MARTIFER
GROUP

CONNECTED TO THE FUTURE

ANNUAL REPORT
2017

MANAGEMENT REPORT

MANDATORY INFORMATION

CONSOLIDATED FINANCIAL INFORMATION

INDIVIDUAL FINANCIAL INFORMATION

CORPORATE GOVERNANCE REPORT

AUDIT AND FISCAL REPORTS

This translation into English of the Portuguese document was made only for the convenience of non-Portuguese speaking shareholders. 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,

The year 2017 was very positive for the Group, we achieved positive results once again and generated Free Cash Flow to meet the commitments of the current activity. We consolidated the activity in the naval industry segment, giving a capable response both in the repair and in the construction of ships of great technical requirements, within very tight deadlines, we reinforced the order book in the metallic constructions segment, we won the first contract in the Oil & Gas sector and we won a bid in Argentina for a solar energy project.

We continued to implement the Strategic Plan adopted in 2015 and achieved a significant reduction in indebtedness, maintaining the trend of recent years.

In what concerns the current activity, 2017 was not an easy year but it was certainly less complicated than 2016, due to the improvement in the conditions of the world economy, particularly in the construction sector and the positive evolution in commodity prices. However, some of the countries with relevance to the Group's activity, namely Angola that is undergoing a complicated phase, penalized the results and forced some financial effort to withstand the capital shortage and restrictions on the country's outflow of foreign currency. On the other hand, the United Kingdom, which had a very positive performance in the metallic constructions segment, and Portugal in the naval industry segment, were the geographies that contributed the most to the presented results. Particular note for the Renewables segment that contributed the most to the results.

EBITDA was positive at just over 8.5 million Euros and almost doubled when compared to the value of 2016.

The Naval Industry segment had a very positive performance having increased both turnover and EBITDA compared to 2016. This segment has been consolidating itself as a result of the excellent work carried out in the shipyards of Viana do Castelo and we are more and more recognized for our ability to execute projects of great technical complexity.

In Metallic Constructions, we continue to face some difficulties, given that it is a competitive sector in which the price variable is often valued at the expense of technical quality. Even so, we believe that 2017 was positive, because although there was a decrease in turnover, we improved in terms of EBITDA, which means that we are becoming more efficient and we are improving productivity. Also worthy of note is the fact that we won a contract for the supply and assembly of metal structure for Geneva International Airport, which not only has a significant value (45 million Euros), but it is also a demonstration of confidence in national engineering and in the technical capacity of Martifer Group.

In the Renewables segment, we had a very successful year, achieving consolidated results in the order of 10 million Euros.

We highlight the sale of two projects in Latin America, the divestment of the company Âncora Wind by our Ventinveste associate (which owns several wind farms in Portugal) and the bid for a 100 MW solar energy project won in Argentina.

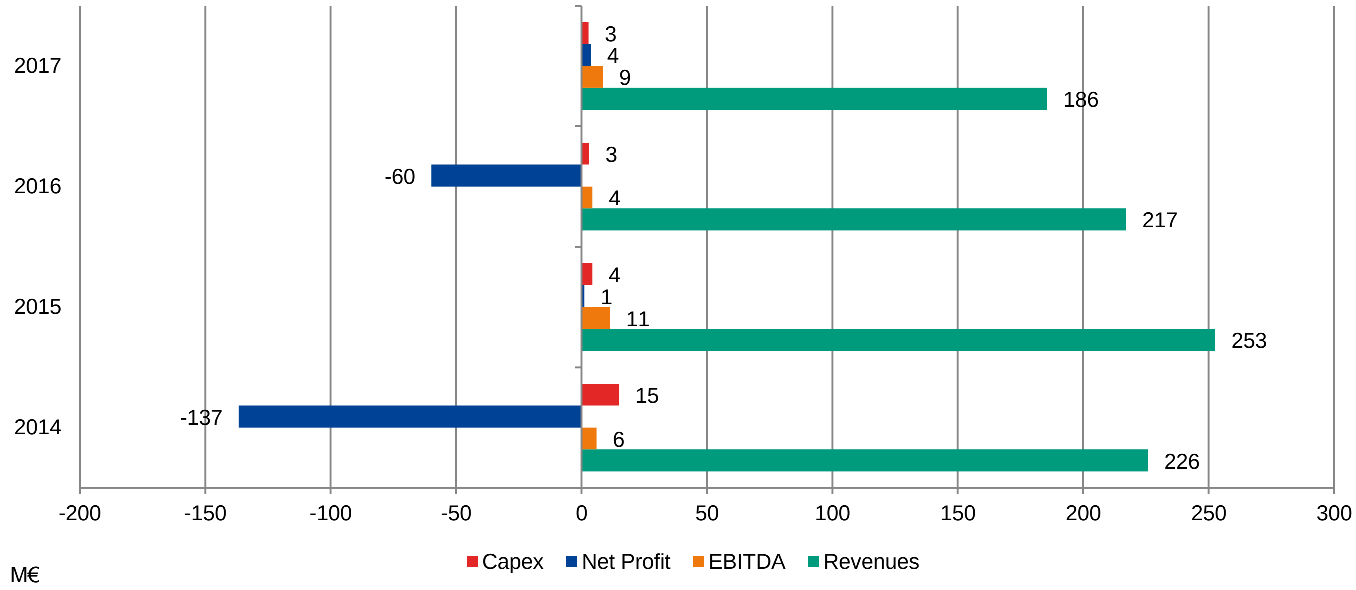
A final note of thanks to all our employees and colleagues, for the commitment and dedication shown and to all our stakeholders for the trust deposited in us.

HIGHLIGHTS

- **Operating Income of 186 M€, of which 108 M€ in Metallic Constructions, 63 M€ in the Naval Industry and 17 M€ in Renewables**
- **Positive EBITDA of 8.5 M€ (margin of 5 %)**
- **Net profit attributable to the Group of 6.5 M€, compared to -43.6 M€ in the same period of last year**
- **Net Debt with a reduction of 47 M€ in relation to December 2016 to 189 M€**
- **Order book in the Metallic Constructions registers an increase YTD to 303 M€, with the Naval area representing 28 %**

MAIN FINANCIAL INDICATORS

€M	DEC-17	DEC -16	VAR.%
	185.6	217.1	-15%
EBITDA	**8.5**	**4.4**	**93%**
EBITDA margin	4.8%	2.1%	2.7 pp
Depreciation & Amortization	-10.6	-10.7	1%
Provisions and Impairment Losses	-12.3	-11.2	-9%
EBIT	**-14.4**	**-17.6**	**18%**
EBIT margin	-8.2%	-8.5%	0.4 pp
Financial Results	17.5	-31.3	n.m.
Profit before taxes	3.0	-48.9	n.m.
Income Tax	0.7	-1.2	n.m.
Profit after taxes	**3.8**	**-50.2**	**n.m.**
Discontinued operations	0.0	-9.7	n.m.
Attributable to non-controlling interests	0.0	-9.6	n.m.
Attributable to shareholders	0.0	-0.1	n.m.
Net Profit	**3.8**	**-59.9**	**n.m.**
Attributable to non-controlling interests	-2.8	-16.3	83%
Attributable to shareholders	6.5	-43.6	n.m.
Earnings per share €	**0.067**	**-0.446**	n.m.



