshrine the participation in meetings of the General Meeting of Shareholders by telematic means.

For the reasons mentioned above, the company understands that, at present, it is unjustified to adopt the referred recommendation, because the objectives underlying it have already been materially affected, and the uncertainty as to the results of this system does not justify that it incurs in an administrative overload for the installation of an additional system.

Recommendation II.5. *The company's Articles of Association that provide for the restriction of the number of votes that may be held or exercised by a sole shareholder, either individually or in together with other shareholders, shall also foresee a resolution by the General Meeting (5-year intervals), on whether that statutory provision is to be amended or prevails – without super quorum requirements as to the one legally in force – and that in the said resolution, all votes issued be counted, without applying the said restriction.*

Not applicable. The Articles of Association do not foresee such limitation of the number of votes that may be held or exercised by a single shareholder, individually or in agreement with other shareholders.

Recommendation III.1. *Without prejudice to the legal functions of the president of the Board of Directors, if he/she is not independent, the independent directors shall designate among themselves a coordinator (Lead Independent Director), inter alia, (i) to act, whenever necessary, as the interlocutor with the president of the Board of Directors and other Directors, (ii) to ensure that a sufficient set of necessary conditions and means for the performance of his/her functions; and (iii) to coordinate them in the performance assessment of the administrative body provided for in Recommendation V.1.1.*

Not adopted. The objectives concerned are considered to be fully safeguarded (i) by judicious and collegial action of the Board of Directors, both in the quarterly meetings in which all relevant issues to the company are discussed with the presence of its President (attendance: 100 %); (ii) the implemented system ensures, on one hand, the timely report of the Executive Committee to all members of the Board of Directors and, on the other hand, the preparation of the meetings of the Board of Directors by scheduling them in advance and circulating the agenda and the support documents with the necessary advance for their study and interpellation; (iii) the assessment is carried out collectively by all the members of the Board of Directors.

Recommendation III.5. *The provisions of subparagraph (i) of recommendation III.4 do not preclude the qualification of a new director as independent if, between the end of his/her functions in any company board and his/her new term of office, at least three years (cooling-off period) have passed.*

Not applicable. The Independent administrators of the Company were first appointed in 2018.

Recommendation III.7. *The General and Supervisory Board shall, within the framework of their legal and statutory competences, collaborate with the Executive Board of Directors in the definition of the strategy, core policies, corporate structure and decisions that should be considered strategic for the company, due to its amount or risk, as well as assessing their compliance.*

Martifer considers this Recommendation as not being applicable since the said Recommendation relates to a governance model not adopted by Martifer. The corporate governance model adopted by the Company comprises a Board of Directors, a Supervisory Board and a Statutory Auditor.

Recommendation III.8. *With respect for the competences conferred by law, the supervisory board shall, in particular, monitor, assess and comment on the strategic guidelines and the risk policy defined by the board of directors.*

Martifer considers this Recommendation as not being applicable since the said Recommendation relates to a governance model not adopted by Martifer. The corporate governance model adopted by the Company comprises a Board of Directors, a Supervisory Board and a Statutory Auditor.

Recommendation III.9. *The companies should establish specialised internal committees appropriate to their size and complexity, covering, separately or cumulatively, matters of Corporate Governance, remuneration and performance assessment, and appointments.*

Of all the committees provided for in this recommendation only the one on the Appointment Committee is not adopted.

Due to the Portuguese legal system which shifts to the shareholders the composition of the company bodies and due to the nature of the Group which Martifer is, arising out of a family nature and with concentration in the capital structure and members of boards of directors common to several related companies, the administration understands that the choice about the options for the composition of the governing bodies should be transferred to the shareholders.

It is this vision that justifies the fact that the company also chose to explain, and not apply, the recommendations regarding the existence of a Nomination Committee and the criteria to be applied by it. Accordingly, the existence of a policy of diversity, should not only be seen in coherence with the existence or not of that Nomination Committee as well as, strictly speaking, it is little relevant outside the context of any organism which has competence to propose the election of people for the corporate bodies framed that policy of diversity.

In addition to this, and as demonstrated in the introduction of Chapter B above, the reality of the facts reveals that it was possible to achieve in large measure the goals without the formal approval of the policy in question.

Recommendation IV.1. *The board of directors shall approve, by an internal regulation or through equivalent means, how the executives should act and the exercise of their executive position in entities outside the Group.*

Martifer considers the Recommendation partially adopted, since, although it does not exist formally in the internal regulations, both of the Board of Directors and of the Executive Committee, a provision concerning the regime to be applied to executive directors who exercise executive functions in entities outside of group, in accordance with the provisions laid down in this recommendation: (i) there is a formal delegation of powers of the Board of Directors in the Executive Committee which, together with the legislation in force already establishes a scheme of action of members of the Executive Committee, and (ii) there are internal, clear and generally observed rules for the Board of Directors to be informed about any corporate positions, executive or not, in entities not related with Martifer Group. In addition, on this date, the executive directors are not managers of any entities outside Martifer Group.

Recommendation V.2.1. *The responsibility of remuneration setting must belong to a committee, whose composition ensures its independence in relation to the board of directors.*

Martifer considers this Recommendation to be partially adopted.

The Company's Remuneration Setting Committee has three members, including one with knowledge and experience in matters about remuneration policy.

In the fiscal year of 2018, a member of the Remuneration Committee - Júlia Maria Rodrigues de Matos Nogueirinha - was also a member of a corporate body of a commercial Company whose capital is directly and/or indirectly held by two non-executive directors of the Company, namely Carlos Manuel Marques Martins and Jorge Alberto Marques Martins.

However, the Company considers that the purpose of this Recommendation is duly safeguarded not only because of the professional training of this member in particular, but also because all of the members of the Remuneration Setting Committee are independent from the executive members of the Company's management body, and also because the remaining provisions of this Recommendation are fully complied with.

Recommendation V.2.3. *A statement on the remuneration policy of the management and supervisory bodies referred to in article no. 2 of Law no. 28/2009 of 19 June, shall also contain the following:*

- (i) The total remuneration broken down by the different components, the relative proportion of fixed remuneration and variable remuneration, an explanation of how the total remuneration complies with the remuneration policy adopted, including how it contributes to the performance of the company in the long term and information about the way the performance criteria were applied;*
- (ii) The remuneration from companies belonging to the same group;*
- (iii) The number of shares and stock options granted or offered, and the main conditions for the exercise of the rights, including the price and the date of exercise and any change to those conditions;*
- (iv) Information on the possibility of requesting the refund of variable remuneration;*
- (v) Information on any withdrawal of the application procedure of the approved remuneration policy, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation;*
- (vi) Information regarding the enforceability or unenforceability of payments for the termination of service of board members.*

Martifer considers that the Recommendation is partially adopted since although the information referred to in subparagraphs (i) and (ii) of this recommendation has not been included in the statement on the remuneration policy of the management and supervisory bodies referred to in article no. 2 of Law no. 28/2009 of 19 June - because it is a statement on the remuneration policy and not on the remuneration actually attributed, Martifer considers that the disclosure of that information in the Corporate Governance Report (Section IV of Chapter D. Remuneration) is an alternative way of complying with this recommendation since it presents for consideration and appraisal of the General Meeting of Shareholders the recommended information. Therefore, the total compliance of the referred recommendation is exclusively under the Remuneration Committee's powers, and this Committee decided not to comply with the recommendation, since it believes that the way that the board members' remuneration is structured is adequate and allows the alignment of their interests with those of the Company in the long term and is in line with the remuneration practices of most of the similar companies, keeping in mind the company's characteristics.

Recommendation V.2.4. *For each term of office, the remuneration committee must also approve the pension scheme of the board members, if the articles of association allow it, and the maximum amount of all the compensations to be paid to any member of any board or committee of the company due to their termination of service.*

Not applicable. The Company does not have supplementary pensions or early retirement schemes for the members of the management and supervisory bodies and for other managers.

In accordance with the declaration on the remuneration policy approved at the General Meeting of Shareholders, a policy proposed by the Remuneration Committee, it is not a Company policy to assign to members of its governing bodies retirement benefit systems.

Recommendation V.3.1. *Having in mind the alignment of interests between the company and the executive directors, a part of their remuneration must be variable to reflect the sustained performance of the company and not to encourage excessive risk-taking.*

The Company's Remuneration Setting Committee established the exact annual amount for the fixed remuneration component payable to the directors receiving remuneration by the Company. In parallel, the Company Articles of Association in article no. 20, paragraph 3, states that the directors' variable remuneration may not result in an allocation of more than 5% of the year's profit, as stated by law. In this manner, the maximum remuneration limits for the fixed and variable remuneration components are set.

During the 2018 financial period, the Remuneration Setting Committee chose to attribute only the fixed remuneration component to the directors and not the variable remuneration component, with the purpose of harmonizing the amount of the remuneration received by the members of the Company's Board of Directors in accordance with the measures implemented over the last few periods, relating to the expense and structural cost reduction adopted transversally throughout Martifer Group so as to safeguard the highest number of jobs and the Company's sustainability.

Consequently, the Company considers that it has partially adopted this Recommendation since, even though the Remuneration Setting Committee has set the exact fixed annual remuneration amount and a statutory limit has already been set for the variable remuneration component, during the 2018 financial period no variable remuneration was attributed to Martifer's directors.

Recommendation V.3.2. *A significant part of the variable component should be partially deferred for a period of not less than three years, associating it to the confirmation of the sustainability of the performance, according to the terms set out in the internal regulation of the company.*

Martifer considers this recommendation not adopted as the remuneration policy established by the Remuneration Setting Committee for the management and supervisory bodies does not foresee the deferral of the variable remuneration component, when attributed.

Notwithstanding the said non-adoption of this Recommendation, the Company considers that its purpose was safeguarded during the 2018 financial period in that no variable remuneration component was attributed to the directors of Martifer during that period. The Remuneration Setting Committee is analysing the definition of criteria to fix the deferral of part of the variable remuneration when it is attributed.

Recommendation V.2.4. *When the variable remuneration includes stock options or other instruments directly or indirectly dependent on the stock value, the beginning of the exercise period shall be deferred for a period not less than three years.*

Martifer considers this Recommendation as not applicable since no variable remuneration was attributed to the directors of Martifer in 2018, and therefore, there was no place for its deferral.

Furthermore, during the 2008 financial period, stock options were attributed and their exercise was deferred for a period of up to and including four years. Up until the present date, the stock options allocated as variable remuneration have not been exercised and, in fact, the possibility of such exercise expired at the end of the 2013 financial period.

Recommendation V.4.2. *Unless the dimension of the company does not justify it, the function of monitoring and supporting the appointment of managers should be assigned to an appointment committee.*

The Company did not proceed with the constitution of the Appointment Committee, given that its size and complexity do not justify it.

Recommendation V.4.3. *This committee includes a majority of independent non-executive members.*

Recommendation V.4.4. *The appointment committee should provide its terms of reference and should induce, to the extent of its powers, transparent selection processes that include effective mechanisms for identification of potential candidates, and that are chosen for the proposal those that present greater merit, that are best suited to the requirements of the position and promote, within the organisation, an adequate diversity including gender diversity.*

Martifer considers these Recommendations as not applicable because there is no nominated Appointment Committee.

4. Other Information

Besides the information and explanations presented in the present Report, there is no additional information of relevance that should be presented for a proper understanding of the model and the governance practices adopted by Martifer.

Oliveira de Frades, 17 April 2019

The Board of Directors,

Carlos Manuel Marques Martins
(President)

Arnaldo José Nunes da Costa Figueiredo
(Vice President)

Jorge Alberto Marques Martins
(Vice President)

Pedro Miguel Rodrigues Duarte
(Member of the Board of Directors)

Pedro Nuno Cardoso Abreu Moreira
(Member of the Board of Directors)

Maria Sílvia da Fonseca Vasconcelos da Mota
(Member of the Board of Directors)

Vítor Manuel Álvares Escária
(Member of the Board of Directors)

Mariana França Gouveia
(Member of the Board of Directors)



**CORPORATE GOVERNANCE
REPORT**

**ANNEXES TO THE
CORPORATE
GOVERNANCE
REPORT**



ANNEX I

Professional Qualifications

BOARD OF DIRECTORS

Carlos Manuel Marques Martins is member of Martifer's Board of Directors (President of the Board of Directors and non-independent member) and one of the founding shareholders of Martifer Group in 1990, having started his professional activity in 1987 at the company Carvalho & Nogueira, Lda as Director of Production of the iron sector. He has a degree in Mechanical Engineering from FEUP - Engineering Faculty of the University of Porto.

Jorge Alberto Marques Martins is member of Martifer's Board of Directors (Vice President of the Board of Directors and non-independent member) and one of the founding shareholders of Martifer Group in 1990, having started his professional activity in 1987 at SOCARPOR - Sociedade de Cargas Portuárias (Douro e Leixões), Lda as Adjunct to the Financial Director. He graduated in Economics from FEP - Faculty of Economics of the University of Porto and holds an MBA from the Portuguese Catholic University (UCP).

Arnaldo José Nunes da Costa Figueiredo has been a member of Martifer's Board of Directors (Vice President of the Board of Directors and non-independent member) since 30 April 2010. He has a degree in Civil Engineering by FEUP - Engineering Faculty of the University of Porto (1977). He was Chairman of the Board of Directors of Mota-Engil, Engenharia e Construção, SA and of the Board of Directors of MEITS - Mota-Engil, Imobiliária e Turismo, SA; Manager of Mota Internacional, Lda.; Chairman of the Board of the General Meeting Board of Maprel-Nelas, Indústria de Pré-Fabricados em Betão, SA; Member of the General Meeting Board of Paviterra, SARL; Chairman of the Remuneration Committee (on behalf of Mota-Engil, Engenharia e Construção, SA) of Ferrovias e Construções, SA, of Aurimove – Sociedade Imobiliária, SA, of Nortedomus – Sociedade Imobiliária, SA and of Planinova – Sociedade Imobiliária, SA.

Pedro Miguel Rodrigues Duarte has been a member of the Board of Directors of Martifer (Member of the Board of Directors and President of the Executive Committee, Independent) since 18 May 2018. He holds a degree in Mechanical Engineering from FCTUC - Faculdade de Ciências e Tecnologias da Universidade de Coimbra (1999). He completed the Advanced Management Programme by the Kellogg School of Management/Catholic University in 2016. In 2000, he began his professional activity, having worked at Visabeira Group (Visabeira Indústria) and PSA Group - Peugeot Citröen. He has extensive international experience, initially working in Eastern Europe for Martifer Group. Firstly in Poland, where he was responsible for the implementation and start-up of the local industrial plant and then as coordinating director of industrial structures in Poland and Romania, countries where he lived in between 2004 and 2010. Between 2010 and 2013, he was CEO of the Metallic Constructions area of Martifer Group in Africa, and was a member of the Board of Directors of several companies in the Group of which Martifer Construction Maroc SARL AU (Morocco); Martifer-Amal S.A. (Mozambique) and Construções Metálicas Angola S.A. (Angola), as well as member of the Board of Directors of Martifer Construções Metalomecânicas, S.A. (Portugal). Also in 2010, he became responsible for the naval area in Martifer Group, being since that date a member of the Board of Directors of Navalria - Docas, Construções e Reparações Navais, S.A. (a shipyard in Aveiro, Portugal) and afterwards Manager of West Sea - Estaleiros Navais, S.A. (a shipyard in Viana do Castelo, Portugal).

Pedro Nuno Cardoso Abreu Moreira has been a member of Martifer's Board of Directors (Member of the Board of Directors and Member of the Executive Committee, independent) since 6 January 2015, date on which he was co-opted further to the resignation of Mário Rui Rodrigues Matias. He holds a degree in Economics by FEUP - Faculdade de Economia da Universidade do Porto (1999). He concluded the Advanced Management Programme by Porto Business School and an In-Company Executive Training Programme by AESE Business School. He has extensive international experience, initially part of the corporate financial coordination of Mota-Engil Group's operations in Central Europe, in Africa and in Latin America. Between 2008 and 2014 he lived in Warsaw and Budapest, and held various positions as a Board Member in several Mota-Engil Group companies in operation in Central Europe in the areas of Real Estate, PPP/PFI, M&A and Corporate Development. During this period he was member of the Board of Directors of several companies in the Group namely in Mota-Engil Central Europe SA (Poland), Mota-Engil Real Estate Management (Central Europe Real Estate Holding), Mota Engil CE CZ (Czech Republic), Mota-Engil CE Slovakia (Slovakia), Mota-Engil Magyar (Hungary), Mota-Engil CE RO (Romania), Mota-Engil Brand Management (Netherlands), Mota-Engil Brand Development (Ireland).

Maria Sílvia da Fonseca Vasconcelos da Mota has been a member of the Board of Directors of Martifer (Member of the Board of Directors and non-independent member) since 18 May 2018. She has a degree in Civil Engineering from the Escola Superior de Engenharia of the University of Porto and began her professional career passing through various operational areas of Mota-Engil Group. Later, she terminated her positions within Mota-Engil Group and took office as General and Financial Director in the family *holding*. In 2016, she returned to Mota-Engil Group, where she is currently a member of the Board of Directors of several companies, of which Mota Gestão Participações, SGPS, S.A. and Mota-Engil, Engenharia e Construção, S.A., accumulating the position of Board Member with the Financial area of Mota-Engil Europa.