MAIN EVENTS

JANUARY 2017

Construction of the new Midland Metropolitan Hospital

Martifer is participating in the construction of one of the most innovative health infrastructure projects in the United Kingdom, the new Midland Metropolitan Hospital. Located in Sandwell, west of Birmingham, it occupies an area of 6.76 hectares and will start operating in 2018.

With architecture by Edward William Architects office, this hospital is designed in 3 levels, each one corresponding to a functionality: the upper part includes the nursing areas, the middle the clinical areas and finally, the lower floor, the car parks. Its interior has several squares and gardens providing natural lighting in most of the facilities.

Martifer has been part of the project since July 2016 and has the responsibility of providing, transporting and installing 16,500 sqm of modular podium facades, with terracotta and wooden coating in the nursing wards.

Loulé Shopping Centre with demanding technical development

Having as customer Ikea Centres, Martifer is responsible for the supply and assembly of 1,000 sqm of aluminium composite panel in cassette, 820 sqm of aluminium sheet trims, 4,000 sqm of rock wool coatings, 65 tonnes of metallic substructures, 4,200 sqm of composite panel and three-dimensional perforated aluminium sheet.

The particularity of this design is the three-dimensional coating on pyramids that required a technical development for the fastening system. The composite panel and perforated plate pyramids are assembled at the factory in Oliveira de Frades, and then go to the project in modules.

Royal Wharf residential development with construction by Martifer

Having as client Oxley Wharf Property 2 Limited and after finishing the first phase of this project, which included the supply and assembly of 8,000 sqm of aluminium and glass façade, Martifer is now responsible for supplying and assembling a total of 9,500 sqm of façades and coatings. This project includes Light Steel Framing, composite panel coatings, terracotta claddings, fire protection façade and shades and steel finishes.

The Royal Wharf residential development is situated on the banks of River Thames, on the historic royal docks of East London and its architecture, which is the WCEC Group architects' responsibility, it bridges modernity and Victorian and Georgian times.

It is a luxury-housing complex, which will occupy an area of 15 hectares and will include, besides the 3,000 apartments, commercial and leisure areas.

Remodelling Al Faisaliah Shopping Centre

With Al Khozama Management Company as its Client, Martifer participates in the remodelling of the Al Faisaliah shopping centre in Riyadh, Saudi Arabia, being responsible for the supply and assembly of 510 tonnes of metal structure, 4,300 sqm of glass facades and 3,900 sqm of stainless steel coating.

Award of the construction of a Suction Dredger to West Sea

West Sea was awarded the construction of a Trailing Split Suction Hoper Dredger, 70.25 metres long, with a 11.40 metre beam and a 4 metre draught. Reaching a speed of 9 knots, the ship will have a load capacity of 1,001 sqm and a maximum depth of dredging of -40 metres.

MARCH 2017

Delivery of Douro Elegance and Douro Serenity hotel ships

The West Sea delivered to Douro Azul two hotel ships that were baptized Douro Elegance and Douro Serenity. The baptism gala was held at the Pier de Gaia and Joss Stone and Sara Sampaio were the godmothers of the hotel ships. The party, with about 200 guests, included music, a multimedia and fireworks show in an evening full of glamour, which ended with a concert by Joss Stone. The presence of national and international public figures led to a great coverage by the media, from TV and general newspapers to magazines and channels dedicated to social life and fashion.

With these two ships, West Sea and Navalria have 9 hotel ships sailing in the Douro River (8 for the Douro Azul and 1 for Scenic Cruises) in their construction portfolio.

Multi-purpose Pavilion at Dammam University, the third sports infrastructure built in Saudi Arabia

Martifer began the assembly of the Multipurpose Pavilion of the University of Dammam, in Saudi Arabia. The metal 4,300-tonne structure manufactured by Martifer begins rising. Following King Abdullah Sports City and Prince Abdullah Al Faisal Stadiums in Jeddah, this is the third sport infrastructure built in Saudi Arabia.

Ventinveste completes wind farms

Martifer Group participated in the construction and development of the Moimenta, Sernancelhe, Três Marcos and Vale do Chão wind farms, with the construction by Martifer Construções and the development by Ventinveste, a subsidiary of Martifer Group. This is the largest wind project in which Martifer group participated, with Ventinveste realizing the divestment of the projects in reference.

Profound renovation of the 55 Gresham Street building

Martifer Metallic Constructions was awarded a major renovation of the 55 Gresham Street office and commercial building in the heart of London. After having completed the design phase, Martifer is responsible for the manufacture, supply and assembly of the entire exterior coating of the building, in a total of 4,150 sqm of modular façade and 1,300 sqm of aluminium composite panel.

MAY 2017

West Sea celebrates the flotation of NRP Sines

On 3rd May, West Sea celebrated the floating of the NRP Sines, one of the two Ocean Patrol Vessels that are under construction for the Portuguese Navy. The ceremony brought to the shipyard the Minister of National Defence, the Minister of the Sea and the Chief of Staff of the Navy and National Maritime Authority. The ship is scheduled for to be delivered in 2018.

The West Sea team has been consistently praised for its work, capacity, for meeting deadlines and for quality work on these two construction projects. The good pace of execution of these complex projects and the satisfaction of our client brings a greater force to future challenges.

Remodelling of Marcel Rivière Institute and the Denis Forestier Hospital

Martifer is participating in the remodelling of the four buildings of the complex, and is responsible for 1.790 sqm of curtain wall, 3.855 sqm of window frames, 3,155 sqm of roller shutters and 1,810 m of shades. This is the most important remodelling in the history of MGEN group, which has 33 health facilities in France. These facilities will allow not only the treatment of mental disorders but also the accompaniment of elderly people.

JUNE 2017

ITER - Structure for the Tokamak reactor

Martifer continues to participate in the ITER project, this time with the supply and assembly of the metal structure that will allow the assembly of the Tokamak reactor, in building B11. This project includes the structural and connection dimensioning and also the supply and assembly of the covering of the roof and façade (deck and almond plate), a total of 280 tonnes and 818 sqm of area.

The structure is a provisional platform that works as a lid that will allow the development of several works to be done simultaneously, in the several height levels.

Award of 10 wind towers for SENVION-SSH and SENVION-EDPR projects

Martifer Metallic Constructions was awarded the supply of 3 wind turbines model MM92-69Hh-ITS, including the purchase of all material, totalling around 333 tonnes of steel, divided into 3 sections and the supply of 7 wind turbines model MM100-100Hh- ITS, including the purchase of all material, totalling about 1,344 tonnes of steel, divided into 4 sections.

JULY 2017

Two new shipbuilding projects in West Sea

Douro Splendor

Douro Azul awarded West Sea the construction of a hotel ship to sail in the Douro River, identical to the Douro Elegance. It will have a length of 79 metres and capacity for 126 passengers. Its completion is scheduled May 2018.