Vítor Manuel Álvares Escária has been a member of the Board of Directors of Martifer (Member of the Board of Directors, independent member) since 18 May 2018. He has a Master's degree in Monetary and Financial Economics from ISEG - School of Economics and Management - Technical University of Lisbon (1997), the institution from which he graduated in 1994. He holds a PhD in Economics from the University of York, in York, United Kingdom (2004). He is Assistant Professor at the Institute of Economics and Management - ISEG, Technical University of Lisbon, which since 2004 has been designated as University of Lisbon. He was a Visiting Professor at the Faculty of Economics, University Agostinho Neto, in Angola (2014/2015); Visiting Professor at the Faculty of Economics, Universidade Lusíada de Angola, in Angola (2014/2015); Visiting Professor at the Faculty of Economics, Universidade Eduardo Mondlane, in Mozambique (2011). He was also the Economic Adviser of the Prime Minister's Office of the 21st Government of the Portuguese Republic (2016/2017); External Senior Expert of the European Commission in the projects of sectoral dialogues EU-Brazil (2013/2014); Economic Adviser of the Prime Minister's Office of the 17th and 18th Governments of the Portuguese Republic (2005/2011) and Member of the Directive Commission of CIRIUS - Centre for Regional and Urban Research.

Mariana Machado França Gouveia Sande Nogueira has been a member of the Board of Directors of Martifer (Member of the Board of Directors and independent member) since 18 May 2018. She has been a lawyer since 2000 and is graduated in Law from the FDUL- Faculty of Law of the University of Lisbon (1997), having obtained a PhD from FDUNL - Faculty of Law of the NOVA University of Lisbon in 2003. She has been a Professor at the Faculty of Law of the NOVA University of Lisbon since 2003 and teaches, among other subjects, Procedural Law and Arbitration. She has been a member of the Arbitration Committee of ICC Portugal since 2012 and a Professor Responsible for the Laboratory of Alternative Dispute Resolution of the Faculty of Law of the NOVA University of Lisbon since 2007. She is also the Scientific Coordinator of the Course of University Extension in Arbitration at the Law Faculty of the NOVA University of Lisbon. She was a member of the Board of Directors of the Fundação Francisco Manuel dos Santos (2013/2017); Vice President of the Board of the Centre for Commercial Arbitration of the Portuguese Chamber of Commerce and Industry (2012/2017); a Consultant for the Department of Litigation and Arbitration of SRS Advogados (2010/2016); Director of the Office of Audit and Modernisation of the Ministry of Justice (2004/2005); a Consultant for the Office of Legislative Policy and Planning of the Ministry of Justice (2002/2004) and an Adviser for the Office of the Minister of Justice (2002).

SUPERVISORY BOARD

Paulo Sérgio Jesus das Neves is a member of the Supervisory Board of Martifer (President of the Supervisory Board). He holds a degree in Accounting Audit, with Superior Specialized Studies in Audit. He holds an MBA in Finance by the Faculty of Economics of the University of Porto (FEP). He is a Statutory Auditor member of the Statutory Auditors Institute number 1342, and has been exercising this activity since February 2008. He is a company consultant, in the fields of organisation and management, financial, tax and accounting.

Américo Agostinho Martins Pereira is a member of the Supervisory Board of Martifer (Member of the Supervisory Board). He holds a degree in Accounting Audit, with Superior Specialized Studies in Audit. He is a Statutory Auditor, member of the Statutory Auditors Institute number 887, performing this activity since April 1994, initially individually and since March 2013 as a partner in the company M.PEREIRA & ASSOCIADOS, SROC, LDA..

Mária Maria Machado Lapa de Barros Peixoto is a member of the Supervisory Board of Martifer (Member of the Supervisory Board). She has a degree in Economics from the Faculty of Economics of the University of Porto (1993). She has been a Statutory Auditor since 2006, member of the Statutory Auditors Institute number 1258. Between 2012 and 2014 she was a member of the Advisory Council of the Northern Regional Section of the Statutory Auditors Institute, between 2014 and 2017 she was an adjutant



to the Director of the Northern Regional Section of the Statutory Auditors Institute and is currently a member of the Superior Board of Governors of the Statutory Auditors Institute.

António Baia Engana is an alternate member of the Supervisory Board of Martifer (Alternate Member of the Supervisory Board). He holds a degree in Economics from Instituto Superior de Economia (ISE) and a bachelor's degree in Accounting from Instituto Comercial de Lisboa (ICL). He has been a Statutory Auditor member of the Statutory Auditors Institute number 612 since 1989, being currently a partner at ALVES DA CUNHA, A. DIAS & ASSOCIADOS, SROC, LDA.. He has been, since 1994, a member of the General Council and of the Executive Committee of the Accounting Standards Committee, having presided the Executive Committee between 1999 and 2005. He has been a member of Supervisory Boards in insurance companies since October 2009.

REMUNERATION COMMITTEE

António Manuel Queirós Vasconcelos da Mota is President of the Remuneration Committee. He has a degree in Civil Engineering (Communication Routes) from the Faculty of Civil Engineering of the University of Porto. He is currently Chairman of the Board of Directors of Mota-Engil, SGPS, S.A., a position he has held since 2000. He was President of the Board of Directors in other companies, namely Mota-Engil, Engenharia e Construção, SA (2003-2006), in Mota-Engil Internacional, SA (2000-2003), Engil - Sociedade de Construção Civil, SA (2000-2003) and in Mota & Companhia, SA (1995-2003), where he also held the position of Vice President (1987-1995). He started his professional career in 1977 as a trainee in Mota & Companhia, Lda, and between 1979 and 1981 he worked in several departments of the company, where he was also General Director of Production (1981-1987).

Maria Manuela Queirós Vasconcelos Mota dos Santos is a member of the Remuneration Committee. She holds a degree in Economics from the Faculty of Economics of Porto. She has been Board Member in several companies of Mota-Engil Group, and is currently the President of the Human Resources Development Committee. Presently she is a member of the Board of Directors at Mota-Engil, SGPS, SA.

Júlia Maria Rodrigues de Matos Nogueirinha is a member of the Remuneration Committee. She holds a degree in Law from the Faculty of Law of the University of Coimbra and is a member of the Portuguese Bar Association since 2002. She is presently the President of the Board of the General Meeting of I'M SGPS, S.A , and was Member of the Board of Directors in other companies of I'M Group, namely in Almina – Minas do Alentejo, S.A..

ANNEX II

Positions Held and Activities Undertaken by the members of the Board Of Directors

CARLOS MANUEL MARQUES MARTINS

initial election date

a) Positions within Martifer Group:

PRESIDENT OF THE BOARD OF DIRECTORS:	Martifer - SGPS, S.A.	29/10/2004
	Duelobrigatório S.A.	20/07/2016
	Eviva Beteiligungsverwaltungs GmbH (Austria)	07/07/2007
	Martifer Deutschland GmbH (Germany)	14/10/2005
MEMBER OF THE BOARD OF DIRECTORS:	Martifer Construcciones PERÚ, SA	10/01/2013
MEMBER OF THE SUPERVISORY BOARD:	Martifer Renewables, SA (Poland)	12/07/2012
MANAGER:	West Sea - Estaleiros Navais, Lda.	30/12/2013

b) Positions held in Companies not part of Martifer Group:

PRESIDENT OF THE BOARD OF DIRECTORS:	I'M SGPS, S.A.	31/03/2006
	Almina Holding, S.A.	09/12/2008
	Estia – SGPS, S.A.	27/12/2005
	Tavira Gran Plaza, SA	09/07/2010
	Severis, SGPS S.A.	03/11/2008
	Vetor Diálogo, SGPS S.A.	31/03/2014
	Promodois – Investimentos Imobiliários, S.A.	03/10/2018
	Promovinte – Investimentos Imobiliários, S.A.	18/06/2018
	The Visitor View, S.A.	23/02/2017
	MEMBER OF THE BOARD OF DIRECTORS:	Estialiving, SGPS S.A.
PCI - Parque de Ciência e Inovação, S.A. (representing I'M - SGPS, S.A.)		28/09/2010
Estia Retail & Warehousing S.R.L.		26/07/2007
Mamaia Investments S.R.L.		08/07/2011
Office Building Vacaresti SRL		13/07/2011
MANAGER:	Exclusipolis, SGPS, Lda.	16/09/2009
	PANNN - Consultores de Geociências, Lda.	27/02/2012
	Segmento Protagonista, SGPS, Lda.	11/06/2014
	Promoquinze – Investimentos Imobiliários, Lda.	17/07/2018
	Estiadevelopment, Unipessoal, Lda.	17/07/2018
	I'M – Serviços de Gestão, Unipessoal, Lda.	17/07/2018
	Loftmoments – Investimentos Imobiliários, Unipessoal, Lda.	04/10/2018
Promodoze – Investimentos Imobiliários, Lda.	21/11/2018	



SOLE DIRECTOR:	Black and Blue Investimentos, S.A.	20/08/2009
	Expertooption, SGPS, SA	24/03/2010
	Vogais Dinâmicas S.A.	29/09/2016
	Detalhes Urbanos – Promoção Imobiliária S.A.	03/10/2018

JORGE ALBERTO MARQUES MARTINS

initial election date

a) Positions within Martifer Group:

VICE-PRESIDENT OF THE BOARD OF DIRECTORS:	Martifer - SGPS, S.A.	29/10/2004:
MEMBER OF THE BOARD OF DIRECTORS:	Eviva Beteiligungsverwaltungs GmbH (Austria)	07/07/2007
	Martifer Deutschland GmbH (Germany)	14/10/2005
MEMBER OF THE SUPERVISORY BOARD:	Martifer Renewables, SA (Poland)	12/07/2012
MANAGER:	Global Holding Limited (Malta)	21/08/2013
	Global Engineering & Consulting Limited	21/08/2013

b) Positions held in Companies not part of Martifer Group:

MEMBER OF THE BOARD OF DIRECTORS:	I'M - SGPS, S.A.	31/03/2006
	Estia SGPS, S.A.	27/12/2005
	Tavira Gran Plaza, SA	09/07/2010
	Severis, SGPS S.A.	03/11/2008
	Vetor Diálogo, SGPS S.A.	31/03/2014
	Promovinte – Investimentos Imobiliários, S.A.	18/06/2018
	Promodois – Investimentos Imobiliários, S.A.	03/10/2018
SOLE BOARD MEMBER:	BRASEME - Investimentos e Consultoria, S.A.	31/05/2017
MANAGER:	Promoquinze – Investimentos Imobiliários, Lda.	17/07/2018
	I'M – Serviços de Gestão, Unipessoal, Lda.	17/07/2018
	Estiadevelopment, Unipessoal, Lda.	17/07/2018
	Segmento Protagonista, SGPS, Lda.	27/08/2018
	Loftmoments – Investimentos Imobiliários, Unipessoal, Lda.	04/10/2018
	Exclusipolis, SGPS, Lda.	20/11/2018
	Promodoze – Investimentos Imobiliários, Lda.	21/11/2018

ARNALDO JOSÉ NUNES DA COSTA FIGUEIREDO

initial election date

a) Positions within Martifer Group:

VICE-PRESIDENT OF THE BOARD OF DIRECTORS:	Martifer - SGPS, S.A.	24/05/2010
MEMBER OF THE BOARD OF DIRECTORS:	Duelobrigatório, S.A.	20/07/2016
DIRECTOR:	Martifer Solar Inc. (USA)	11/10/2016

b) Positions held in Companies not part of Martifer Group:

PRESIDENT OF THE BOARD OF DIRECTORS:	Mota-Engil, Indústria e Inovação, SGPS, SA	10/02/2011
VICE-PRESIDENT OF THE BOARD OF DIRECTORS:	Mota-Engil, SGPS, SA	26/05/2008
MEMBER OF THE BOARD OF DIRECTORS:	Vetor Diálogo, SGPS S.A.	31/03/2014
MEMBER OF THE GENERAL BOARD:	AEM-Associação de Empresas Emitentes de Valores Cotados em Mercado	
BOARD MEMBER:	PROFORUM - Associação para o Desenvolvimento da Engenharia	
CHAIRMAN OF THE GENERAL MEETING:	Mercado Urbano – Gestão Imobiliária, S.A.	

**PEDRO MIGUEL RODRIGUES DUARTE**

initial election date

Positions within Martifer Group:

PRESIDENT OF THE BOARD OF DIRECTORS:	Martifer Metallic Constructions SGPS, S.A.	28/04/2011
	Martifer Construções Metalomecânicas, S.A.	28/04/2011
	Sociedade de Madeiras do Vouga, S.A.	10/07/2018
	Martifer Renewables SGPS, S.A.	02/07/2018
	Martifer Renewables, S.A.	12/07/2018
	Martifer Solar SGPS, S.A.	10/06/2018
	Navalria-Docas, Construções e Reparações Navais, S.A.	28/04/2011
	Martifer Construções Metálicas Angola, S.A.	26/11/2018
Martifer Renewables, S.A. (Poland)	12/07/2018	
MEMBER OF THE BOARD OF DIRECTORS:	Martifer - SGPS, S.A.	18/05/2018
	Martifer-Visabeira, S.A. (Mozambique)	14/08/2018
MANAGER:	Promoquatro - Investimentos Imobiliários Lda.	17/07/2018
	West Sea - Estaleiros Navais,, Lda.	30/12/2013

PEDRO NUNO CARDOSO ABREU MOREIRA

initial election date

a) Positions within Martifer Group:

MEMBER OF THE BOARD OF DIRECTORS:	Martifer - SGPS, S.A.	06/01/2015
	Martifer Metallic Constructions SGPS, S.A.	29/01/2015
	Martifer Construções Metalomecânicas, S.A.	31/12/2014
	Sociedade de Madeiras do Vouga, S.A.	02/02/2015
	Martifer Renewables SGPS, S.A.	29/01/2015
	Martifer Renewables, S.A.	12/07/2018
	Martifer Solar SGPS, S.A.	30/01/2015
	Duelobrigatório S.A.	20/07/2016
	Navalria-Docas, Construções e Reparações Navais, S.A.	31/12/2014
	Liszki Green Park Sp. Z o.o. (Poland);	18/12/2014
	M-City Gliwice Sp. Z o.o (Poland);	18/12/2014
	Park Logistyczny Biskupice Sp. Z o.o. (Poland)	18/12/2014
	Martifer Renewables, S.A. (Poland)	12/07/2018
DIRECTOR:	Martifer Renewables Italy B.V. (Netherlands)	14/09/2018
	Martifer Solar Inc. (USA)	11/10/2016

MANAGER:	Promoquatro - Investimentos Imobiliários Lda.	26/01/2015
	West Sea - Estaleiros Navais, Lda.	26/02/2015

b) Positions held in Companies not part of Martifer Group:

MEMBER OF THE GENERAL BOARD:	AEM-Associação de Empresas Emitentes de Valores Cotados em Mercado	
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MARIA SÍLVIA DA FONSECA VASCONCELOS DA MOTA

initial election date

a) Positions within Martifer Group:

MEMBER OF THE BOARD OF DIRECTORS:	Martifer - SGPS, S.A.	18/05/2018
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b) Positions held in Companies not part of Martifer Group:

PRESIDENT OF THE BOARD OF DIRECTORS:	Mota Global – Planeamento, S.A.	11/08/2017
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MEMBER OF THE BOARD OF DIRECTORS:	Mota-Engil Europa, S.A.	01/03/2016
	Mota-Engil, Engenharia e Construção, S.A.	08/03/2016
	MESP – Mota-Engil, Serv. Partilhados Adm. e de Gestão, S.A	04/10/2016
	MESP – Mota-Engil, Serv. Partilhados Adm. e de Gestão, S.A	04/10/2016
	Swipe News, S.A.	24/01/2017
	ME Real Estate – Mota-Engil Real Estate Portugal, S.A.	24/07/2018
	Mota-Engil Central Europe Management, SGPS, S.A.	18/08/2017
	Mota Gestão e Participações – Soc. Gest. de Part. Soc, S.A.	15/11/2017
	Mota-Engil Railway Engineering, S.A.	14/06/2018
	Mota-Engil Real Estate, SGPS, S.A.	18/10/2018
	Oriental HUB–Rec. Expl. Ant. Matadouro Ind. do Porto, S.A.	29/11/2018

MANAGER:	Covelas – Energia, Lda.	17/01/2013
	Imogera, Lda.	17/01/2013
	Cerâmica de Boialvo, Lda.	05/03/2018
	(representing Mota Gestão e Participações – Sociedade Gestora de Participações Sociais, S.A.)	

MEMBER OF THE BOARD OF DIRECTORS:	Sunviauto México – Sociedad Anonima de Capital Variable	
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MEMBER OF THE SUPERVISORY BOARD:	Mota-Engil Magyarország Beruházási És Építőipari Zártkörűen Működő Részvénytársaság	
	Öböl XI. Ingatlanhasznosítási Beruházó És Szolgáltató Korlátolt Felelősségű Társaság	
	Mota-Engil Central Europe Česká Republika, A.S.	



VÍTOR MANUEL ÁLVARES ESCÁRIA

initial election date

Positions within Martifer Group:

MEMBER OF THE BOARD OF DIRECTORS: Martifer - SGPS, S.A. 18/05/2018

He doesn't hold any other position in any other company, part or not part of Martifer Group.

MARIANA MACHADO FRANÇA GOUVEIA SANDE NOGUEIRA

initial election date

Positions within Martifer Group:

MEMBER OF THE BOARD OF DIRECTORS: Martifer - SGPS, S.A. 18/05/2018

She doesn't hold any position in any other company, part or not part of Martifer Group.

ANNEX III

Statement on the remuneration policy of the management and supervisory bodies approved at the General Meeting on 18 May 2018

I - INTRODUCTION

Considering the obligation provided for in Law no. 28/2009 of 19 June, that the board of directors or the remuneration committee, as the case may be, must submit at the Annual General Meeting of Shareholders a statement on the remuneration policy of the management and supervisory bodies, the Remuneration Committee of Martifer - SGPS, SA, a publicly-traded company, hereby submits to the General Meeting's appraisal on 18 May 2018 this statement.

In the use of the legal faculty conferred by article no. 399 of the Commercial Companies Code, the Articles of Association of Martifer SGPS, S.A. – a publicly-traded company, in its article no. 20, delegate on a Remuneration Committee the competence to set the salaries of the management and supervisory bodies of the Company.

According to the applicable provisions of the Articles of Association, the Remuneration Committee was elected at the General Meeting of Shareholders on 18 May 2018, to exercise its duties during the 3-year period 2018-2020. It is currently formed by:

António Manuel Queirós Vasconcelos da Mota (President)

Maria Manuela Queirós Vasconcelos Mota dos Santos (Member)

Júlia Maria Rodrigues de Matos Nogueirinha (Member)

To promote transparency and the legitimacy of the setting of the remuneration of the members of the corporate bodies, the Remuneration Committee, in compliance with the provisions of article no. 2 of Law no. 28/2009 of 19 June (with the wording that was given by Decree-Law no. 157/2014 of 24 October), hereby submits for the approval at the General Meeting of Shareholders of Martifer - SGPS, SA , a publicly-traded company, on 18 May 2018, the present statement on the remuneration policy of the management and supervisory bodies of the Company.

This statement seeks to accompany the applicable provisions of the Commercial Companies Code and the Corporate Government Code in force.

It is also relevant to point out that the present statement, more than mandatory by law, it intends to be an important instrument for good Corporate Governance, aiming to inform the shareholders, to protect their interests and for greater transparency of Corporate Governance in matters of remuneration of Corporate Bodies.

II – REGULATORY REGIME

In determining the remuneration policy to be set by the Remuneration Committee, the legal provisions set forth in the Commercial Companies Code, namely article no. 399 of Law no. 28/2009 of 19 June (with the wording given to it by Decree-Law no. 157/2014 of 24 October), regarding the approval and disclosure of the remuneration policy for members of the management and supervisory bodies of issuers of shares admitted to trading on a regulated market, and well as the Recommendations of Principle V.2 of the Code of Corporate Governance of the IPCG - Portuguese Institute of Corporate Governance (2018), in particular the provisions of its Recommendation II.3.3. Secondly, it has also been taken into consideration, for the definition of the remuneration policy, the special regime established in the Company's Articles of Association.



The Portuguese Commercial Companies Code provides in article no. 399, the statutory scheme of remuneration for the Board of Directors, which in summary establishes that:

- The setting of the remunerations is a responsibility of the General Meeting of Shareholders or a committee appointed by it for this purpose and shall take into account the duties performed and the economic situation of the Company;
- The remuneration may be fixed or partially represent a percentage of the financial year's profit; nevertheless the maximum percentage allocated to the directors shall be authorised by a clause of the Articles of Association of the company and shall not be levied on the distribution of reserves or any portion of the profits not legally available for distribution to the shareholders.

Regarding the members representing the Supervisory Board and the Board of the General Meeting, the Portuguese Commercial Companies Code states that the remuneration shall consist of a fixed amount which is equally determined either at a General Meeting of Shareholders or by a committee appointed by it for this purpose, taking into consideration each member's position and the company's economic situation.

Moreover, articles no. 13 and no. 20 of the Articles of Association state the following:

- The remuneration of the members of the corporate bodies shall be fixed by the Remuneration Committee;
- The General Meeting that elects the corporate bodies shall also elect the Remuneration Committee;
- The remuneration of the Board of Directors may be formed by a fixed part and a variable one, the latter representing a percentage that can never exceed five per cent of the net profits for the year, according to the law; and
- The remuneration of the Supervisory Board shall consist of a fixed amount.

III – GENERAL PRINCIPLES

The Remuneration Committee has sought in its remuneration policy to promote the convergence of the interests of Directors, of other Corporate Bodies and Managers with the participation in the Company, namely value creation for the shareholders and actual Company growth, privileging a long-term perspective.

Pursuing this aspiration, and subsequent to the policy adopted in previous years, the Committee structured the integrant components of the income of the Board of Directors in order to reward their performance, discouraging, however, excessive risk-taking by them. This way, it is intended to promote high-level sustained growth.

Finally, it is relevant to say that the economic position of the Company as well the general market practices for similar positions are very important in this Committee's mission.

Materialising the general policy herein stated, we hereby present the principals to be observed by this Committee in the definition of remuneration:

a) Occupied Position

In the decision of the remuneration of each member of the Board of Directors, it shall be taken into account, for each single member, the position occupied by each member, the complexity of his/her duties, the responsibilities that are, in fact, attributed to him/her, the time dedicated and the added-value that his/her work brings to the Company.

In this extent, the remuneration between the Executive Board members and the non-Executive Board members needs to be differentiated, as well as the remuneration amongst each Administrator of each category, after evaluation of the abovementioned elements.

There are also duties performed in other controlled companies which cannot be excluded from this consideration, as this means, on one side, there is an increase in terms of responsibility and, on the other, it is another source of income.

- b) Interests alignment between the Management and Supervisory Bodies and the Company – Performance assessment**
In order to guarantee alignment of interests of the Management and Supervisory Bodies with the ones of the Company, this Committee shall not fail to pursue the adoption of a policy that rewards the Board Directors for the performance of the Company in the long-term perspective and the creation of value for the shareholder.
- c) Economic Situation of the Company**
This criterion has to be understood and interpreted cautiously. The size of the company and the inevitable management complexity associated is clearly one of the relevant aspects in determining the economic situation of the company, in the broad sense. To a higher level of complexity, corresponds a higher remuneration. However, the remuneration will have to be adjusted considering other criteria that characterise the economic situation of the Company (financial, related to human resources, etc).
- The Committee takes into account the current and future economic situation of the Company, giving priority to the Company's interests in a long-term perspective and the actual growth of the company and the creation of value for its shareholders.
- d) General Market Criteria for Equivalent Situations**
The setting of any remuneration has to follow supply and demand, and the situation regarding members of the Corporate Bodies is no exception. Only respect for market practices allows professionals to maintain a level of performance adequate to the complexity of their roles and responsibilities. It is important that the remuneration is aligned with market practices and that it is stimulant, allowing it to become an instrument to help achieve individual and collective high-level performance. Thus, ensuring not only the individual interest but mostly the interests of the Company and the shareholders.

IV – CONCRETE OPTIONS

Based on the abovementioned principles, the Committee presents the information regarding the concrete remuneration policy options, which are hereby submitted for the Company shareholders' consideration:

- 1st The remuneration of the Executive Members of the Board of Directors shall be made up of a fixed and, when so determined by the Remuneration Committee, a variable part; and, according to the law and article no. 20., paragraph 3 of the Articles of Association, the variable part cannot exceed 5% (five per cent) of the annual net profit.
- 2nd The remuneration of the non-Executive Independent Members of the Board of Directors, of the Members of the Supervisory Board and of the Members of the Board of the General Meeting shall only consist of a fixed part.
- 3rd The fixed part of the remuneration of the Executive Members of the Board of Directors, as well the non-Executive Members non-Independent (when applicable), shall consist of a monthly amount payable fourteen times per year.
- 4th The fixed remuneration for each attendance in the meetings of the Board of Directors shall be set for the non-Executive and Independent Board members.
- 5th The fixed remuneration of members of the Supervisory Board shall be set in a monthly value payable twelve times per year.
- 6th In setting all remunerations, including the distribution of the global amount of the variable remuneration of the members of the Board of Directors, the general principles referred to above shall be observed: positions carried out, alignment with the interests of the Company, privileging the long term, the Company situation and market criteria.
- 7th The fixed remuneration of the members of the Board of the General Meeting will be a predetermined value for each meeting.
- 8th The process of attribution of the variable remuneration to Executive Members of the Board of Directors must follow the criteria proposed by the Remuneration Committee, namely their hierarchal position, the performance assessment and the real growth of the Company, seeking to promote convergence of the interests of the Management Body with those of the Company, with emphasis on the long-term performance; and this will be considered in the performance assessment criteria of the Board. Thus, they will be considered decisive for the assessment and measurement of the variable remuneration:



- the contribution of the Executive Directors for the obtained results;
- the profitability of the businesses from the shareholder perspective;
- the evolution of the share price quotation;
- the extent to which the projects integrated and measured by the Balanced Scorecard of the Group are accomplished.

9th Notwithstanding the abovementioned policies to protect the shareholders and the Company's interests in the long term, the Committee, in its search of the best Corporate Governance practices regarding remuneration policies of the Corporate Bodies, continues: (i) to promote a study and comparative analysis of remuneration policies and practices of other groups of companies in the same sector regarding the fixing of remuneration for future implementation and adoption in Martifer, as well as (ii) to study the possibility of adoption of a policy that, shown to be feasible and balanced to all parties involved, foresees the possibility of the variable remuneration - when attributed - to be payable, in part or totally, only after the fiscal accounts of the entire mandate are cleared and, on the other hand, that allow a limitation to the variable remuneration (when this is fixed and actually earned by the Board Directors) in case the results show a relevant deterioration of the company's performance in the last cleared fiscal year or when it is expected in the present year.

V – LIMITS

In case of verification of a permanent and not exceptional increase of the volume of activity associated with the exercise of functions by the General Meeting and the Supervisory Board members, the maximum amount payable to the members of the governing bodies, in particular the members of the General Meeting and the Supervisory Board may not exceed, respectively, either individually or in aggregate, 25% of the average amount paid in the last 3 financial years, for the corresponding member of the governing body.

VI – OTHER RESPONSIBILITIES

Regarding the process of hiring or appointing members to its governing bodies, the Company shall not enter into any contracts or agreements with such members that allow the recognition or assignment of the right to receive payment of any damage or compensation beyond the amounts legally payable, in the event of dismissal or termination of service.

ANNEX IV

STATEMENT OF THE BOARD OF DIRECTORS ON THE REMUNERATION POLICIES TO BE APPLIED TO DIRECTORS OF MARTIFER GROUP REGARDING PARAGRAPH 3 OF ARTICLE NO. 248-B OF THE SECURITIES CODE

I - INTRODUCTION

Following the recommendations of the Principle V.2 of the Corporate Governance Code of the IPCG - *Portuguese Institute of Corporate Governance* (2018) on the relevance of the remuneration policy covering the managers according to paragraph 3 of article no. 248-B of the Securities Code, the principles and general rules in force are presented, which are extensible to the universe of Martifer Group collaborators, which include other workers whose professional activity may have a relevant impact on the risk profile of the Company. In relation to the options on remuneration applicable to members of the management and supervisory bodies, whose requirement is provided for in Law no. 28/2009 of 19 June (as amended by Decree-Law no. 157/2014 of 24 October), the respective concrete options are referred to in the Statement of the Remuneration Committee.

II – GENERAL PRINCIPLES

The remuneration policy of Martifer Group comprises a set of operating principles that aim to guarantee its contribution to the achievement of the strategic vision and culture advocated for the Group, as well as the alignment of the interests of the managers with the long-term interests of the Group.

a) Ability to capture and retain:

Martifer Group intends, through its remuneration policy, to ensure the attraction and retention of talent, adopting a competitive market positioning, taking into account the degree of responsibility and the contribution of the collaborators to value creation.

b) Alignment of remuneration practices with short and long-term performance:

The remuneration policy of Martifer Group and its rules of application are indexed to the performance assessment model in force, aligned with the Strategic Plan of the group that was defined for a long-term horizon.

c) Fairness/ competitiveness:

The remuneration policy is segmented in functional groups that result from an assessment of the position, allowing, on the one hand, to internally even the remuneration practices according to criteria of responsibility, complexity and autonomy and, on the other hand, to ensure competitiveness with the practices of the reference market.

d) Meritocracy:

The criteria that establish the increment of remuneration components are based on the success achieved by Martifer Group in the several business areas, as well as the performance assessment of individual collaborators, in order to recognise and reward merit and excellence.

e) Transversality/ verticality:

Martifer Group intends to associate its management model to a common policy for executive and management positions, promoting transversal alignment and convergence for the strategy, culture and goals of the Group.



In order to safeguard the specificity of the different businesses, the remuneration policy also incorporates rules for vertical application, business area by business area, from company to company, in order to adapt their practices to the context of the respective reference activity and market sector.

The remuneration policy of Martifer Group is segmented into functional groups, which aggregate positions in accordance with parameters, such as the degree of knowledge, complexity and required responsibility/ autonomy, and which are structured as follows: (i) Executive Directors; (ii) Coordinating Directors; (iii) Directors; (iv) Technicians and (v) Administrative and Operational Staff.

The functional groups listed constitute the fundamental support to the definition of human resources policies, particularly the remuneration policy, establishing for each functional group the components and remuneration conditions, whether they are of a fixed or variable nature and/or benefits, taking into account the recommended positioning strategy and the salary practices of the determined reference markets.

The managers of Martifer Group are included in the functional group Executive Directors.

III – CONCRETE OPTIONS

1. The overall structure of the remuneration policy of the group

Martifer Group's remuneration policy includes two remuneration components that are defined taking into account the position, the alignment with market salary practices and the performance demonstrated by collaborators:

- Fixed remuneration, which is composed by a gross base salary paid during a one-year period. Each functional group has associated a salary range, being established minimum, average and maximum values, taking into account the function, the level of experience, the performance of the person and the reference market salary practices and those of Martifer.
- Benefits, which recommends a portfolio of benefits applicable in accordance with the function and the respective functional group.

2. Plans for the attribution of shares or stock options

There are no plans for the attribution of shares or stock options in relation to the managers in the sense of paragraph 3 of article no. 248-B of the Portuguese Securities Code.

ANNEX V

STATEMENT REFERRED TO IN ARTICLE NO. 245, PARAGRAPH 1, SUBPARAGRAPH (C) OF THE PORTUGUESE SECURITIES CODE

Subparagraph (c) of paragraph 1 of article no. 245 of the Portuguese Securities Code indicates that every one of the persons responsible for the issuers must make a set of declarations provided for therein. In the case of the Company, a standard statement was adopted, with the following content:

I declare, under the terms and for the purposes provided for in subparagraph (c) of paragraph 1 of article no. 245 of the Portuguese Securities Code which, to my knowledge, the management report, the annual accounts, the legal certification of accounts and other documents of accountability of Martifer SGPS, S.A. – a publicly traded company, all relating to the fiscal year of 2018, were drawn up in accordance with the applicable accounting standards, giving a true and fair view of the assets and liabilities, financial position and results of that company and the companies included in its scope of consolidation, and that the management report exposes faithfully the development and performance of the business and the position that that company and the companies included in the scope of consolidation, containing a description of the main risks and uncertainties that they face.

Considering that the members of the Supervisory Board and the Statutory Auditor subscribe an equivalent statement within the scope of the documents which are of their responsibility, the independent statement with that text was only signed by the members of the Board of Directors, because only those that are members of the governing bodies are considered to be the ones "responsible for the issuer". In terms of the mentioned legal provision, the names of the subscribers are indicated and their functions/ position:

NAME	POSITION
Carlos Manuel Marques Martins*	President of the Board of Directors
Jorge Alberto Marques Martins	Vice President of the Board of Directors
Arnaldo Nunes da Costa Figueiredo	Vice President of the Board of Directors
Pedro Miguel Rodrigues Duarte	Member of the Board of Directors
Pedro Nuno Cardoso Abreu Moreira	Member of the Board of Directors
Maria Sílvia da Fonseca Vasconcelos da Mota	Member of the Board of Directors
Vítor Manuel Álvares Escária	Member of the Board of Directors
Mariana Machado França Gouveia Sande Nogueira	Member of the Board of Directors



ANNEX VI

QUALIFYING HOLDINGS

In compliance with the provisions of article no. 2, paragraph 4, of CMVM Regulation no. 7/2018, the following is a list of the holders of qualifying holdings on 31 December 2018, indicating the number of shares held and the percentage of corresponding voting rights, calculated in accordance with article no. 20 of the Portuguese Securities Code:

SHAREHOLDER	NO. SHARES	% OF SHARE CAPITAL	% OF VOTING RIGHTS ¹
I'M – SGPS, SA	42.405.689	42.41%	43.37%
Carlos Manuel Marques Martins*	305.542	0.31%	0.31%
Jorge Alberto Marques Martins*	230.260	0.23%	0.24%
Total Imputable to I'M – SGPS, SA	42.941.491	42.94%	43.91%
Mota-Engil – SGPS, SA	37.500.000	37.50%	38.35%
Arnaldo José Nunes da Costa Figueiredo **	3.000	0.00%	0.00%
Total Imputable to Mota-Engil, SGPS, SA	37.503.000	37.50%	38.35%

¹ % of voting rights = No. Shares Held / (No. Total Shares - Own Shares)

* Member of a corporate body of I'M SGPS, SA; ** Member of a corporate body of Mota-Engil SGPS, SA



SUSTAINABILITY REPORT



P330 **01**
**SUSTAINABILITY
AS A STRATEGY**

P334 **02**
SUSTAINABILITY MANAGEMENT

P338 **03**
SOCIAL DIMENSION

COLLABORATORS AND WORK ENVIRONMENT
CITIZENSHIP
MISSION, VISION AND VALUES
COMMUNICATION AND TRANSPARENCY

P360 **04**
ENVIRONMENTAL DIMENSION

QUALITY, SAFETY AND ENVIRONMENT MANAGEMENT SYSTEM
ENVIRONMENTAL RESPONSIBILITY

P368 **05**
ECONOMIC DIMENSION

ECONOMIC AND FINANCIAL PERSPECTIVE

01





01

SUSTAINABILITY AS A STRATEGY

Martifer Group continually invests in the promotion of sustainable development, focusing on three sustainability dimensions - Social, Environmental and Economic.

We view sustainability as a fundamental factor for the success of the business, having tried, year after year, to develop it in all its forms.

For us, sustainability is not only based on risk management and regulatory compliance; it is also the driving force of several benefits, such as internal efficiency, cost reduction and business expansion.

With nearly 30 years of existence, Martifer has become a Group with a business portfolio focused on three areas: metallic constructions, naval industry and renewables. It has transversal and clear objectives for corporate sustainability, which seek to ensure the development of the business in the long term in all aspects: economic-financial, social and environmental.