World Explorer

Mystic Cruises awarded West Sea the construction of a luxury cruise ship to navigate in Antarctica. This will be a major challenge for West Sea because of its size and technical requirements. With 126 metres of length and a breadth of 19 metres, it will have the capacity for 176 guests and 125 crewmembers. The cruise ship should be ready to sail at the end of 2018.

Supply and assembly of metallic structure for Geneva International Airport - East Wing

Martifer Group won a contract for the supply and assembly of metal structure for the Geneva International Airport-East Wing.

The contract has an estimated value of 45 million Euros and the deadline for the execution of the project is 24 months.

The production of the metal structure will be done mainly in the industrial facility of Martifer group, in Oliveira de Frades, allowing the strengthening of the exporter side of the Group, which currently represents more than 80% of the turnover of the metallic structure segment in Portugal.

The award of this contract is a demonstration of confidence in national engineering and in the technical capacity of the Martifer Group.

SEPTEMBER 2017

Business Centre Paris - Asia

Martifer Metallic Constructions finished its intervention at the Paris - Asia Business Centre. The works awarded to Martifer totalled the supply and assembly of 14,500 sqm of aluminium and glass façades. This centre should become the largest trade and professional exchange area between France, Europe and China.

Paris Expo Porte de Versailles

Martifer Metallic Constructions was awarded the supply and assembly of 2,074 tonnes of metal structure for the execution of exhibition hall no. 6 of this cultural centre, architecture by Valode & Pistre. Also included is the supply of 14,938 sqm of plate for the execution of the roof of the pavilion and the fire protection, by intumescent projection. Martifer is also responsible for the metal structure execution project.

OCTOBER 2017

Expansion of Hospital da Luz

Martifer Metallic Constructions is responsible for the supply and assembly of 7,611 sqm of curtain wall, 470 sqm of window frames, 4,429 sqm of shades, 125 sqm of fire spans and 2,776 running metres of aluminium pillars. Architecture by Risco, Hospital da Luz is one of the largest hospital complexes in Lisbon. It is located next to the Luz Stadium and the Colombo Shopping Centre and this expansion will allow an increase of its capacity by 80 %.

Helios - Via de los Poblados 1, colour serving architecture

Martifer Metallic Constructions is responsible for the supply and installation of approximately 14,000 sqm of traditional aluminium façade, 24,000 sqm of composite panel that has metal structure in the base, totalling around 4,500 meters. The project also includes other works in smaller scale: ceramic façades, fire panel to sectorize floors and lifelines for the building's maintenance. With architecture by Fenwick Iribarren, this office complex consists of two buildings and combines black and white colours in a design of contrasts.

ITER, construction of the "Tokamak Complex" building

Continuing its intervention in the international ITER project, it is Martifer Metallic Constructions's responsibility to supply and assemble around 2,000 tonnes of metal structure for the Tokamak building, the heart of the complex. The design also includes the sizing of the structure links.

NOVEMBER 2017

The Viking Helgrim ship-hotel

West Sea was awarded by International Mystic Sales, the construction of a hotel vessel 79.85 metres long, 1.40 metres breadth and an air draft of 7.20 metres. The ship will have 53 passenger cabins and 15 cabins for the crew. With engineering design by CMT Engineering LTD, it will be very similar to the project already completed, Viking Osfrid. This new ship will be part of the VikingCruises fleet, being operated by International Mystic Sales, in the Douro River.

Martifer Romania ends Railway Bridge Sighisoara

Martifer Metallic Constructions in Romania completes one of the bridges under construction on the Tarnava River in Sighisoara. It is a railway bridge, with a total weight of 1,004 tonnes, with a single arch 125 metres long. A project fully produced and assembled by Martifer Romania for the JV FCC / Asvi.

DECEMBER 2017

Martifer Metallic Constructions is an official sponsor of the event "The Glass Supper Event 2017"

Martifer Metallic Constructions was an official sponsor at The Glass Supper Event 2017, which took place on 7th December in London. More than 400 guests from around the world gathered in a one-day experience that facilitated the open discussion on leadership, addressing systems and solutions of high performance in the global architectural industry of glass and of today's façades.

Martifer Renewables wins a tender in Argentina

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 major step in the development of the Renewables' activity in Argentina.

MAIN POSTERIOR EVENTS

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 Fibre Reinforced Concrete), 2,160 sqm of windows and 6,200 sqm of cladding of lacquered aluminium 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 aluminium 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.

Castelhana 163, a new skin for the two façades

Castelhana 163 is a building with two symmetrical façades in two of the busiest streets of Madrid, the Capitán Haya and Castellana streets. Martifer'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 Krion, 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, curative, systematic, etc.) in the various specialties: 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 tones per year, or 220 thousand barrels per day.

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 a partnership of Senvion 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.

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 508-G of the Commercial Companies Code, in the Martifer Group Sustainability Report, which will be published on its website by the end of June.

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 greater degree of independence and power.

The business areas act independently, although they follow the strategic guidelines defined at the holding level, having the annual budgets and business plans 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 them, from these areas, to build the most complex projects in diverse locations such as, for example, 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 from complementary segments, which will 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 the 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 2017, it had 1,019 employees.

NAVAL INDUSTRY

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.

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 more than 350 employees, of which more than 60% were workers in 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 the specialization in products with high added value and strong technological incorporation, taking advantage of the synergies and experience in ship repair as well as of 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 to 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 a 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 ship repair of small and medium-sized vessels. It is also always available to complement West Sea, as has already happened with the construction of two hotel ships that were finished during 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.

In terms of organization, the companies are focused on and oriented towards a good management of human resources, allowing the necessary cohesion and the capture of the best human resources, taking advantage of the availability of specialized 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, 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 39 employees at the end of the year, has a wide experience in the development and management of wind farms and solar PV parks, being present in the Iberian Peninsula, in Central Europe and in Latin America. Owning, in total or in partnership, a portfolio of over 80 MW in operation, Martifer Renewables has already developed and built more than 1,200 MW in different geographies, having had as partners in the latest projects that were sold relevant companies such as IKEA, GALP, Ferrostaal, Santander Bank, CPFL, Tractelbel and Solaire Direct.

In 2017, Martifer Renewables concluded in Latin America the sale to Tractebel of the Assú I (112.5 MWp) and Assú II (187.5 MWp) projects and won the "Renovar 2.5" energy tender in Argentina, with the Guañizuil IIA solar project (110 MWp).

In Portugal, the Ventinveste associate concluded the sale of shares and transfer of assets of the company Âncora Wind - Energia Eólica S.A. - which owns the wind farms PE Douro Sul and PE Vale do Chão - to First State Benedict S.A.R.L..

The group is currently organized as follows:




MARTIFER
METALLIC CONSTRUCTIONS

METAL MECHANIC CONSTRUCTIONS
ALUMINIUM AND GLASS FAÇADES
OIL & GAS INFRASTRUCTURES

WestSEA
VIANA SHIPYARD

NAVAL INDUSTRY

MARTIFER
RENEWABLES

DEVELOPMENT OF WIND POWER ASSETS

CONSTRUCTION MANAGEMENT

TECHNICAL AND OPERATION MANAGEMENT

INTERNATIONAL PRESENCE

PORTUGAL Ol. de Frades | Headquarters

PORTUGAL Viana do Castelo

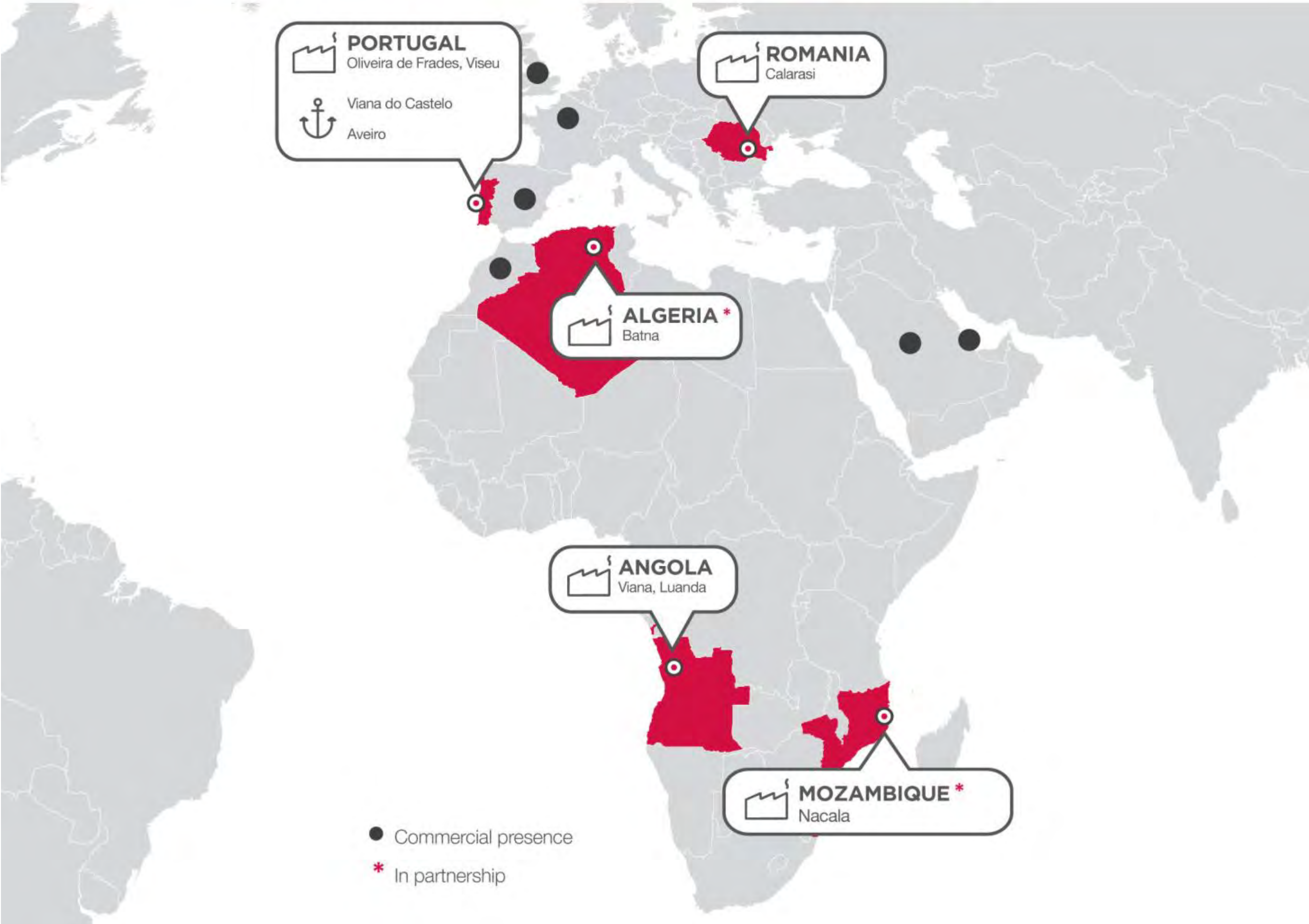
PORTUGAL Aveiro

ROMANIA Calarasi

ALGERIA Batna

ANGOLA Viana, Luanda

MOZAMBIQUE Nacala



HISTORY

1990

In February 1990, Martifer is established as a limited company, with the share capital of approximately 22,500 Euros (at the time: 4,500 thousand 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 begins 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 continues with the internationalisation process by building an industrial unit in Gliwice, in Poland. It starts operating in the 2nd half of 2004.

2004

In February, Martifer begins 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. is created with the objective 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 main 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 formed with the social object related to the projecting, design, manufacturing 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 2nd 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 auction 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 in the respective subsidiaries.

Also in March, the subsidiary Martifer Metallic Constructions acquired 45 % of the capital of Martifer Alumínios from HSF SGPS, owning the company's entire 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 plants in the African Continent in the islands of Sal and Santiago, in Cape Verde.

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

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

2011

Martifer becomes a multinational company with over 3,000 employees worldwide and focused essentially 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 biggest growth potential in the next years: Brazil. In the solar segment, we witnessed the awarding 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 tons of steel structures per year, this plant aims to respond 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 a General Motors plant in Joinville, State of Santa Catarina.
The company also continues its internationalization process entering Ukraine, Romania and Mexico.

2013

In 2013, Martifer Solar builds 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 posterior 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).

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 Bahía), 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 was completed. 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 meters 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 of the construction of a new building, 520 meters long and 20 meters wide.

In the Naval area, West Sea begins the construction of NRP Setúbal and NRP Sines, the 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 for 176 guests and 125 crewmembers.

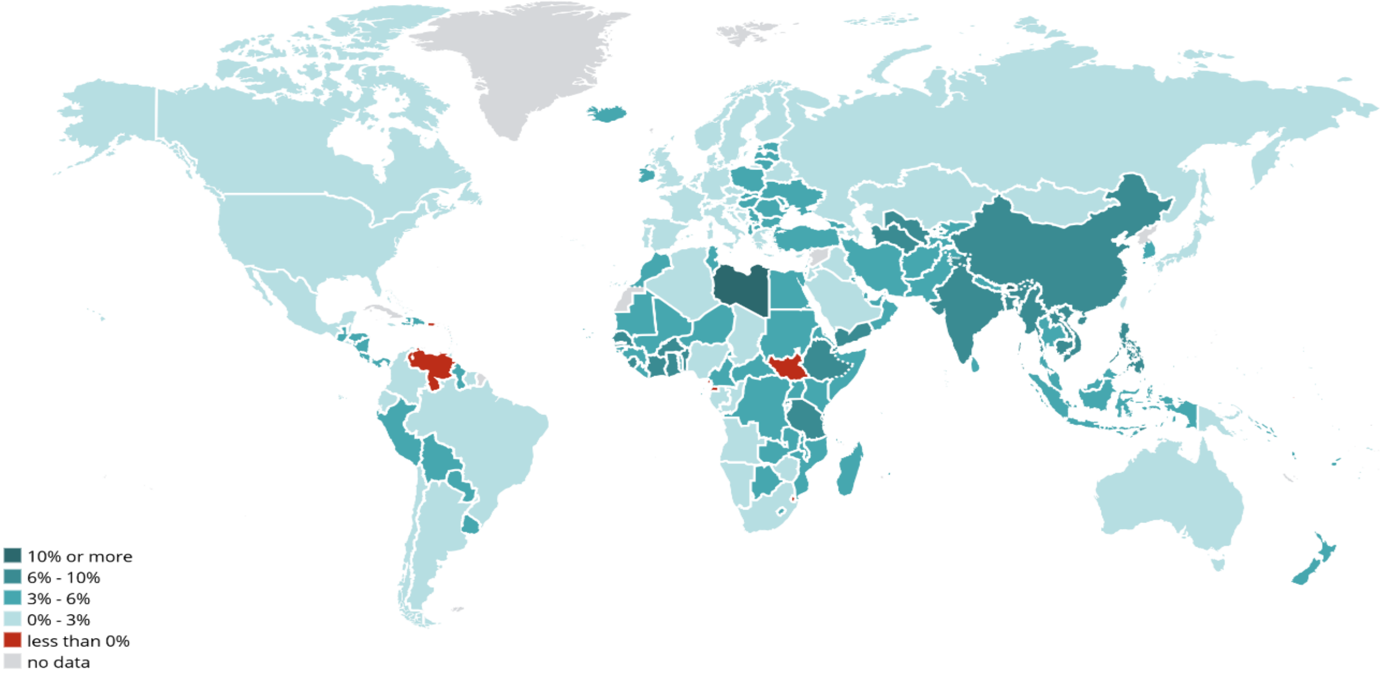
Martifer Renewables won a bid in Argentina for a 100 MW solar project located in the municipality of Iglesia in the province of San Juan, approximately 1,000 km from the capital Buenos Aires. This is the first big step in the development of its activity in Argentina.