From the effort to improve the financial situation of the Group in search of solutions to reduce the ecological footprint, Martifer Group continuously seeks greater sustainability, always guided by well-defined financial objectives and following the Ethics and Conduct Code.

MARTIFER GROUP

Martifer SGPS SA (Martifer) is a company based in Portugal, working in three areas:



MARTIFER
METALLIC CONSTRUCTIONS

Martifer Metallic Constructions is a reference player due to its innovation capacity and talent for projects of high complexity and dimension. It operates in the segments of metallic constructions, aluminium and glass façades, and infrastructures for oil & gas, in Europe, in the Middle East and in Africa.



WestSEA
VIANA SHIPYARD

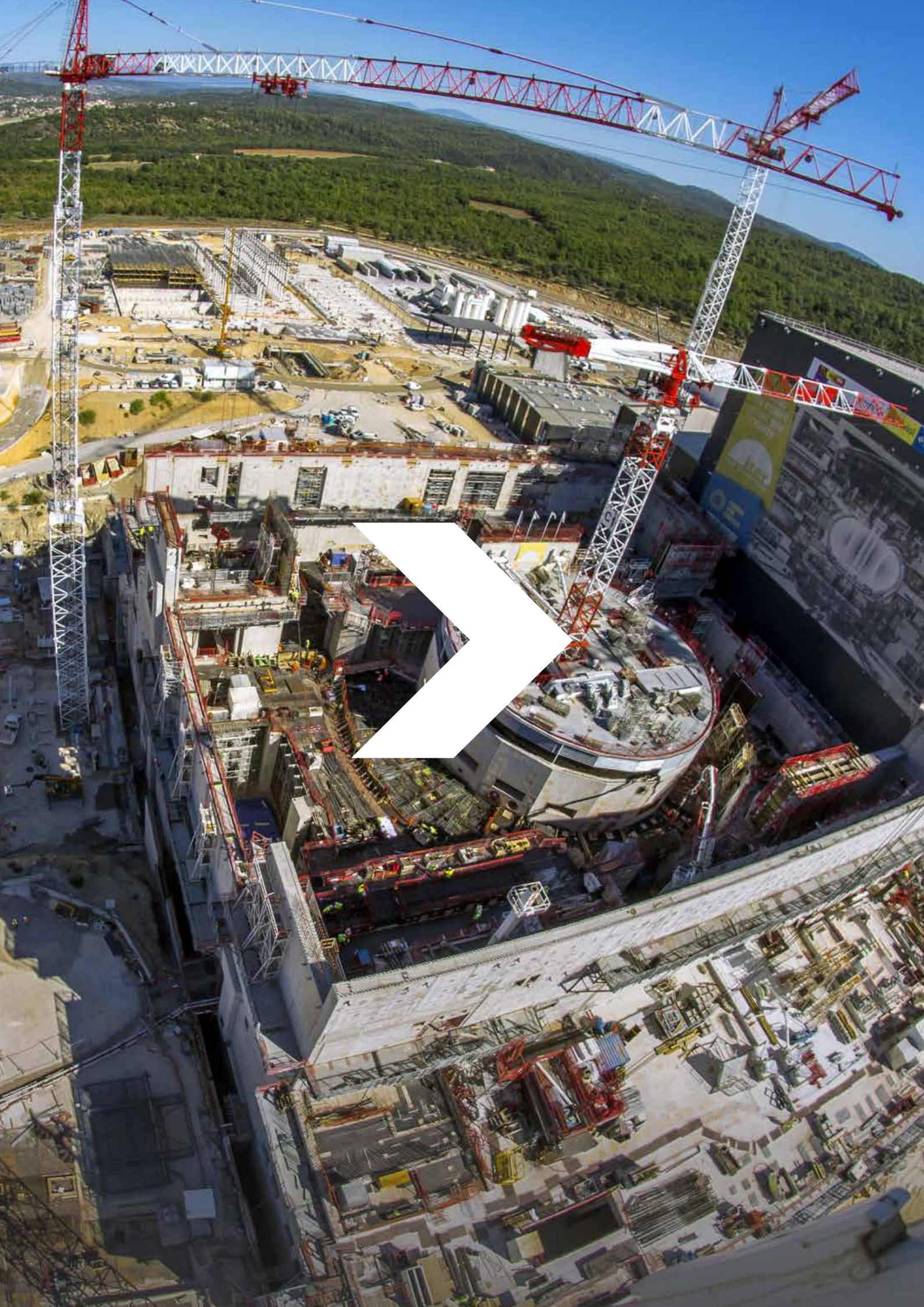
Regarding the **naval industry**, the company has two shipyards, one in Viana do Castelo and another one in Aveiro, with capacity for the construction, conversion and repair of any vessel up to 37,000 tonnes, 190 metres long and 29 metres breadth, as well as small and medium-sized vessels.



MARTIFER
RENEWABLES

Martifer Renewables is a renewable energies developer, developing PV solar parks and wind farms. Its strategy is based on project development and construction, construction management, asset management, and operation and maintenance (O&M).

02



02

SUSTAINABILITY MANAGEMENT

Our business areas and support services, as well as the activity in the different countries, are ruled by five main guiding principles:



OUR VALUES

- > Rigour and commitment
- > Humility and integrity
- > Critical sense and nonconformity
- > Common sense and clarity in communication
- > Mutual help and solidarity
- > Pride in the company and feeling of belonging
- > Work capacity and innovative spirit

CORPORATE GOVERNANCE

The Group's Governance is defined, compiled and disclosed in the Corporate Governance Report. Besides the Board of Directors, Martifer also relies on committees that allow it to comply with best practices and to support the Board of Directors in specific areas, such as the Remuneration Committee, the Ethics and Conduct Committee, the Corporate Governance Committee and the Risk Committee.

ETHICS AND CONDUCT CODE

The Ethics and Conduct Code includes a set of basic standards concerning ethics and conduct, followed by the Group and by its employees.



CORPORATE STRATEGY

For the triennium 2018-2020, the Group defined three strategic pillars: strengthening the organisational culture and consolidation of the government model, increase in operational efficiency, planning and productivity, and consolidation of the trajectory of financial readaptation. Based on these strategic pillars, the Group aims to ensure its economic and financial long-term sustainability.

QUALITY, SAFETY AND ENVIRONMENT POLICY

Martifer Group is, since the beginning of its activity, committed to the safety of its employees, to the reduction of the impact of its activity in the environment and the quality of its products and services, having a defined and public Quality, Safety and Environment Policy regarding these crucial aspects of an industrial company.



Sustainability management is carried out with the cooperation of several departments of the holding company and the business areas, always based on the five guiding principles stated above. However, it is on the day-to-day activities that sustainability, in a more or less formal way, is carried out. From the concluded projects to the daily management of each department, we aim for sustainability to be present in all of the Group's activities.

03



03

SOCIAL DIMENSION

COLLABORATORS AND WORK ENVIRONMENT

Our people are our greatest asset. This is why Martifer seeks to develop a safe workplace for its approximately 1,350 collaborators spread over several countries, placing at their disposal the right tools to carry out their work with excellent results, without compromising their well-being and their safety.

Characterisation of the Human Resources

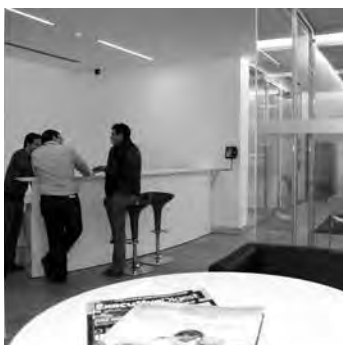
DISTRIBUTION BY:



Support and benefits

Martifer Group seeks to provide various social benefits to its employees, for example access to services or protocols with entities, contributing to the maintenance of their well-being and, consequently, for their personal and professional achievement.

The balance between the professional and personal life is a factor that over the past few years has increased corporate social responsibility, to promote the conciliation between both dimensions. In this sense, and with the awareness that it is essential to have happy employees doing what they like, Martifer Group incorporates this vital factor in its management policies and practices. Examples of this are the support and services described throughout this report.



COLLABORATOR ASSISTANCE DESK

Created more than ten years ago, the Collaborator Assistance Desk guarantees face-to-face assistance to the Group's employees in Oliveira de Frades and provides information on the different Human Resources areas. Complementing the services available in the Internal Portal, in the multimedia kiosks and the e-mail support service, the Collaborator Assistance Desk is not only an advantage for employees but also a useful tool for internal communication.

At the Collaborator Assistance Desk, the management of several aspects of the relationship between the employee and the company is ensured, namely:

Attendance Management | absence (communication and delivery of support documents), holiday plan (information and consultation), time bank, supplementary work

Remuneration | delivery of pay slips and individual income declaration, information and clarifications on salary processing

Personal Data | changes of personal data, document update, issuance of declarations for external entities

Expatriation | information and clarifications on expatriation processes, request and delivery of visas, information on international vaccination

Health Insurance | information about the policy conditions, subscription of the health insurance, delivery of health expenses for reimbursement

Recruitment | Internal recruitment (consultation and application), recommend a professional (delivery of curricula)

Academy of Competences | information on training actions, collection of training certificates, collection and delivery of books from/to the library

Social Services | service and support to collaborators

Work Accidents | information about the policy conditions, guidance and accompaniment of work accident situations, delivery of expenses for reimbursement

Access | request for a new password to access the internal portal for employees with no access to e-mail, issuance of employee cards and visitor cards

The Collaborator Assistance Desk also provides some useful services for employees, such as:

Nurse's Office | nursing, clinical analysis

Doctor's Office | extension of the Health Centre: curative medicine appointments, traveller's appointment

Bank Agency | information desk, bank operations (except deposits and withdrawals)

VACCINATION

Martifer offers its collaborators the possibility to take the flu shot every year. In 2018, around 45 employees received the vaccine.

BIRTH KIT

Since January 2017, Martifer Group offers a "birth kit" to complement its employees' babies. During the year 2018, 38 babies received this kit.

CANTEENS

The Group has canteens in its facilities, ensuring the access of its collaborators to varied and low-cost meals. The meals are subsidised by Martifer. Once a month, at the headquarters of the Group, the collaborators can try a "special option", a themed dish.

INSURANCE

Following Martifer Group's incentive policy, all the employees with an employment contract of indeterminate duration are entitled to health insurance that can be extended to their family members.

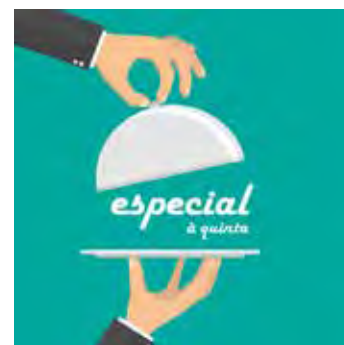
Expatriated employees, in addition to the extension of their work accident insurance, and according to the forecasted timespan of the expatriation period, can also benefit from health insurance and life insurance.

PREPAID CARD – Meal Card

Martifer Group gives its employees the possibility to subscribe to a prepaid card for the payment of the meal allowance since 2013. It is a "meal ticket card" that substitutes the traditional meal tickets in paper and can be used in most food sector establishments connected to the Visa and ATM network. The advantages result in significant savings for the employee and the company. Its use is practical, with no bureaucracies and completely safe.

MOVE MARTIFER GYM

Move Martifer Gym, located at the Group's headquarters in Oliveira de Frades, promotes an active lifestyle and healthy habits among employees and the surrounding community. In 2018, of the approximately 60 enrolled, 25 were collaborators. In addition to the various regular activities, Move Martifer Gym promotes open classes to teach new activities and carries out activities on particular dates. Nutrition appointments are also available and it has a play area for children while the parents do exercise.



Main activities in 2018:

- > Lunch get-together Move Martifer Gym Canoeing, Kayaking among other sports activities
- > "Move in Spring" - Walk/Race
- > "Mega Tuesday at Move Martifer Gym!" - Free Lessons
- > "Carnival at Move Martifer Gym"
- > "Christmas at Move Martifer Gym" - dinner and Christmas get-together

M ADVANTAGES

To promote local social development, cooperation protocols have been established with entities near the Group's industrial locations to develop and promote local businesses and, at the same time, find advantages for employees and their family members in the acquisition of goods and access to services. Besides the establishment of partnerships, activities have been organised to promote the entities and their approach to employees and their family members. The protocol conditions are regularly revised and updated, as well as the partnership promotion platform, to make it clearer and to ensure easy access to the partnership conditions.

Martifer currently has 60 cooperation protocols, with an average 20% price reduction in the areas of Culture and Leisure, Education, Beauty, Geriatrics/Gerontology, Health and Well-Being, Telecommunications and Transport.

LIBRARY OF THE ACADEMY OF COMPETENCES

To invest in Martifer's Human and Intellectual Capital, in 2011 the Library of the Academy of Competences was created, facilitating the access to knowledge to boost personal and professional development processes, and stimulating the taste for reading. The Library of the Academy of Competences currently has more than 750 publications available with contents in the areas of applied sciences, social sciences, law, economics, technology, literature, among others, that can be borrowed using the HR Solutions service.

Training and development



ACADEMY OF COMPETENCES

The constant changes in the environment of an organisation are a factor that requires adaptation, flexibility and continuous evolution. The Academy updates the skills of employees and, thus, enhances their commitment to the goals of the organisation. These mechanisms facilitate their integration and adaptation to the context in which the company operates.

Professional training presents itself in this context as a critical factor for the development of employee skills and, consequently, for the progress of the organisation. It is an essential instrument for the compliance with the organisational strategy, through the promotion of better professional performance as well as personal development, contributing to adjust the individual projects to those of the organisation.

Martifer's Academy of Competences arises from the need to form and "create" its own professionals, thereby responding to the Group's growth and innovation. In this sense, Martifer has ensured continuous professional training to employees of all its companies to develop technical and personal skills related to its core activities.

MARTIFER CONSTRUÇÕES IS A CERTIFIED TRAINING ENTITY

Following the conclusion of the merger by incorporation in Martifer Construções Metalomecânicas, S.A. of the company Martifer Inovação e Gestão, S.A. on 27 June 2016, the department of organisational development began the process of transfer of the accreditation by the Directorate General for Employment and Labour Relations (DGERT - Direção-Geral do Emprego e das Relações de Trabalho), confirming Martifer Construções Metalomecânicas, S.A. as Martifer Group's training entity.

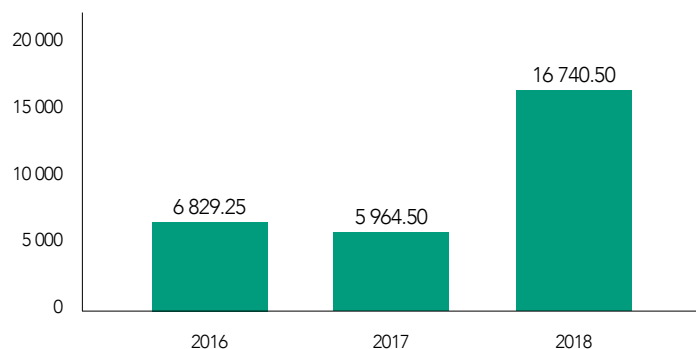
Once all the requirements laid down by the certifying entity were met, the transfer of the certification was attributed to the company "Martifer Construções Metalomecânicas, S.A." producing effect on 4 July 2016.

The certification allows the Training department to continue to have the autonomy to design, develop, promote and implement interventions, programmes, instruments and training supports or training activities. Although some services in certain areas are rendered by external training companies, there are more and more internal competences, knowledge and practice to respond to the several requests that arise from business areas for employee training. The diversity and specificity of the Group require the design of very specific training to respond to the identified competency gaps.

TRAINING

The personal and professional development of our employees is the way to overcome expectations, surprising and overcoming all challenges with confidence and ambition. Our strength is the result of the valorisation of our people, through continuous training, a strategic pillar for the success of our projects. This is demonstrated by the volume of more than 16 thousand hours of training throughout the year 2018, in several areas, from the adequacy to the employee workplace, to the behavioural domain, as well as management, continuous improvement, innovation and technology.

Hours of Training





QUALITY OF THE TRAINING

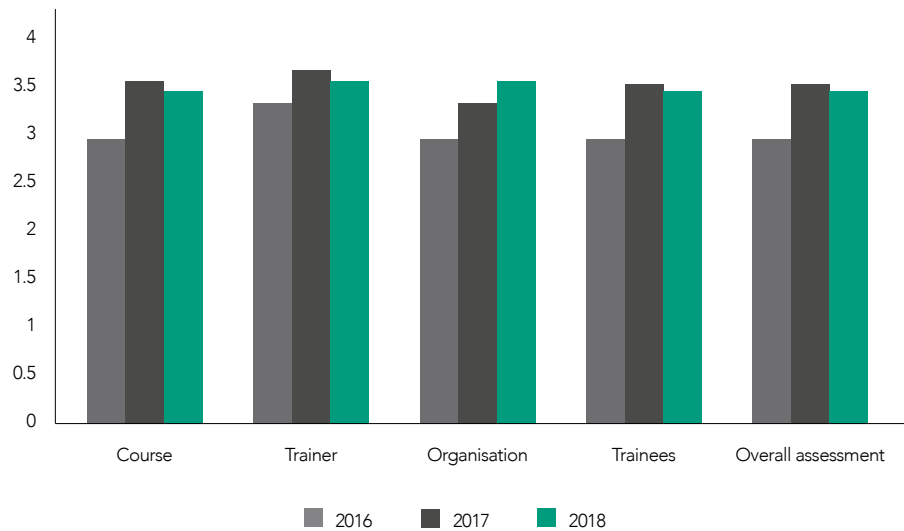
The assessment of the training is based on the relationship between who organises it and who benefits from it, through the gathering of information along the developmental process. It leads to the guarantee of the quality of the final product and mobilisation of information among the participants in the training: company, trainees and trainers.