MARKET ENVIRONMENT

GLOBAL ECONOMY

World GDP

2018 forecast, % increase regarding the previous year



Source: World Economic Outlook

Economic Growth

In 2017, the global economic activity should have grown 3.7 %, i.e. by 0.1 % above expectations and 0.5 % more than what was registered in 2016, thus showing solid growth, sustained by the recovery in international trade and in investment - notably in Europe and in Asia.

Monetary policy, during 2017, remained accommodative in the major world economies, despite changes in the interest rates of the United States of America and of the United Kingdom. That said, the Nobel Prize in Economics, Michael Spence, says that in developed countries, the year 2017 will be marked as a year of contrasts, in which many economies witnessed an acceleration of economic growth, accompanied by the attenuation of some political factors. In the US, private consumption has become the main contributor to economic growth, although there has been increasing uncertainty about US policy. In the Euro area, on the other hand, the cycle of economic expansion is extended to all countries, reflecting the dynamism of domestic demand, although the United Kingdom faces a complicated

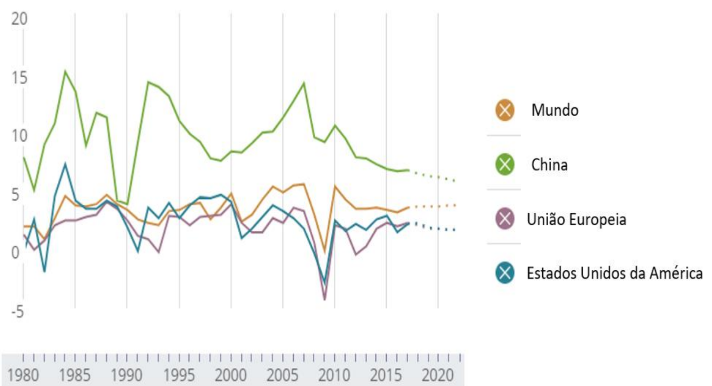


Figure 1 – Evolution and perspective of global growth | Source: World Economic Outlook

and divisive Brexit. In what concerns Asia, consumption and innovation have become the main contributors to the growth of the economy, with particular relevance to the Chinese economy, which has benefited from effective management by Chinese President Xi Jinping.

According to the International Monetary Fund, global economic activity is expected to grow in 2018 and 2019 by 3.9 %, a recent increase from 3.7 %, due to the global growth momentum and the impact of the expected changes in the recently approved US tax policy.

During 2017, industrial commodity prices, such as metals and energy, recovered over the previous year; however, prices stabilized in the agricultural sector.

According to the World Bank, the price of energy commodities will have appreciated 28 %, as a result of the evolution of demand and the imposition of OPEC and non-OPEC cuts in oil production. By 2018, these commodities are expected to grow at around 4 % - according to the World Bank report.

In turn, the price of metals will have grown 22 % last year, driven by strong demand and the lack of stock of some materials, such as aluminium and zinc. In addition to these two factors, we must also highlight the impact caused by China's impositions in order to reduce overcapacity in the steel sector and reduce industrial pollution. For the coming year, the metal price index is expected to stabilize, therefore, despite an expected increase in all prices of basic metals, - due to the weak supply of lead (China), nickel (Australia) and zinc (Australia and the US) - according to the World Bank, there will be no impact on this index, as a 10 % drop in the price of iron ore is also expected.

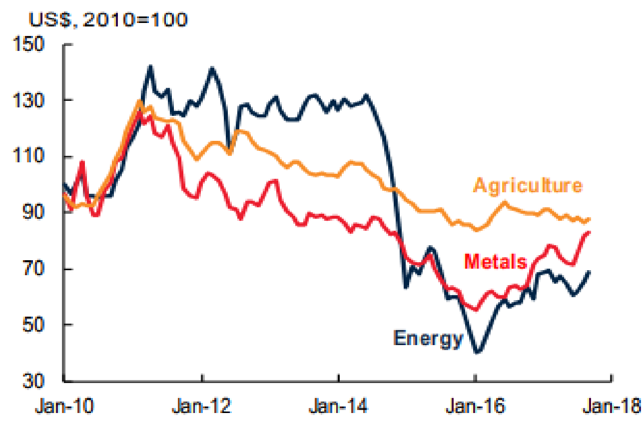


Figure 3 - Commodity Price Index (monthly) | Source: World Bank

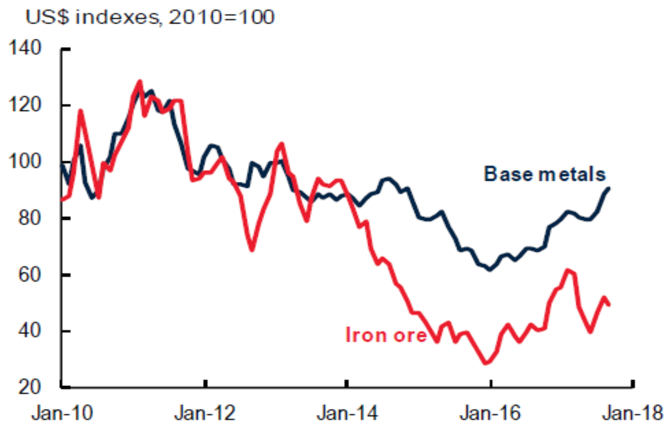


Figure 4 - Prices of Metals and Minerals | Source: World Bank

Regarding agricultural commodities, a marginal devaluation was verified during the course of 2017, influenced by the improvement of the conditions of seed growth and consequent increase of the inventories. In the future, according to the World Bank, a reduction in supply is expected and, therefore, an increase in the agricultural commodities index. It should also be noted that biofuel production is also expected to increase by approximately 3 % over the next 3 years, according to the World Bank's global economic report.