Therefore, to achieve continuous improvement, Martifer's training actions are assessed, to evaluate the reaction of trainees and trainers, knowledge acquisition and the transfer of knowledge to the workplace.

The assessment of the reaction to training aims to gather information regarding the acceptance of the content of the training, the trainer's performance, the evaluation of certain aspects of the training action and receiving suggestions for improvement.

The global result of the reaction to training in the last 3 years, excluding training provided by external entities, has shown the quality of the training actions developed by the Group.

Assessment of the reaction to the training



FEATURED TRAINING PROJECTS

Quality, Safety and Environment

To promote the satisfaction of our clients, improve the safety conditions of employees, and improve their environmental performance, the Academy of Competences, in articulation with the various companies of Martifer, designed several training projects on Quality, Safety and Environment. Work with machinery and equipment as well as cargo handling are some of the company's activities more susceptible to the occurrence of work accidents.

Martifer believes prevention is crucial and to prevent accidents, it is necessary to know the risks, to define and adopt measures to control them and to respect the use and maintenance rules set for each equipment.

Therefore, regarding safety in the operation of equipment, the following training actions were held:

**Training actions on safety in the operation of equipment**

TRAINING ACTION	NO. SESSIONS	NO. TRAINEES
Safety on the operation of Forklifts and Multipurpose Equipment	1	9
Safety on the operation of Lifting Platforms	3	13
Safety on the operation of Cranes	1	14
Driving Mobile Platforms (N1 and N2)	3	16
Driving and manoeuvring loading and unloading equipment	1	15
Safety on the operation of Cranes and Hoists	1	9

Also in the area of safety and the environment, Martifer's Safety and Occupational Health Technicians often carry out awareness-raising activities to reinforce the importance of these issues and to promote the updating of knowledge regarding the legislation and procedures in force.

Therefore, in this scope, the following training actions were developed:

Awareness Raising | Quality, Safety and Environment

TRAINING ACTION	NO. SESSIONS	NO. TRAINEES
Specific Safety Procedure	13	103
On-site initial training	21	161
Safety at the Industrial Unit	9	32
Safety on-site	3	40
15 minutes of Safety	145	1.508
Environmental management on-site	1	4
Environmental management at the factory	4	16
Safety Operational Procedures	1	12
General Safety and Environment Rules	2	14
Emergency Brigades and Internal Emergency Plan	5	28

The Academy of Competences, in collaboration with the Quality, Safety and Environment Department of Martifer Construções, of Navalria and West Sea, promoted 87 awareness raising actions on Quality, Safety and Environment in 2018, including for 181 new employees who started working at Martifer. This training allows employees to ensure compliance with the safety and environment rules in force in the organisation.

To improve employee work conditions at the industrial units in Oliveira de Frades, and consequently to reduce the number of accidents, the Academy of Competences in collaboration with the Quality, Safety and Environment Department of Martifer Construções has promoted since September 2016 awareness sessions, the "15 Minutes of Safety".

In 2018, 145 training actions occurred, involving all employees who work at the Production department, to foster a safety culture through the awareness to comply with procedures.

Martifer Construções's safety technicians develop continuous work, and once a month, they discuss different subjects, to respond to the needs and issues raised by the employees.



To render first aid care in emergency situations and to have employees adequately prepared for this purpose, the Academy of Competences, in collaboration with West Sea, designed one training action on "First Aid" for 14 employees part of the Emergency Brigades and/or with the need of basic first aid training. West Sea held 4 training actions on the Internal Safety Plan "Self-protection Measures of Fire Safety in Buildings" for 57 employees, having to raise awareness about what to do in case of emergency and to inform about the existence and importance of the use of first intervention means to ensure speed and efficiency of the actions to be undertaken in emergency situations.

Focused on product quality, a requirement and effective demand, a few training projects were also designed in 2018, some of which are:

Training | Product Quality

TRAINING ACTION	NO. SESSIONS	NO. TRAINEES
END Magnetoscope - level 1 and level 2 *	2	4
END Ultrasonic - level 1 and level 2 *	1	1
Quality and organisation of the Production	1	4
Good Practices in the process of certification of the Quality Management systems, among other management frameworks	1	2
Awareness Section ITER Project - Project Specialties and Demands	12	112

* Conventional non-destructive test which allows the detection of surface and sub-surface discontinuities in ferromagnetic materials.

The training action "Awareness Section ITER Project - Project Specialties and Demands" was designed by the Quality, Safety and Environment Department in collaboration with the Academy of Competences for 112 employees of different departments that integrate or that will integrate functions within the scope of the ITER complex project (ITER - International Thermonuclear Experimental Reactor). ITER is a pioneer international cooperation project for the production of energy in France. These training actions have as main objective to allow the knowledge about the global and internal organisation of the ITER project, its specific rules and procedures.

The new General Data Protection Regulation (GDPR)

Following the entry into force on 25 May 2018 of the General Regulation on Data Protection (RGPD), there was the need to design various training actions on this issue.

The new Regulation introduced new regulatory requirements on the protection of individuals and the processing of their personal data, and in this sense we held several training actions to facilitate the understanding of the structure, concepts, principles, rights and obligations that the Regulation presents, as well as to perceive the changes that its implementation will cause in the company.

The following formative projects are noteworthy:

Training | The new General Data Protection Regulation

TRAINING ACTION	NO. SESSIONS	NO. TRAINEES
General Data Protection Regulation	13	RH; Legal; Communication QSE
Privacy management, the integrated response to GDPR	1	Corporate Planning and Control Management
Course on Data Protection Officer (DPO)	1	QSE

Foreign Languages

Taking into account the large number of Martifer projects in different countries whose primary language is French and because training needs were raised in this language, the Academy of Competences in collaboration with various departments of Martifer Construções, developed between January and March several French Language courses at Martifer's premises. The French courses included a total of 75 employees, and each of the trainees took a placement test that allowed the assessment of their prior knowledge and to make homogeneous groups.

Formação | Línguas Estrangeiras

TRAINING ACTION	NO. SESSIONS	NO. TRAINEES
French language course Elementary level (A1)	1	11
French language course Pre-intermediate level (A2)	2	23
French language course Intermediate Level (B1)	2	15
French language course Starter Level (A1+1)	2	26

Industrial Production

In what concerns industrial training, training on technical areas such as welding, metalworking, painting and maintenance, among others that are especially relevant for Martifer Group's activities are included. Directed to the Project and Technical areas, the Academy of Competences in collaboration with other external entities designed several training actions in which many concepts were discussed and some experiments were carried out, allowing the participants to gain knowledge on innovative methods that will have an impact on the dimension of projects, among which:



Training | Industrial Production

TRAINING ACTION	NO. SESSIONS	NO. TRAINEES
Pentagonal - Solutions in Glass	1	32
Pre-installation Tower Manufacturer	1	7
FREE from DAMAge steel joints - FREEDAM	1	2
Zarges Climbing Ladder _ Wind Power - Specific	1	5
Fire-Stop (Project - West End Gate)	1	26
Advanced training in Building Acoustics	1	1
Presentation & Demonstration - Tension Control Bolts	1	31
Welding Rods and Studs	2	4
Handling and storage of welding consumables	1	1



Financial, Accountancy and Tax

For employees of the Financial, Accounting, Management Planning and Control, and Consolidation and Reporting areas, following a logic of knowledge update due to legal requirements, some relevant projects were designed, among which: "New Financing Opportunities", "Declaration of Income Model 22 of IRC 2017", "Tax and customs procedures for import and export", "Training on 0118 - OCC", "The New Customs Tariff of Angola", "Value Added Tax (VAT)", "Industrial Costing: Introduction to the development of models" and "Preparation course: Certified Public Accountant". A total of 11 training actions with the participation of 63 trainees.

Information Technologies

Taking into account the central role that information systems have in Martifer Group's employees' daily routine, namely regarding the use of specific software and technical applications, a constant competence update is needed. In this sense, a training course on "Excel _intermediate and advanced knowledge" was designed, with a duration of 20 hours for 20 employees of Martifer Construções, West Sea and Martifer Renewables that only knew basic concepts of the tool MS Excel, and that needed to acquire knowledge and techniques to facilitate the tasks they carry out in the scope of their positions.

Other formative projects developed during the year 2018 were: "Hyperion Financial Management Business User", "SDL Trados Studio 2017 - Initial level for Translators", "SAP_Purchase", "Software SchüCal", "SAP MM", "SAP_HR Administrative Management", "FPPRO v.18", "Service Desk Plus", "Presentation of the Knowledge Platform " and "SAP FICO - Finance (Fi) and Controlling (CO)". In a total of 14 training actions, 119 trainees were involved.

Initial training

The initial training precedes the integration in the workplace of new employees, in behavioural and technical areas, to decrease the time that employees need to adapt to new functions and to ensure good integration and acceptance in the Group.

The reception training includes a presentation of Martifer Group, transmitting to new employees information on the business areas, the values and the Human Resources policy, as well as all useful information about the Group.

TRAINING ACTION	NO. SESSIONS	NO. TRAINEES
Reception to new collaborators	81	132

Dialogue and Organisational Climate

With a very diverse set of collaborators, Martifer Group tries to communicate clearly and interact daily with everyone, betting on the diversity of means and adapting messages to the various target audiences in the company. Martifer considers this essential for the maintenance of a healthy organisational climate and the performance of its teams.

It also relies on MOVE – Associação para Colaboradores Martifer (Martifer Employees Association) which organises initiatives that promote a spirit of unity within and between teams, contributing to the maintenance of a healthy organisational climate.

STAFF MEETING 2018

With the aim of making the company's staff aware of the Group's Strategic Plan for the next triennium - "Martifer with future", as well as to present the renewed values, mission and vision, in June 2018 the Staff Meeting of Martifer Group brought together more than 250 collaborators of the various business units of the Group.

For the new CEO of Martifer Group, Pedro Duarte, it is essential to have a company culture that values merit, and that the work, dedication and respect for a set of values, behaviours and commitments are distinctive and decisive factors in the evolution of the people within the organisation and fundamental for the success of the company.



INTERNAL COMMUNICATION

The Group has tried throughout the years to maintain its communication channels with employees in a continuous, consistent and effective manner so that it can deliver messages to everyone that works at the company. To do this, it uses the following media:

Martifer TV

Martifer TV is available in eight spots, in canteens, receptions and social areas, and is an effective media during work breaks. It transmits information on projects and various types of events, communicates awareness information and alerts for employees.

INet

INet is Martifer Group's internal portal. It was developed in 2012 with the goal of gathering in one platform all of the Group's companies and, this way, ensure everyone's access to information and information sharing. INet is an asset due to the interactivity between employees, departments and companies, allowing to organise, make available and share documents in a quick, simple and intuitive manner.

Internal Newsletters

Electronic newsletters are regularly sent to the internal audience, with the goal of communicating quicker, redirecting the employee to the tasks and published articles. The newsletter "Martifer on Friday" includes that week's news and is sent to all Group employees.

Multimedia Kiosks

The multimedia kiosks are the interactive information spots which have as the main goal to inform those employees who do not have computer access, making available, not only the access to the Canteen Integrated Management System but also other features:

Administrative Management | in the kiosks it is possible to perform some operations, such as consultation and subscription of electronic salary receipts, the subscription of the meal card, consultation of the annual income statement, among others

Organisational Development | in these spots, it is also possible to check internal recruitment opportunities

Academy of Competences | through the Academy of Competences' online service, it allows the access to an application dedicated to training: consultation and registration in training actions, the printing of certificates, consultation of training plans, among other features

On the Wall

Martifer's social areas and canteens are also information places, not only due to Martifer TV but also by the display of posters on several themes.

Social Areas | Improvement and Information Centres

The Social areas are a physical space created in every industrial unit, located in the areas where employees take their breaks. They are communication spaces for several departments, with highlight to matters related to Human Resources and with Quality, Safety and Environment.

Expatriation Manuals

In the development of an international career, people encounter in the destination country contexts, values, standards and life strategies different from those they know. With the goal of promoting access to a set of relevant information and at the same time contribute to the integration process of the employees expatriated to new countries, the Human Resources Department makes available manuals that include useful information about the destination country.

RECRUITMENT, RECEPTION AND INTEGRATION

Recruitment, reception and integration are crucial factors for the company's social climate, ensuring the employees are integrated in their new job in the best possible way since day 1 and with all the resources they need to carry out their tasks.

Integration of New Employees

The integration process has a direct impact in the motivation and organisational commitment; therefore, the Group seeks to ensure the accompaniment of this process, through an integration plan adapted to the specific aspects of each company, of each position and each employee. It specifies and directs their action in direct articulation with their immediate superiors, diagnosing needs and planning solutions.

The main goal of the reception plans is to ensure support to employees in the first months, having their personal and professional well-being in mind; therefore, besides the integration at the workplace, we seek to support and answer the questions of the new employees (e.g. house seeking, best transport solution from home to work, among others).

RECEPTION TRAINING – COMMUNICATING SINCE DAY 1

Martifer Group seeks to communicate clearly with its employees, since their first contact with the company. In the integration process, all employees participate in reception training, where they get to know Martifer more deeply.

In this training, the internal dynamics, the main procedures and Martifer's day to day are explained. The Reception Training is also essential to raise awareness to the rules of Quality, Safety and Environment, fundamental for the integration in the Group.



Visits to the factories

Since 2016 and every six months a visit to factories in Oliveira de Frades is organised. This visit, with groups of up to 15 people, is guided by the ones responsible for each factory that explain how it works. Employees take a lot of interest in this initiative. This way, they learn about the production process and become aware of the ongoing projects.

Internal Recruitment

Martifer Group encourages internal recruitment, whenever it is appropriate. Like in external recruitment, job vacancies are published in several internal communication media, with the job description and the needed skills, so that all the interested employees can apply to these opportunities, within a defined deadline.

The management of these applications is ensured by the Human Resources department. From the interview – in which, apart from the evaluation of the candidate, we seek to understand his/her motivation for the application –, to the feedback on their adjustment to the position, the Human Resources department tries to manage the candidate's expectations, both in the process he/she is in and regarding future opportunities, following the expressed personal interests.

Recommend a Professional

Today, networking is a crucial tool in recruitment and selection of professionals and in a Group as diversified as Martifer, employees know people from different fields that may contribute positively to the Group. Therefore, the initiative "I Recommend" was created to motivate employees to recommend competent professionals to participate in Martifer's recruitment process.

MOVE – Associação para os colaboradores Martifer (Martifer Employees Association)

MOVE (Martifer Employees Association) aims to promote initiatives directed to and indicated by Martifer's employees.

With defined goals in the promotion of activities for employees and their families, MOVE develops activities in four different areas:

- > culture and leisure
- > social and environmental responsibility
- > health and well-being
- > sports and adventure

Health and Well-being

In the area of Health and well-being, MOVE has as its main ally MOVE Martifer Gym, referred to in the chapter "Supports and Benefits", which supports the Association in promoting health and a healthy lifestyle.

TIPS FOR YOUR HEALTH AND WELL-BEING

The association MOVE and occupational health promote regular awareness on seasonal issues or issues of generalised interest that alert employees to their habits and health care.

In 2018 the awareness of the harmful effects of tobacco which, in addition to the usual articles, led the labour doctor to the factories to talk directly with the people and to present alternatives to quit smoking.

Social Responsibility

MOVE is also responsible for Martifer Group's social responsibility area, having promoted several initiatives in this area (see chapter "Citizenship/Social Responsibility").



As an association for employees, MOVE seeks to involve the Group's employees in the activities it carries out. For this, the Solidarity Forum was created. It is a space created in iNet, in which all the collaborators can suggest support to initiatives and promote responsibility and social solidarity campaigns.

Through this platform, any collaborator of the Group can:

1. Know, support and actively participate in solidarity campaigns/initiatives;
2. Vote on the campaigns/solidarity initiatives that they would like to see supported;
3. Suggest the promotion of solidarity campaigns/initiatives.

According to the goals of each campaign/initiative, the publications in this tool are divided in five categories: culture, local and community development, sports, education and health.

Sports and Adventure

The Association aims to encourage its employees to participate in activities, with other employees and with their families.

Periodically, it offers tickets to football matches of the main Portuguese and European competitions to employees and their family members, from among the employees who choose to participate in the raffle.

Culture and Leisure

In the area of promotion of Culture and Leisure, MOVE seeks to encourage employees to participate in cultural activities.

Thus, every week, a cultural agenda with suggestions for activities for the weekend is published in the internal portal iNet and sent by e-mail. The main events, concerts, shows, workshops, exhibitions, tours and family activities that are near the employees' residences are listed. The Weekend Suggestions include activities directed to the internal audience, often being proposed by the employees themselves. The Weekend Suggestions have as main objective the support in the planning of activities for the weekends and the promotion of initiatives in the communities where employees have an active role.

MOVE also created the initiative "Garage Sale" to support the Group's employees to sell items that do not need, homemade products or arts and crafts, or even fruit and vegetables produced by them in their homes. These sales are held in special occasions, such as Christmas, Valentine's day, among others) at the Group's head office, and stimulate the lunch break.



CONTEST "CHRISTMAS M'S CONTEST"

Since 2016, Martifer Group promotes at Christmas a contest for employees' children to reward the best artists and to decorate the Christmas tree at the Group's head office. In 2018, the Christmas balls were replaced by "M's", which challenged the imagination of the younger ones. After the vote, the best "M's" were chosen, and prizes were awarded to the artists. All participants received a symbolic prize.

This competition has also stimulated the relationship and interest of the little ones for Martifer Group, where their parents work daily.

TICKET RAFFLE

Panda Festival - To celebrate the World Children's Day, the Group organised in 2018 the raffle of tickets to participate in the Panda Festival, allowing employees and their children the opportunity to spend a day of fun, memorable for the younger ones.

Health, Hygiene and Safety at Work

The 3C's

- > Give Competences
- > Create Conditions
- > Demand Conduct

The safety of all its employees is a strategic aspect in Martifer Group. Based on its Management Policy, actions are continually implemented and designed to prevent accidents at work.

Martifer Group's safety policy is based on the three C's. The main goal is the involvement and the accountability of all the employees in the several hierarchical levels of the organisation. Martifer gives the competences through continuous and regular training and provides the necessary safety conditions so it can demand safe conduct from its employees.

SAFETY VISITS

On 28 April health and safety at work is a theme discussed around the world. On this day in particular, and throughout the year, Martifer Group gives great importance to this issue and, as such, promotes activities to encourage health and safety at work. We must all participate in the construction of a safer work environment.

ACCIDENTS

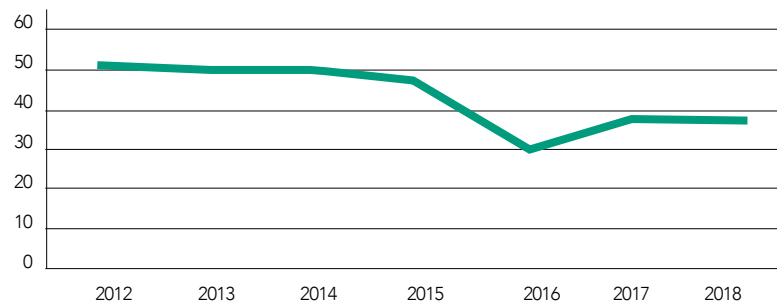
In practice, the fundamental objective of the culture of the 3 C's is the reduction of accidents at work and, consequently, the severity associated with them.

Due to various initiatives within Martifer Group over the years, there has been a consistent reduction in the number of accidents.

At the end of the year 2015, the frequency rate (1) of accidents at work at Martifer was 47, having decreased to 46 in the year 2016 and decreased once again, this time more sharply, to 37 in the year of 2017, which remained unaltered in the year 2018.

This gradual and continuous downward trend over the years is verified since 2012 as can be seen in the following graphic.

Accidents | Frequency Rate (FR)

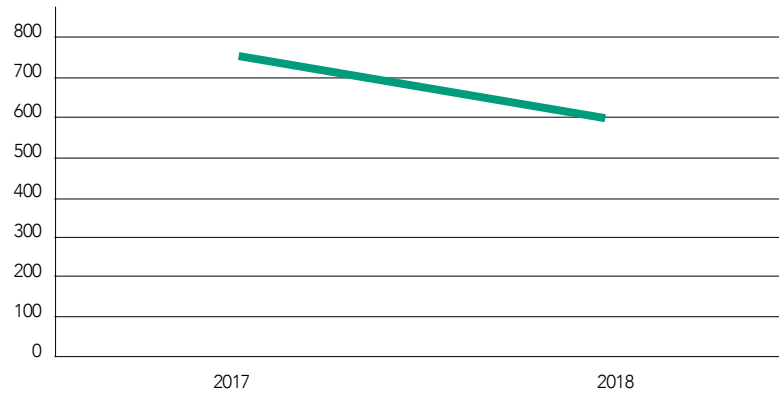


(1) Frequency Rate (FR): no. of work accidents for every million hours of effective work

Even though between 2017 and 2018, the frequency rate remained practically unchanged, in the severity rate (2) there was a very significant reduction of approximately 21%.



Accidents | Severity Rate (SR)



(2) Severity Rate (SR): Accidents | Severity Rate (SR)

The decrease in the frequency of work accidents reflects the effort developed by the Group's companies to create better working conditions for their employees, through technical and organisational actions that decrease the probability of the occurrence of accidents.

CITIZENSHIP

Social Responsibility

Martifer Group believes that a company, more than a supplier of products and services, is also an employability and social responsibility agent in its geographical area. Therefore, it supports causes it considers relevant for society in general while supporting local institutions to develop their solidarity work.



BLOOD AND BONE MARROW DONATIONS

Biannually, Martifer organises blood donations and bone marrow donor enrolment campaigns in partnership with Instituto Português do Sangue e da Transplantação de Coimbra (Portuguese Institute for Blood and Transplants in Coimbra). The Group's employees have always participated significantly in these actions, and in 2018, around 115 participants were registered in the two actions.

DONATIONS

Within the Group's social responsibility and following criteria of proximity and relationship with the institutions, in 2018, Martifer supported some solidarity institutions.

UNICEF GIFTS

Some of the prizes of the Christmas Contest 2018 were UNICEF gifts, which was a way to help this institution.

Ethics and Conduct

Martifer believes that to be responsible, a company must follow strict ethics and conduct standards in all its activities.

Therefore, it has an Ethics and Conduct Code that rules its activities and all its employees' actions.

The Ethics and Conduct Committee's (ECC) mission is to create, implement, accompany and control the compliance with the Group's ethics and conduct standards. Any professional situation that may raise doubts regarding compliance with the guidelines of the Ethics and Conduct Code may be referred to the ECC.

Anonymity is guaranteed in relation to any communication made with the ECC, and the contact is made through the email address comissaoeticaeconduta@martifer.com.

MISSION, VISION AND VALUES

Mission and Vision

To create value with products and services designed and executed by motivated employees and partners, to overcome client expectations, respect safety rules and social responsibility.

To be a recognised brand in the markets and businesses where it operates in, for its competence, its innovation and engineering and its industrial and implementation capacity, ensuring the best solutions to its clients.

Values

- Rigour and commitment
- Humility and integrity
- Critical sense and nonconformity
- Common sense and clarity in communication
- Mutual help and solidarity
- Pride in the company and feeling of belonging
- Work capacity and innovative spirit

Steeming from its values, Martifer Group undertakes three essential commitments in its daily activity:

To act well

We know that every relationship we establish must be guided by strict ethic principles, based on transparency and total trust between parties. Ethics and conduct guide the Group's activities, which aims to surpass its stakeholders' expectations daily.

To support more

We seek to always act in accordance with a sustainable development logic in all its aspects: social, environmental and economic.

To do better

At Martifer, we believe that excellence is achieved in every task we do. Therefore, we aim to completely commit to the work we develop and promote the development of knowledge and skills for our professionals, to surprise and create value in the projects we participate in.



COMMUNICATION AND TRANSPARENCY

Communication and transparency are the key pillars of any company, especially of listed companies. Martifer seeks to give all its stakeholders access to the company's most relevant information, in the simplest and most direct manner possible.

Therefore, it has several communication tools that allow it to communicate not only with clients, suppliers and investors but also with society in general.

Institutional Communication Tools

It is through its communication tools that Martifer makes itself known to all those who show interest in the Group and in its activities.

ONLINE PRESENCE

Today, the digital world is more than a useful tool; it is fundamental in the global market. Martifer could not leave behind the opportunity to be online, not only through its website but also in selected social networks, according to the company's characteristics.

Websites

The Group currently has four websites that in 2018 were visited by more than 100 thousand visitors from more than 150 countries.

www.martifer.com is the Group's corporate website, and it also hosts Martifer Metallic Constructions's website. Here, besides the corporate information, the visitors can check the latest news, catalogues, publications, as well as relevant information in the Investor Relations area. In the area relative to Martifer Metallic Constructions, we highlight the portfolio of the business area. It is available in two languages – Portuguese and English.

www.martifer.fr is the Group's website directed to French-language markets. Here, in addition to institutional information, users can see the latest news, the main indicators, catalogues, publications, as well as the metallic constructions portfolio.

www.west-sea.pt is Martifer Group's most recent website. Available in four languages (Portuguese, English, Spanish and French), it presents the Group's shipyard in Viana do Castelo, from the equipment to the location, as well as the Quality Policy and the portfolio and ongoing projects at the shipyard.

www.navalria.pt is Navalria's website, the Group's shipyard in Aveiro. Besides general information about the shipyard, visitors can learn more about some of the vessels that have been at its docks, both for repair and construction. It is available in Portuguese, in English and in French.

Social Networks

Martifer is present in LinkedIn®, Facebook® and YouTube®.

In LinkedIn®, the Group's most used social network, Martifer seeks to disclose not only information about the company but also to take advantage of the more professional nature of this network, through the release of job offers and other corporate information. At the end of 2018, the Group's LinkedIn page had about 21 thousand followers, and Martifer Metallic Constructions's page had nearly 6 thousand followers.

On Facebook®, the Group publishes, from time to time, the most relevant information about its projects. At the end of 2018, it had more than 4,900 followers.

In YouTube®, the Group shares both corporate and press videos.



It is through the social networks that the Group seeks a closer relationship with its stakeholders. More than giving an opinion, social networks allow Martifer to contact its followers, through their comments, messages and “likes”, which are analysed by the company.

MNEWS

MNews is the Group’s corporate magazine that annually presents a summary of the Group’s activities. MNews is published in a digital format in Portuguese and English on the Group’s website and subsequently shared on social networks and distributed in the corporate newsletter.

CATALOGUES

Catalogues are one of the best communication tools for commercial relations with clients and future clients. These materials are an excellent way to present the company and are vital commercial support, showing the portfolio and the proven ability over almost 30 years of activity. In 2018, Martifer Metallic Constructions and West Sea published several catalogues and brochures that included the most important projects of metallic constructions and the naval industry.



Communication with Investors and Shareholders

Listed on NYSE Euronext Lisbon since 2007, Martifer seeks to maintain efficient communication with the capital market, with investors and with shareholders.

RELEASES

The Investor Relations releases are a way to communicate with the entire market at the same time, granting simultaneous access to the most relevant information about the company’s activity, shareholder structure or corporate governance.

In 2018, Martifer issued ten releases, material information and other releases.

PERIODICAL INFORMATION

In the periodical financial information, issued every semester, Martifer also seeks to contextualise this information with other relevant data, such as the semester’s main events and the company’s strategy and future prospects. Besides the Annual Report, Martifer also issues each semester a results presentation, which is a summary of the main information included in the Report.

INVESTOR RELATIONS

Martifer believes that communication with its stakeholders is essential to the development of its activities.

With the Group’s growth and internationalisation strategy, it is crucial for the company to be visible, and for its information to be quickly accessed by its shareholders and future investors.

The Investor Relations & Communication Office guarantees the on-time disclosure of all information relating to the Group and is available to answer any questions.

Investor Relations Office

Martifer Group’s Investor Relations representative is Pedro Nuno Cardoso Abreu Moreira.

General contact:

investor.relations@martifer.com

T.: +351 232 767 700

F.: +351 232 767 750



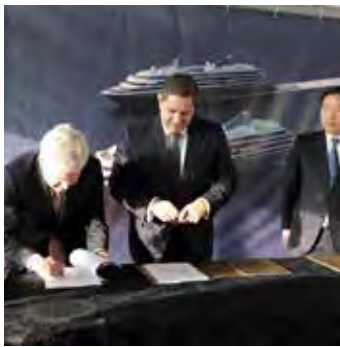
Visits and Corporate Events

Martifer believes that companies must be open to those who want to know more about the company and visit its facilities, both for educational or corporate reasons.

Technical field trips, with the presence of professionals in the area, are an asset for students that visit Martifer since they get to contact the real demands of the job they are learning, a crucial factor to enter the labour market.

During 2018, Martifer was visited by around 300 students and teachers of 15 national and international education institutions, providing students with an insight into the professional world, helping them become better professionals in the future while seeking closer contact with potential future collaborators.

Besides the field trips, in 2018 the Group's companies welcomed several entities and personalities at corporate events, following the signature of relevant contracts or the commemoration of specific dates.



We highlight, in July 2018 the christening of the vessel of the Portuguese Republic, the NRP Sines, the first oceanic patrol vessel built at West Sea's shipyard in Viana do Castelo. The ceremony was attended by the Prime Minister, the Minister of National Defence and the Chief of Staff of the Navy. Also in 2018, in November, the contract for the construction of two more polar vessels was signed at West Sea's shipyard. Having as host Mário Ferreira, president of Mystic Cruises and Douro Azul, the visit included a tour to the shipyard's facilities giving special attention to the polar vessel, the World Explorer, and the ceremony of signature of the contract and speeches.

04



WORLD EXPLORER

04

ENVIRONMENTAL DIMENSION

Martifer Group has a Quality, Safety and Environment Management System, based on a Management Policy which has as main objectives to ensure the quality of all its products, the safety of its employees and the improvement of its environmental performance.

QUALITY, SAFETY AND ENVIRONMENT MANAGEMENT SYSTEM

In its policy, Martifer Group undertakes the commitment of improving client, shareholder, employee and the general society's satisfaction.

In sum, Martifer "wishes" that its policy is understood by all employees as: "Do it well the first time, in safety and respecting the environment."

Therefore, the Group has always had a strategy oriented towards the satisfaction of its clients, and the conscience that we can only attend, with quality, the needs of our clients, with committed and motivated employees.

For the application of this strategy, the Group believes the implementation of management systems in several areas plays an important role. These allow the systematisation of practises and methods that need to work regardless of the people who do them.

The Group's first certification was issued in 1997, with the certification of the quality management system in Martifer Construções Metalomecânicas, according to NP EN ISO 9002.

With the implementation of integrated management systems, Martifer has obtained as main results:

- > Recognition of work practices by an external entity, that allow the due recognition by our clients;
- > Increase in the satisfaction and motivation of employees;
- > Increase in productivity;
- > Decrease in failure costs;
- > Decrease in accidents;
- > Decrease in costs from resources consumption;
- > Prevention and reduction of pollution.

Management Policy

Martifer undertakes the commitment of Improving Client, Shareholder and Employee Satisfaction and establishing sustained relationships with their macro and microenvironment, to assert itself for its technological capacity, for being at the forefront and for being socially responsible. All this allows it to distinguish itself from the other competitors and act so that each client and the society in general, due to their satisfaction, recommend its products and services.



In this respect, it undertakes:

- > The constant concern in identifying and corresponding to the current and future client's requirements and expectations;
- > The promotion of an integrated vision of the clients, employees and suppliers in the structure of the Management System and guarantee the compliance with the contractual requirements;
- > The promotion of the development of people in the organisation by improving the levels of awareness, training and competence of the employees;
- > Promote the participation of all employees and of all those who work on Martifer's behalf, through training and awareness, the promotion of teamwork and the improvement of internal communication;
- > Development of mutually profitable relationships with suppliers;
- > Internal development of client-supplier relationships as a way of continuous improvement;
- > Gradual and continuous reduction of failure costs;
- > Guarantee the compliance with the requirements of the System, according to ISO 9001, ISO 14001 and OHSAS 18001;
- > Guarantee the compliance with EN-1090-1 and associated standards;
- > Continuous improvement of the effectiveness of the processes and the Management System through better use of the available resources and technologies;
- > Compliance with legal and regulatory requirements applicable to products, services and activities;
- > Continuous improvement of the occupational health and safety conditions, identifying hazards and assessing and controlling the risks associated to the activities, preventing accidents and providing greater comfort in the work execution, through information and the availability of protection means, to minimise the exposure to risk factors that cannot be eliminated;
- > Continuous improvement of the environmental performance through the identification and evaluation of environmental aspects associated with the products and services to minimise or eliminate the environmental impacts, preventing pollution;
- > Seek competitive advantages through projects that result in significant productivity increase.

Efficient allocation of resources to the different activities to create value for the shareholder, monitoring the economic and financial performance of each business area and continuously improving the processes to gradually increase the productivity of the production factors.

Quality, Safety and Environment Certifications

Currently, Martifer Group has the following certifications.

1. Martifer – Construções Metalomecânicas, S.A. (Portugal):
 - > ISO 9001 | Quality Management Systems (certifying entity - Portuguese Certification Association - APCER);
 - > OHSAS 18001/NP 4397 | Occupational Health and Safety Management Systems (APCER);
 - > ISO 14001 | Environmental Management Systems (APCER);
 - > EN 1090-1 | Manufacturing Production Control (TÜV Rheinland);
 - > EN 1090-2 | Welding (TÜV Rheinland);
 - > ISO 3834-2 | Certification of Welding Inspection | (TÜV Rheinland).
2. Martifer Romania RO SRL (Romania):
 - > ISO 9001 (TÜV Rheinland);
 - > OHSAS 18001/NP 4397 (TÜV Rheinland);
 - > ISO 14001 (TÜV Rheinland);
 - > EN 1090-1 (TÜV Rheinland);
 - > ISO 3834-2 | (TÜV Rheinland).
3. WestSea – Estaleiros Navais Unipessoal, Lda.
 - > ISO 9001 (Bureau Veritas);
 - > OHSAS 18001/NP 4397 (Bureau Veritas).

West Sea is currently also implementing an environmental management system, to obtain certification by the Standard ISO 14001.



ENVIRONMENTAL RESPONSIBILITY

The continuous improvement of the environmental performance of Martifer Group is ensured through the identification and control of the environmental aspects associated with its products, activities and services, with the aim of eliminating or minimising the environmental impacts resulting therefrom, namely those that are identified and assessed as significant environmental aspects.

Energy and energy efficiency

In all Martifer's companies, energy consumption constitutes a significant environmental aspect, particularly in companies with industrial facilities. Therefore, this is one of the subjects with the highest incidence of actions aimed at reducing the consumption, promoting the energy efficiency of its facilities and consequently reducing the emission of CO₂ into the atmosphere.

Currently, the greatest energy consumers of Martifer Group are the factories OF1 and OF2, both located in Oliveira de Frades and both dedicated to the manufacture of metal structures.

In this sense, and with the aim of improving efficiency and, consequently, the environmental performance of the Group, the implementation of plans for the rationalisation of energy consumption (PREC) are being implemented in both facilities.

In factory OF1, the aim is that after 8 years of implementation of the PREC, it decreases 4% in specific energy consumption, which results in a reduction of 21 TEP's/year of energy consumption of the facility. At the end of the implementation of the PREC in 2020, the decrease in total will be of 170 TEP's.

For such, the actions implemented or to be implemented during this period are:

- > Replacement of the dedusting engine of the blasting;
- > Reduction of compressed air leakages;
- > Optimization of the use of the main UPS;
- > Installation of solar panels.