Growth in emerging markets and developing economies (EMEAs) accelerated in 2017. For commodity-exporting countries, a 1.8 % growth is expected (0.8 % higher than the previous year), driven mainly by the reversal of the trend in Brazil and in Russia - it is also important to highlight that, according to the World Bank, there was a 65 % increase in investment of commodity-exporting countries. For commodity-importing countries, in turn, economic activity is expected to increase by 6%, in particular due to India's huge contribution.

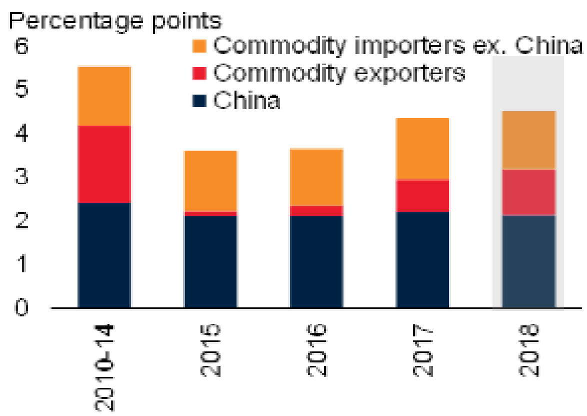


Figure 5 - Contribution to the growth of EMDEs | Source: World Bank's "Global Economic Perspectives" Report

This reversal of the scenario vis-à-vis previous years was based on the stabilization of global commodity prices and the improvement in financial conditions, leading to a reduction in financing costs and a recovery in capital flows.

For the coming years, emerging markets and developing economies are expected to continue to evolve, reaching a 4.5 % growth in 2018 and 4.7 % in 2019-2020 - according to World Bank perspectives.

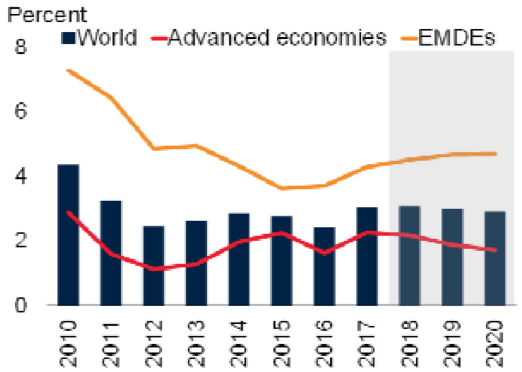


Figure 6 - Growth Evolution in Emerging Markets and Developing Economies

Source: World Bank's "Global Economic Perspectives" Report

Global Indicators

During the previous year, according to the economic bulletin of the Bank of Portugal, there was a general appreciation of the share indices, as shown in figure 7, despite the presence of investors' concern about the tension between North Korea and the USA. It should also be noted that in the course of 2017 the stock market registered historical highs in the North American stock exchanges and in some European exchanges.

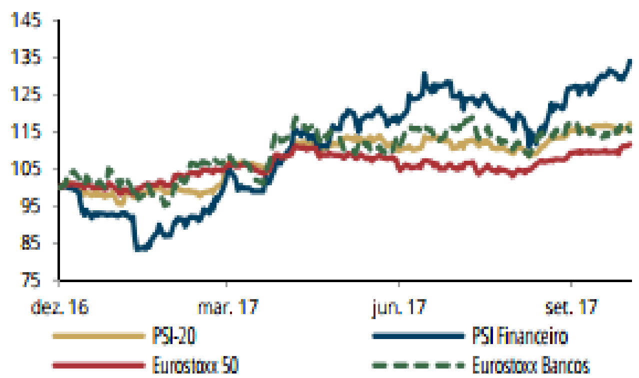


Figure 7 – Share indices | Index December 2016 = 100
(Source: Reuters)

	2013	2014	2015	2016	2017	2018f	2019e
GDP, annual var. %							
USA	1.7%	2.6%	2.9%	1.5%	2.3%	2.7%	2.5%
Euro Zone	-0.2%	1.3%	2.0%	1.8%	2.4%	2.2%	2.0%
Germany	0.6%	1.9%	1.5%	1.9%	2.5%	2.3%	2.0%
Portugal	-1.1%	0.9%	1.6%	1.4%	2.6%	2.1%	1.9%
Inflation, annual var. %							
USA	1.5%	1.6%	0.1%	1.3%	2.1%	2.1%	2.6%
Euro Zone	1.3%	0.4%	0.0%	0.2%	1.5%	1.4%	1.7%
Germany	1.6%	0.8%	0.1%	0.4%	1.6%	1.5%	2.0%
Portugal	0.4%	-0.2%	0.5%	0.6%	1.6%	2.0%	2.1%
Unemployment Rate, Annual var. %							
USA	7.4%	6.2%	5.3%	4.9%	4.4%	4.1%	4.2%
Euro Zone	12.0%	11.6%	10.9%	10.0%	9.2%	8.7%	8.3%
Germany	5.2%	5.0%	4.6%	4.2%	3.8%	3.7%	3.7%
Portugal	16.2%	13.9%	12.4%	11.1%	9.7%	9.0%	8.5%
Weight of the Deficit, % GDP							
USA	-4.4%	-4.0%	-3.5%	-4.4%	-4.3%	-3.7%	-4.0%
Euro Zone	-3.0%	-2.6%	-2.1%	-1.5%	-1.3%	-1.0%	-0.7%
Germany	-0.1%	0.3%	0.6%	0.8%	0.7%	0.8%	1.0%
Portugal	-4.8%	-7.2%	-4.4%	-2.0%	-1.5%	-1.4%	-1.5%
Price of Crude							
USD per Barrel	110.8	57.3	37.3	43.74	54.3	61.6	58.9
Interest Rates, End of year (%)							
Interest Rates							
- Fed (Fed Funds)	0.25%	0.25%	0.50%	0.75%	1.50%	2.50%	3.50%
- ECB	0.25%	0.05%	0.05%	0.00%	0.00%	0.25%	0.50%
- BoE	0.50%	0.50%	0.50%	0.25%	0.50%	1.00%	1.25%
Long-term Interest Rates (10 y Bonds)							
USA	3.01%	2.18%	2.27%	2.40%	2.90%	3.25%	3.60%
Euro Zone	1.94%	0.54%	0.63%	0.21%	0.42%	0.22%	0.33%
United Kingdom	3.03%	1.76%	1.96%	1.25%	1.65%	2.00%	2.40%
Exchange Rates, end of year							
EUR/USD	1.38	1.2	1.09	1.05	1.2	1.15	1.11

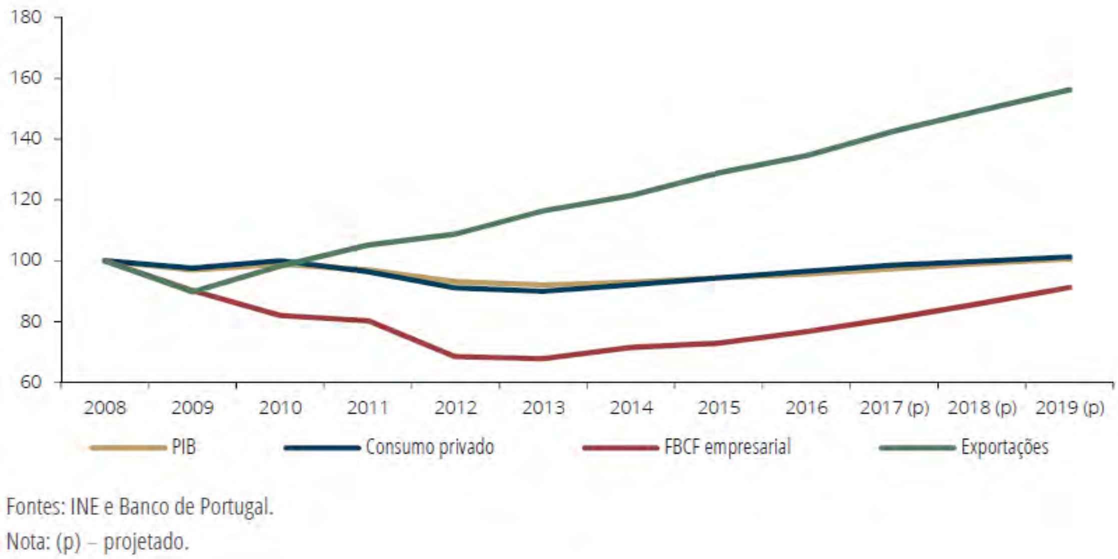
Source: Reuters, IMF, OECD, Goldman Sachs, World Bank, ECB, EIA

THE PULSE OF PORTUGAL

Economic Growth

The projections for the Portuguese economy point to a growth profile until 2020, although a reduction in the pace is expected in the last 2 years of this time horizon. In 2017, economic activity grew 2.7 % in real terms, driven by structural reforms in recent years and growth in private consumption. At the same time, the business sector has also contributed to the process of expansion of the Portuguese economy by increasing investment and accelerating employment - made possible by the successive reduction of interest rates on loans to non-financial corporations. Another equally relevant indicator inherent in the adjustment of the national economy is the behaviour of exports, which has provided a reorientation of productive resources to sectors that are more exposed to international competition. Also noteworthy were the banking sector's adjustment and the evolution of the budget balance that resulted in the improvement of Portugal's risk assessment by international rating agencies/ investors, with an impact on market interest rates.

According to the projections in the economic bulletin of Bank of Portugal, economic activity is expected to maintain its expansion profile over the projection horizon, driven by exports (Chart 1). Compared to the average of the Euro area as a whole, GDP is expected to maintain a recovery path very close to that, by 2020 - according to information from Bank of Portugal.



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

Strong growth in exports of both goods and services can be explained by the evolution of external demand and also by the estimation of the maintenance of gains in market share, given that monetary and financial conditions should also remain favourable. It is expected that in 2019, exports will be 60 % above the level recorded in 2008, and that this growth will be accompanied by a strong business investment. It should also be noted that, according to the economic bulletin, the net contribution of exports to GDP growth during the established time horizon should be of a lower magnitude than that projected for 2017.

With regard to private consumption, despite the improvements in the labour market, represented by the evolution of real disposable income and the reduction of the unemployment rate, among others, a relatively stable growth is expected over the time horizon (and below that of GDP), conditioned by the need to reduce the level of household indebtedness.

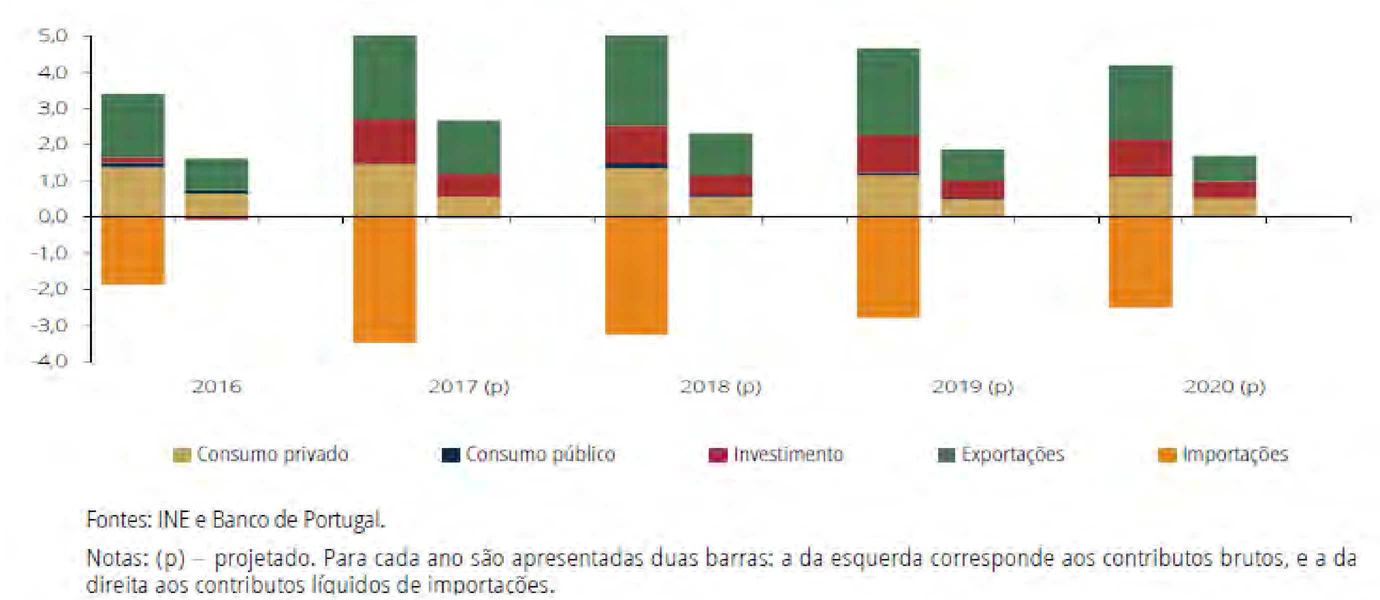


Chart 2 - Gross and net contributions to GDP growth | In percentage

Indicators

According to the Bank of Portugal, the Portuguese stock market will have followed the trend in the European market. The main stock index in Portugal (PSI 20) will have been one of the most valued in Europe, having closed the year of 2017 with cumulative gains of 15 % - as published in the newspaper Público on 29 December 2017.