For the factory OF2, a reduction of 4% of the specific energy consumption is also intended, but in this case, this means a reduction of 39 TEP's/year, which at the end of the implementation of the PREC, means a decrease of approximately 300 TEP's.

To achieve these goals, the actions to be implemented are, among others:

- > Replacement of less efficient lighting systems by LED technology;
- > Control and reduction of compressed air leakages;
- > Adjustment of the combustion of burners of the painting booths.



Air Emissions

Another environmental aspect assessed as significant are air emissions, mainly those that result from the process of painting metal structures in several industrial units of the Group.

Therefore, several initiatives have been adopted to minimise the environmental impacts associated with these emissions, namely:

- > Reformulation of the associated exhaustion and treatment systems to reduce air emissions and their danger.
- > Operational awareness actions to minimise the diffuse emissions associated with the process of handling and use of paints;
- > Progressive replacement, and whenever possible depending on client specifications, of solvent-borne paints (with large quantities of volatile organic compounds) by waterborne paints;
- > Diluent recovery, through a distillation process of the "dirty" diluent, allowing its reuse and consequently a lower consumption of "new" diluent;

Waste

The production of waste is also an environmental aspect considered significant, especially when related to the production of hazardous waste, in particular, waste related to the activities of painting and maintenance.

In this aspect, the behaviour of workers has a great impact in improving the environmental performance of the Group, so several actions to raise awareness for the correct management of the produced waste are continuously developed.

To raise awareness, but also to hold every employee accountable for adequate waste treatment, enhancing its recovery, Martifer instilled a culture based on the 3 R's.

THE 3 R'S

Responsibility – Define rules

Respect – Follow the defined rules

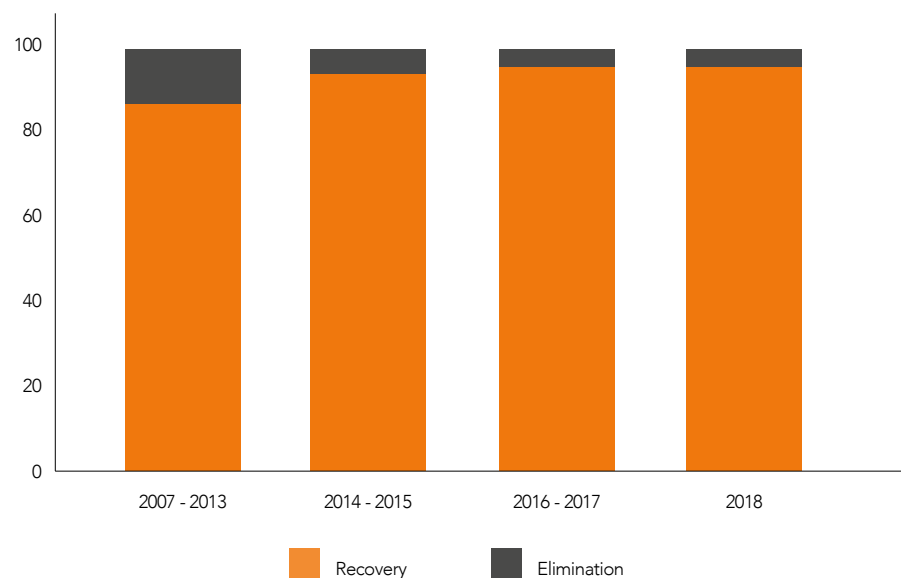
Recycling – Separate the produced waste

Rules were defined for the reuse and separation of the produced waste, making every employee accountable for its compliance to increase the amount of waste that can be recycled, through its correct separation and routing to authorised waste treatment operators.

In the following chart, we present the percentage of waste routed to recovery (R operations) and for elimination (D operations) from 2007 to 2018, showing a trend towards an increase in the percentage of waste recovered compared to waste being routed for elimination.



Waste Routing (%)



As can be seen in the previous chart, there is a clear tendency, over the years, to increase the amount of waste sent for recovery and a reduction in the percentage of waste sent for elimination.

This increase in the recovered waste indicates the effort developed by Martifer not only in the reduction of produced waste but also in the search for "partners" in waste management and treatment that provide environmentally more correct and adequate treatment for the waste produced by the Group.



Improvement of the premises of West Sea in Viana do Castelo

In the year of 2018, several improvement works were carried out in the premises of West Sea in Viana do Castelo. These works had as main objective to improve the work conditions of the workers in the shipyard, but which also reflect some improvements from an environmental point of view. Among others, we highlight:

- > Replacement of the roofing of the maintenance and mechanics workshops, which contain asbestos;
- > Replacement of "transparent roof tiles" in multiple locations to use natural lighting;
- > Replacement of lighting/ fluorescent bulbs by LED lights in various workshops.

05



05

ECONOMIC DIMENSION

ECONOMIC AND FINANCIAL PERSPECTIVE

2018 Annual Results

HIGHLIGHTS - 2018 RESULTS

- > Operating Income of 217.4 M€, of which 125.7 M€ in Metallic Constructions, 82.2 M€ in the Naval Industry and 14.1 M€ in Renewables
- > Turnover generated outside Portugal and exports represent more than 66% of the total turnover of the Group
- > Significant improvement of the operational performance with EBITDA reaching 15.2 M€ (margin of 7.6% in turnover), which represents a growth of 79% compared to the same period of the previous year (8.5 M€ in 2017)
- > The Gross Added Value amounted to approximately 48 M€, i.e. approximately 24% of the turnover, which represents a substantial increase in productivity
- > Net profit attributable to the Group of 1.3 M€
- > Gross Debt decreased 17 M€ in relation to December 2017 to 219 M€, while Net Debt reduced 3 M€ to 186 M€
- > Order book of 373 M€ in Metallic Constructions and Naval Industry, the most robust in the last 5 years



KEY FINANCIAL INDICATORS

M€	DEC-18	DEC-17	VAR.%
Revenues	217.4	185.6	17%
EBITDA	15.2	8.5	79%
EBITDA margin	7.6%	4.8%	2.8 pp
Depreciation & Amortization	-8.8	-10.6	17%
Provisions & Impairment Losses	1.3	-12.3	n.m.
EBIT	7.7	-14.4	n.m.
EBIT margin	3.9%	-8.2%	12 pp
Financial Results	-4.5	17.5	n.m.
Profit before taxes	3.3	3.0	7%
Income tax	-1.7	0.7	n.m.
Net Profit	1.6	3.8	-58%
Attributable to non-controlling interests	0.3	-2.8	n.m.
Attributable to shareholders	1.3	6.5	-80%
Earnings per share €	0.013	0.067	-80%

In 2018, the total operating income was 217.4 million Euros (185.6 million Euros in 2017), 58% of which in the Metallic Constructions segment, 38% in the Naval Industry segment and 6% in the Renewables segment. "Others" refers to intersegment transactions.

Operating Income of the Metallic Constructions segment amounted to 125.7 million Euros, registering an increase of 17.1 million Euros due to increased activity. The Naval Industry segment presents a value of 82.2 million Euros in 2018 (a growth of 31% compared to 2017) that is a result of the strong growth of the activity of this segment in recent years. In the Renewables segment, it amounted to 14.1 million Euros in 2018 and results from the activity of the wind farms and solar parks in exploration and from the sale of projects.

DEBT AND FINANCIAL POSITION

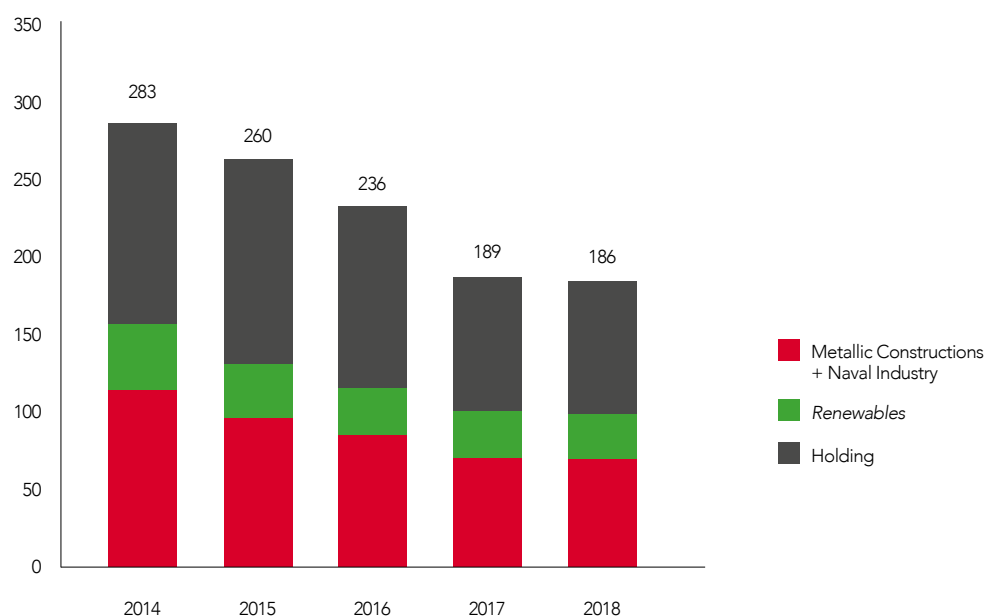
M€	DEZ-18	DEZ-17	VAR.%
Fixed Assets (including Goodwill)	123.4	131.1	-6%
Other non current assets	56.6	69.4	-18%
Inventory and Receivables	106.4	129.3	-18%
Cash and cash equivalents	33.4	46.3	-28%
Total Assets	319.7	376.1	-15%
Shareholders Equity	-13.9	-6.4	<-100%
Non-controlling interests	-35.9	-30.7	-17%
Total do Capital Próprio	-49.7	-37.2	-34%
Non-current debt and leasings	210.1	217.8	-4%
Other non-current liabilities	31.8	45.1	-30%
Current debt and leasings	8.9	17.8	-50%
Other current liabilities	118.6	132.6	-11%
Total Liabilities	369.4	413.3	-11%

During 2018, the decreasing trend of the Net Debt was maintained in line with the goals set in Martifer Group's Strategic Plan. Thus, on 31 December 2018, the consolidated Net Debt reached 186 million Euros, reflecting a 3 million Euro reduction when compared with the previous year.

M€	METALLIC CONSTRUCTIONS	NAVAL INDUSTRY	RENEWABLES	HOLDING	MARTIFER CONSOLIDATED
Net Debt FY 2018	87	-7	22	84	186
Net Debt FY 2017	91	-19	25	92	189

This evolution results from the Strategic Plan and, consequently, from the implementation of the agreement to restructure the financial debt executed with the financing entities, which is already in its fourth year of implementation.

DECREASE TREND OF THE CONSOLIDATED NET DEBT (M€)



Note: Net Debt = Loans + Financial Leasing (+/-) Derivatives - Cash and Cash Equivalents

In 2019, the Group will maintain its debt reduction strategy, in line with the premises defined in its Strategic Plan, namely regarding the implementation of the non-core asset disposal plan.



Future Prospects

The year 2019 will mark the first year of a new cycle in the Group, with a new management team. Continuity will be given to the Strategic Plan approved in 2018, and there will be many challenges for the Group ahead.

To highlight:

- > Implementation of the strategic plan approved in 2018 that is based on the following pillars:
 - Reinforcement of the organisational culture and consolidation of the governance model
 - Enhancement of operational efficiency, planning and productivity in particular in Metallic Constructions, consolidation in the Naval Industry and reinforcement of the sustainable growth strategy in Renewables
 - Consolidation of the financial stabilisation trajectory
- > Strengthening the export profile of the Group, boosting the industrial capacity in Portugal to foreign markets where the Group is present;
- > Gradual assessment of opportunities for diversification, in particular Oil & Gas and O&M;
- > Maintenance of the commitment in the Renewables segment, either through asset rotation or in exploring opportunities related to wind and solar projects;
- > Consolidation of the investment in training, in knowledge and innovation.



Oliveira de Frades, 17th April 2019

The Board of Directors,

Carlos Manuel Marques Martins
(Chairman)

Arnaldo José Nunes da Costa Figueiredo
(Vice-Chairman)

Jorge Alberto Marques Martins
(Vice-Chairman)

Pedro Miguel Rodrigues Duarte
(Member of the Board of Directors)

Pedro Nuno Cardoso Abreu Moreira
(Member of the Board of Directors)

Maria Sílvia da Fonseca Vasconcelos da Mota
(Member of the Board of Directors)

Vítor Manuel Álvares Escária
(Member of the Board of Directors)

Mariana França Gouveia
(Member of the Board of Directors)

www.martifer.com



**AUDIT
AND FISCAL
REPORTS**

REPORT AND OPINION OF THE SUPERVISORY BOARD On the 2018 Consolidated Accounts

(TRANSLATION OF A REPORT ORIGINALLY ISSUED IN PORTUGUESE)

Dear Shareholders,

1. In accordance with the law, the articles of association and the position that was assigned to us at the General Meeting on 18th May 2018, we enclose our report on the supervisory activity and our opinion on the MARTIFER - SGPS, S.A. Management Report and Consolidated Accounts presented by the Board of Directors for the period ended on 31st December 2018.
2. We regularly accompanied the company and its main subsidiaries' activity, having received from the executive Board Members and from company Services all required explanations for the fulfilment of our duties.
3. We accompanied the preparation of the Group's consolidated accounts, the work of the Statutory Auditor and External Auditor with whom we met, we reviewed the Legal Certification of Consolidated Accounts and the Audit Report issued today without reservations or highlights, which have our agreement.
4. We have also analysed the 'Additional Report to the Supervisory Board' issued today by *PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.* as statutory auditor in terms of article no. 24, paragraphs 1 and 2 of Law no. 148/2015 of 9 September.
5. Within the scope of our competence, we found that:
 - a) The Consolidated Statements of Financial Position, the Consolidated Income Statements, the Consolidated Statements of Comprehensive Income, the Consolidated Cash-flow Statements and the Consolidated Statement of Changes in Shareholders' Equity, and the respective accompanying Notes allow the understanding of the Group's financial situation and its results.
 - b) The accounting policies and valuation criteria used are in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, except IFRS 9 and IFRS 15 which were effectively applied in the period started on 1 January 2018.
 - c) IFRS 15 only caused impact on the disclosure of accounts and their reclassifications. Regarding the application of IFRS 9, the impact was significant. Pursuant to the aforementioned standard, a loss was recognised through retained earnings in the net amount of 9.7 million euros. The note to the financial statements '1.2 Comparability of Information' adequately discloses the impact on the 2018 Financial Statements, resulting from the first application of abovementioned Standards; and
 - d) The Management Report shows a clear picture of the evolution of the businesses and the Group's financial situation, describing clearly the most important aspects of the Group's activities.
6. Therefore, taking into account the information received from the Board of Directors and from the External Auditor, and the conclusions of the 'Legal Certification of Consolidated Accounts' and the 'Additional Report to the Supervisory Body', we are of the opinion that:
 - a) The Management Report should be approved; and
 - b) The Consolidated Financial Statements should be approved.

Oliveira de Frades, 30th April 2019

Paulo Sérgio Jesus das Neves
President of the Supervisory Board

Mária Maria Machado Lapa de Barros Peixoto
Member of the Supervisory Board

Américo Agostinho Martins Pereira
Member of the Supervisory Board

REPORT AND OPINION OF THE SUPERVISORY BOARD On the 2018 Individual Accounts

(TRANSLATION OF A REPORT ORIGINALLY ISSUED IN PORTUGUESE)

Dear Shareholders,

1. In accordance with the law, the articles of association and the position that was assigned to us at the General Meeting on 18th May 2018, we enclose our report on the supervisory activity and our opinion on the MARTIFER - SGPS, S.A. Management Report, Consolidated Accounts and Proposals presented by the Board of Directors for the period ended on 31st December 2018.
2. We regularly accompanied the company and its main subsidiaries' activity, having received from the executive Board Members and from company Services all required explanations for the fulfilment of our duties.
3. We accompanied the work of the Statutory Auditor and External Auditor with whom we met, we reviewed the Legal Certification of Accounts and the Audit Report issued today without reservations or highlights, which have our agreement.
4. We have also analysed the 'Additional Report to the Supervisory Board' issued today by *PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.* as statutory auditor in terms of article no. 24, paragraphs 1 and 2 of Law no. 148/2015 of 9 September.
5. Within the scope of our competence, we found that:
 - a) The Management Report of the Board of Directors and the Accounts allow a clear understanding of the Group's financial situation, its results, cash flows and change in the Company's equity.
 - b) The accounting policies and valuation criteria used, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, were consistent with those applied in the preparation of the financial information of the previous period and allow the correct assessment of the Company's assets and results, except IFRS 9 and IFRS 15 which were effectively applied in the period started on 1 January 2018;
 - c) In the 2018 period, the application of these standards in the individual accounts, besides some reclassifications in terms of disclosure, they had no material impact on the valuation level.
 - d) The proposal of results allocation is adequate under the current circumstances.
6. Therefore, taking into account the information received from the Board of Directors, from the External Auditor, and the conclusions of the Legal Certification of Accounts and the Audit Report, without reservations or highlights, we are of the opinion that:
 - a) The Management Report should be approved;
 - b) The Individual Financial Statements of the Company should be approved, and
 - c) The proposal of results allocation should be approved; and
 - d) The Shareholders should assess the company's management and supervisory body, under the terms and for the purposes provided for in article no. 455 of the Portuguese Companies Code.

Oliveira de Frades, 30th April 2019

Paulo Sérgio Jesus das Neves
President of the Supervisory Board

Mária Maria Machado Lapa de Barros Peixoto
Member of the Supervisory Board

Américo Agostinho Martins Pereira
Member of the Supervisory Board

STATEMENT OF THE SUPERVISORY BOARD

(Article no. 245, paragraph 1, subparagraph C of the Securities Code)

Dear Shareholders,

In accordance with the law, we hereby declare that to the best of our knowledge:

- i) The information in the 2018 individual and consolidated financial statements, as well as in their annexes, was compiled in accordance with the applicable accounting standards, giving a true and appropriate picture of the assets and liabilities, the financial position and performance of MARTIFER - SGPS, S.A. and of the companies included in the consolidation perimeter;
- ii) The information contained in the 2018 Management Report truthfully represents the business evolution, the performance and the financial position of MARTIFER - SGPS, S.A. and of the companies included in the consolidation perimeter, and includes a description of the main risks and uncertainties faced by them.

Oliveira de Frades, 30th April 2019

Paulo Sérgio Jesus das Neves
President of the Supervisory Board

Mária Maria Machado Lapa de Barros Peixoto
Member of the Supervisory Board

Américo Agostinho Martins Pereira
Member of the Supervisory Board



Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Martifer SGPS, S.A. (the Group), which comprise the consolidated statement of financial position as at December 31, 2018 (which shows total assets of Euro 319.717.776 and total negative shareholders' equity of Euro 49.725.514 including a net profit of Euro 1.306.965, the consolidated statement of income by nature, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Martifer SGPS, S.A. as at December 31, 2018, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.
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Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485*

Key audit matters	Audit approach
<p>Construction contracts revenue recognition</p> <p>As mentioned in Notes 4, 27 and 37 of the consolidated financial statements, the value of the construction contracts' revenues amounted to approximately 162,7 million euros and the accrued income and deferred income amounted respectively to 10,1 and 44,7 million euros.</p> <p>The Group recognizes revenue according to the guidelines introduced by the adoption of IFRS 15 – Revenue from contracts with costumers. In accordance to IFRS 15, revenue and margins related to ongoing construction contracts are recognized in accordance with the percentage of completion method, using measurement reports, which reflect the physical execution of the works on a given date, contract by contract.</p> <p>Determining the percentage of completion of the contracts requires significant estimates and judgements, namely the total contract income, expenditure to incur until completion and the impact of work to be performed differently from the agreed work, delays in execution and existent or future claims. Additional revenue amounts are estimated when established as contractual rights and assessed as highly probable. These estimates are reviewed in each reporting period, based on management’s best knowledge, and material changes in recognized revenue and margins can arise from that review.</p> <p>Due to the magnitude of the amounts and uncertainty and complexity of the judgements involved in the estimates, we consider this issue as a key audit matter</p>	<p>The work performed over constructions contracts revenue recognition included the following procedures:</p> <ul style="list-style-type: none"> • Understanding and evaluating the control activities related to revenue recognition of construction contracts, and testing control effectiveness, when relevant; • Obtaining construction contract reports that support revenue recognition of plurennial construction contracts, and its reconciliation with the accounting records; • Confirmation of total estimated income as stated in the reports with the contracts agreed with clients and other terms and conditions, and of the local estimated cost with production budgets, for a sample of contracts; • Obtaining and analyzing the incurred costs supporting information and measurement reports of work performed, for a sample of contracts; • Reasonableness tests to the percentage of completion, considering the underlying assumptions; • Analysis of the estimates and judgements of management, concerning the recognized margin, through: (i) analysis of the reliability of historical estimates; (ii) inquiring of changes in total income and total estimated costs, as well as in incurred costs in comparison with budgeted costs, and (iii) evaluating the sufficiency and strength of the supporting evidence for additional revenue values that result from contractual rights but whose amount is not yet approved by the client; and • Analysis of the need to recognize provisions for expected losses in contracts, through key

Key audit matters	Audit approach
Impairment of goodwill and tangible assets	<p>personnel inquiry, as well as through examination of significant contracts and management minutes, external know factors, litigation and disputes with the counterparties or the outcomes of events after the reporting period.</p> <p>With regard to the adoption of IFRS 15, we assessed the differences in the accounting treatment for contracts identified by the Group, as disclosed in note 1.2. b) of the notes of the consolidated financial statements.</p> <p>We have verified the adequacy of the disclosures related to construction contracts presented in the consolidated financial statements.</p>
<p>As mentioned in Notes 11, 17 and 19 to the Consolidated Financial Statements, Goodwill and Tangible Fixed Assets recognized at December 31, 2018 amounted to 121,1 million euros, with accumulated impairments of 34,8 million euros.</p> <p>As required by IAS 36 - Impairment of assets, Goodwill impairment test is performed annually. Additionally, at the end of the year, the Group also assesses the existence of signs of impairment in tangible fixed assets in order to verify if there were changes that indicate that the asset could not be recoverable.</p> <p>The evaluation model used is Discounted Cash Flow. To build this model, management incorporates judgments based on assumptions about future cash flow projections, growth rates, and the discount rate to be applied.</p> <p>Changes in judgments and estimates may result in material adjustments to the financial statements, so there is a high degree of subjectivity, which may result in significant</p>	<p>The work performed to validate the impairment of goodwill and tangible assets focused essentially in the valuation models used to determine the recoverable value of each cash generating unit, and we obtained the valuation models used to determine the recoverable value of each cash generating unit.</p> <p>In order to validate the Discounted Cash Flow model, the following procedures were performed:</p> <ul style="list-style-type: none"> • Test the accuracy of the model; • Validation of the assumptions underlying the models of impairment, namely regarding the discount rate and growth rate used; • Reasonableness of future Cash Flow projections, comparing with historical performance; • Sensitivity analysis of the model; <p>We evaluated the disclosures compliance, as required in IAS 36.</p>

Key audit matters	Audit approach
<p>changes in recoverable amounts, and we therefore consider as a key audit matter.</p>	
<p>Valuation of Investment Properties</p> <p>As mentioned in Note 20 to the Consolidated Financial Statements, the value of Investment Properties at December 31, 2018 is 20,8 million euros, which are measured at fair value.</p> <p>Independent entities carry out the valuations in accordance with IAS 40 and IFRS 13. If any, the valuations take into account evidence of market transactions for identical investments and locations comparable to these investments of the Group.</p> <p>Determining the fair value of these assets requires estimates to be made, which involve the use of assumptions by management, particularly with respect to comparable market sales, projections of future cash flows (sales prices and construction costs at incur for the completion of the asset), market rents and yields.</p> <p>As there is a high degree of subjectivity, changes in judgments and in the estimates used may result in material adjustments to the financial statements, which is why we consider a key audit matter.</p>	<p>The work performed for the valuation of Investment Properties included:</p> <ul style="list-style-type: none"> • assessment of the inventory and investment property presentation reasonableness, considering the expected way of realization, based on meetings with management; • independence and competence assessment of the external appraisers appointed by management; • review of real estate valuation, namely through the following procedures: (i) meeting with the Group’s real estate managers, in order to analyze and discuss the evidence presented and conclusions withdrawn; and (ii) analysis of the reasonableness of the underlying data used in appraisals, considering our knowledge and experience, including the comparison with industry and transaction benchmarks. <p>We have also verified the adequacy of the disclosures according IAS 40 and IFRS 13.</p>

Key audit matters	Audit approach
<p data-bbox="277 483 799 573">Impact in the consolidated financial statements of considering Angola as a hyper-inflationary economy</p> <p data-bbox="277 607 847 904">As mentioned in Notes 1.4 xxvi and 43 of the Notes to the consolidated financial statements, Angola was classified as a hyperinflationary economy. The impact of the restatement of the financial statements of the Angolan subsidiaries in the consolidated financial statements was positive at € 7.3 million in Assets, € 2.4 million in Liabilities, € 4.9 million in Equity and negative at € 0.7 million in the consolidated statement of profit and loss for the period.</p> <p data-bbox="277 938 847 1088">Because of the high levels of inflation in the 3 last years being cumulatively close to 100%, and considering other qualitative aspects, Angola was considered a hyper-inflationary economy in 2017 and 2018</p> <p data-bbox="277 1122 858 1509">The entities which functional currency is the Angolan currency must apply IAS 29 - "Financial Reporting in Hyper-inflationary Economies" to the financial statements as of 1 January 2017. According to the standard, the financial statements of an entity which functional currency is the currency of a hyper-inflationary economy, either based on historical cost or current cost, must be expressed in terms of current measurement unit at the closing date. The gain or loss in the net monetary position must be included in profit and loss and disclosed separately.</p> <p data-bbox="277 1543 847 1753">The financial statements of the Group subsidiaries which functional currency is the Angolan currency were restated by applying a general price index of Angola. The restated financial statements were transposed at closing date exchange rate, to be included in the consolidated financial statements.</p>	<p data-bbox="884 483 1463 573">The audit procedures performed in relation to the restatement impacts of the Angolan entities financial statements consisted of:</p> <ul data-bbox="884 607 1463 1787" style="list-style-type: none"> <li data-bbox="884 607 1463 1420">• verify the support documentation for the validation of the adjustments arising from the application of IAS 29, in order to ensure that management:: <ul data-bbox="927 759 1463 1420" style="list-style-type: none"> <li data-bbox="927 759 1382 790">i) used an appropriate inflation index; <li data-bbox="927 790 1422 848">ii) identified accurately the monetary and non monetary items; <li data-bbox="927 848 1463 1088">iii) adequately applied the restatement methodology in accordance with IAS 29 for the non-monetary items, equity items, statement of income and other comprehensive income, considering separately the restatement impacts recognized in the statement of income and in retained earnings; <li data-bbox="927 1088 1463 1238">iv) adopted reasonable and consistent assumptions, whenever it was impracticable to identify the effective date of each transaction to apply the respective inflation index; <li data-bbox="927 1238 1463 1357">v) presented adequately the restatement impacts in the statement of income, through a separate line of "Net monetary position"; and <li data-bbox="927 1357 1463 1420">vi) also updated the statement of cash flows items. <li data-bbox="884 1453 1463 1637">• review the accuracy of the transposition of the restated financial statements of the Angolan entities to the Group reporting currency, assessing the adequacy of the related consolidation adjustments and respective judgements involved; <li data-bbox="884 1671 1463 1787">• assess the adequacy of the presentation of the restatement impacts in the "Consolidated Statement of other comprehensive income", in accordance with the accounting policies;

Key audit matters	Audit approach
<p>Due to the magnitude of the impacts in the consolidated financial statements, we have considered the classification of Angola as a hyper-inflationary economy, and the consequent accounting repercussions, as a key audit matter.</p>	<ul style="list-style-type: none"> • verify the consistency of the results presented in the consolidated statement of income, including the caption "Net monetary position", with the statements of financial position of the Angolan entities. <p>We have also verified the adequacy of the disclosures related to the restatement impact due to hyper-inflation of Angolan entities.</p>
<p>Impairment of accounts receivable</p> <p>As mentioned in Note 25 to the Consolidated Financial Statements, the Group presents balances receivable from customers and other debtors in the amount of 94,8 million euros at December 31, 2018, for which impairments of 25,3 million euros were registered. In 2018 1 million euros were recognized, net of reversals, in the consolidated income statement and 11,2 million euros in the consolidated statement of changes in equity, resulting from the adoption of IFRS9.</p> <p>The Group assesses, in each reporting period, the amount of impairment losses to be recognized under IFRS 9 – Financial Instruments. For this purpose, impairment losses are recognized for the estimated non recoverable amount of aged receivables or receivables for which other impairment indicators exist (incurred losses), as well as potential expected impairment losses, using an uncollectibility matrix based on the credit history of the Group’s debtors, as explained in note 1.4. vii) of the notes of the consolidated financial statements.</p>	<p>Work performed over recognition and measurement of accounts receivable impairment included the following procedures:</p> <ul style="list-style-type: none"> • Understanding and evaluating control activities related to recognition and measurement of accounts receivable impairment, and tests to the effectiveness of controls, when relevant; • Obtaining the detail list and calculation of accounts receivable impairment recognized in the year, and in the opening financial position, arising from the adoption of IFRS 9, and reconciling with accounting records; • Obtaining the calculation of matrices of expected impairment loss rates by country, industry and customer segments at the reporting date at the date of adoption of IFRS 9; • Discussion with the management of the main assumptions used in determining expected impairment losses, namely segmentation of matrices by different groups of credit risk profile, selection of historical periods and base information, as well as expectations of future credit risk changes; • Obtaining ageing accounts receivable reports and reconciling with the recognized impairment losses;

Key audit matters	Audit approach
<p>The identification of impaired accounts receivable, an determining its recoverable amount, and the modeling of matrices for determination of potential impairment losses by type of customer, industry/sector or country, involve significant management judgement, namely in regards to (i) the debtors ability to settle the debt, probability of default of agreed conditions and collection prospects; and (ii) the segmentation of the portfolio of customers and other debtors in different groups of credit risk profiles and subsequent determination of estimated impairment loss rates. The existence, in many geographies the Group operates in, of significant accounts receivable from government entities, state or entities considered as public entites, raises an additional level of subjectivity and uncertainty to those judgements.</p> <p>Moreover, and in accordance with the group accounting policies, the normal cycle of the accounts receivable recoverability is 12 months. However, there are amounts for which the period between the rendering of services and the payment exceeds the normal operation cycle.</p> <p>In accordance with IFRS 9 – Financial Instruments, and as reported in 1.4. vii) of the notes of the consolidated accounts, the Group estimates the present value of accounts receivable whenever it is expected that payment exceeds the normal operational cycle. In this case, the estimates made by management require judgement, namely concerning the settlement date and the discount rate to use.</p> <p>Estimates of accounts receivable impairment and present value are a key audit matter because they require a high level of judgement by management.</p>	<ul style="list-style-type: none"> • Discussing with management the assumptions used to determine accounts receivable incurred impairment losses, namely for significant amounts outstanding for long time periods; • Obtain and analyze available supporting information, used by management in the assessment performed; and • Verify receipts after the closing date. <p>We have also verified the adequacy of disclosures related to the valuation and impairment of accounts receivable presented in the consolidated financial statements.</p>

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

- a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;
- b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;
- c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- d) the adoption of appropriate accounting policies and criteria; and
- e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;

g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements [and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our understanding that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

Non-financial statement set forth in article No. 508-G of the Portuguese Company Law

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the entity prepared a separated report of the Director's report, that included the non-financial statement set forth in article No. 508-G of the Portuguese Company Law, which was published together with the Director's report.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

- a) We were first appointed auditors of Martifer SGPS, S.A. for the period from 2010 to 2012, and Statutory Auditors in the Shareholders' General Meeting of april 10, 2013 for the period from 2013 to 2014 having remained in functions until the current period. Our last appointment was in the Shareholders' General Meeting of may 18, 2018 for the period from 2018 to 2019.
- b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.
- c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of april 30, 2019.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors (“Estatutos da Ordem dos Revisores Oficiais de Contas”) and that we remain independent of the Group in conducting our audit.

April 30, 2019

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

António Joaquim Brochado Correia, R.O.C.



Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Martifer, SGPS, S.A. (the Entity), which comprise the statement of financial position at 31 December 2018 (which shows total assets of Euro 176.358.168 and total shareholders' equity of Euro 39.378.296 including a profit of Euro 5.951.497), the statement of income by nature, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Martifer, SGPS, S.A. at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law we are independent of the Entity and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

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Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485*

Key Audit Matter**Summary of the Audit Approach**

Recoverability of financial investments in subsidiaries and associates

As mentioned in Note 1, 5, 12 and 19 to the Financial Statements, the Entity holds financial investments in subsidiaries and affiliates in the amount of €153,3 million, with reversions recognized, net of impairments, in the year in a total amount of € 5,1 million.

It is performed a valuation of investment when there is an indication that the asset may be impaired or when the impairments recognized in previous years cease to exist.

The evaluation model used is Discounted Cash Flows. To build this model, management incorporates judgements based on assumptions about future cash flow projections, growth rates and the discount rate to be applied.

The valuation of financial investments is considered a key audit matter, since changes caused by events or circumstances which influence negatively the financial investments participation may result in the non-recoverability of the book value of these assets. and there is a high judgment associated with the evaluation model of the financial investments.

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In order to evaluate the assumptions and judgments assumed by the Management in the valuation of financial investments, the work performed included:

- a) verify the adequacy of the criteria used by management for the assessment of the existence of impairment signs of financial investments; and
- b) obtain and analysis the impairment test of financial investments, in the applicable cases.

The impairment tests analysis based in the Discounted Cash Flow model, implied audit procedures as the a) validation of the method used to quantify the fair value of financial investments and b) valuation of assumptions underlying the models of impairment, namely the growth rate used, sales margin and the discounts implicit in the valuation model.

We compare the recoverable amount obtained in the evaluations with the book value of the investments and we conclude the reasonability of impairments considered by the Entity.

We also evaluate the reasonableness of the disclosures made in accordance with applicable regulations.

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

- a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Entity in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;
- b) the preparation of the Directors' Report , including the Corporate governance Report, in accordance with the applicable law and regulations;
- c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- d) the adoption of appropriate accounting policies and criteria; and
- e) the assessment of the Entity's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Entity's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Entity's financial information.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- a) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;

- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- f) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- g) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and
- h) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our understanding that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Entity, no material misstatements were identified.

Non-financial statement set forth in article No. 66-B of the Portuguese Company Law

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the entity prepared a separated report of the Director's report, that included the non-financial statement set forth in article No. 66-B of the Portuguese Company Law, which was published together with the Director's report.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

- a) We were first appointed auditors of Martifer SGPS, S.A. for the period from 2010 to 2012, and Statutory Auditors in the Shareholders' General Meeting of april 10, 2013 for the period from 2013 to 2014 having remained in functions until the current period. Our last appointment was in the Shareholders' General Meeting of may 18, 2018 for the period from 2018 to 2019.
- b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud.
- c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Entity's supervisory board as of 30 April 2019.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors (“Estatutos da Ordem dos Revisores Oficiais de Contas”) and that we remain independent of the Entity in conducting our audit.

April 30, 2019

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

António Joaquim Brochado Correia, *R.O.C.*