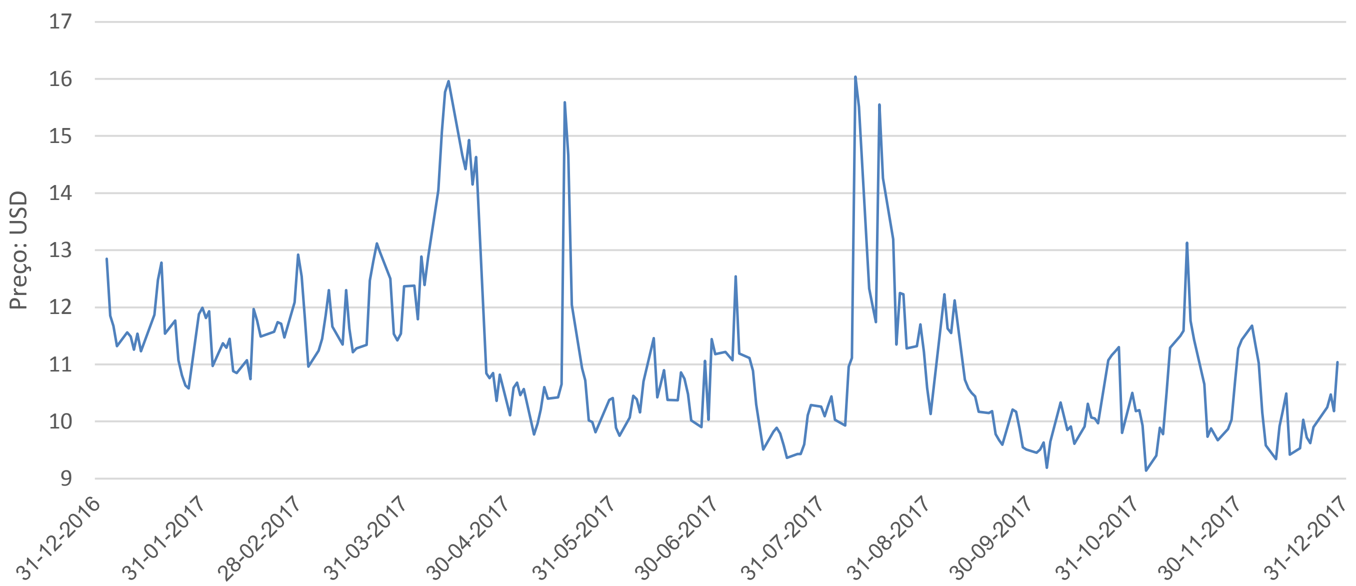
Chart 3 - Comparison of the Portuguese shareholder index with the main European index

MARKET RISKS AND VOLATILITY

The dynamism of the stock markets and the high liquidity available, according to the Bank of Portugal, materialized a generalized appreciation of the stock indices and allowed the reach of historical peaks in the American stock exchanges and in some European exchanges. Simultaneously, they led to a compression of risk premiums in the fixed income markets and influenced the United States of America (VIX) and Europe (V2TX) share volatility indexes - which reached historically low levels (down 17 % during 2017).

The main volatility index, VIX, closed the year 2017 reaching 11.04 points, reaching the maximum value (16.04 points) on 10 August. The minimum value, 9.14 points, in turn, was recorded on 3 November 2017.

Chart 4 - VIX Index



Source: Reuters

It should be noted that 2017 was marked as the year when Donald Trump assumed the US presidency and later exposed some controversial statements, creating tension between North Korea and the US. Venezuela entered an economic and political crisis. Three strong hurricanes devastated Texas, Florida, Puerto Rico and other Caribbean islands within four weeks. Catalonia called for independence from Spain.

The lack of events with a major impact on the Euro area, agglomerated to low volatility, according to the Bank of Portugal, translated into a greater disparity in the yields of the various countries, based on the political and economic developments underlying each one.

MAIN RISKS FOR 2018

Although global growth is expected to occur in 2018, several international agencies have identified some of the main risks to the world economy in the medium term (according to the World Economic Outlook):

- Accumulation of financial vulnerabilities

In a phase of structurally low inflation, vulnerability may increase if financial conditions continue to be favourable in the medium term (driven by low interest rates and low expected volatility in asset prices), encouraging investors to increase their exposure to assets of greater risk.

On the other hand, if inflation rises in the US - as expected - there may be an increase in interest rates.

- Policies directed to the interior

This corresponds to the impasse underlying the renegotiation of some long-standing trade agreements, such as the future of the World Trade Organization and the North American Free Trade Agreement (NAFTA) and the agreements between the United Kingdom and the rest of the European Union. Increased trade restrictions may influence overall investment and, consequently, reduce productive efficiency, thus leading to an increase in external imbalances. In sum, drastic changes in the conduct of the economy can drastically affect investment decisions and increase the pressure for more internally directed policies.

- 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 serious humanitarian costs.

On the other hand, increasing geopolitical tensions may reduce confidence and affect the economic activity, particularly in the Korean peninsula and in the Middle East.

MANAGEMENT REPORT

FINANCIAL PERFORMANCE

03 | FINANCIAL PERFORMANCE

INTRODUCTORY NOTE

In September 2014, the Group started to classify the solar business unit (consisting of Martifer Solar, SA and its subsidiaries) as a non-current asset held for sale. This change resulted from the fact that Martifer put into action its plan to sell its economic interest (55 %) in Martifer Solar.

Since the requirements of IFRS 5 are fulfilled, the contribution to Martifer's consolidated results coming from this segment is presented in an autonomous line in the Consolidated P&L.

The breakdown of these contributions is included in the Notes to the Consolidated Financial Statements.

It should be noted that the 55 % stake held in Martifer Solar, SA was sold to Voltalia Group in August 2016. Through the sale agreement, Voltalia acquires 100 % of the shares of Martifer Solar, SA, excluding its US entities that will continue to be owned by Martifer Group.

In 2017, as a result of the high levels of inflation registered in the last three years, the Angolan economy was qualified as hyperinflationary. As a result, 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.

CONSOLIDATED RESULTS ANALYSIS

€M	DEC-17	DEC -16	VAR.%
Revenues	185.6	217.1	-15%
EBITDA	**8.5**	**4.4**	**93%**
EBITDA margin	4.8%	2.1%	2.7 pp
Depreciation & Amortization	-10.6	-10.7	1%
Provisions and Impairment Losses	-12.3	-11.2	-9%
EBIT	**-14.4**	**-17.6**	**18%**
EBIT margin	-8.2%	-8.5%	0.4 pp
Financial Results	17.5	-31.3	n.m.
Profit before taxes	3.0	-48.9	n.m.
Income Tax	0.7	-1.2	n.m.
Profit after taxes	**3.8**	**-50.2**	**n.m.**
Discontinued operations	0.0	-9.7	n.m.
Attributable to non-controlling interests	0.0	-9.6	n.m.
Attributable to shareholders	0.0	-0.1	n.m.
Net Profit	**3.8**	**-59.9**	**n.m.**
Attributable to non-controlling interests	-2.8	-16.3	83%
Attributable to shareholders	6.5	-43.6	n.m.
Earnings per share €	**0.067**	**-0.446**	n.m.

REVENUES

REVENUES	DEC -17 €M	DEC -17 WEIGHT	DEC -16 €M	DEC -16 WEIGHT	VAR. (%)
Martifer Consolidated	**185.6**	100%	**217.1**	100%	**-15%**
Metallic Constructions	108.6	59%	156.5	72%	-31%
Naval Industry	62.7	34%	47.6	22%	32%
Renewables	16.6	9%	15.1	7%	10%
Others, Holding and Adjust.	-2.5	-1%	-2.0	-1%	-21%

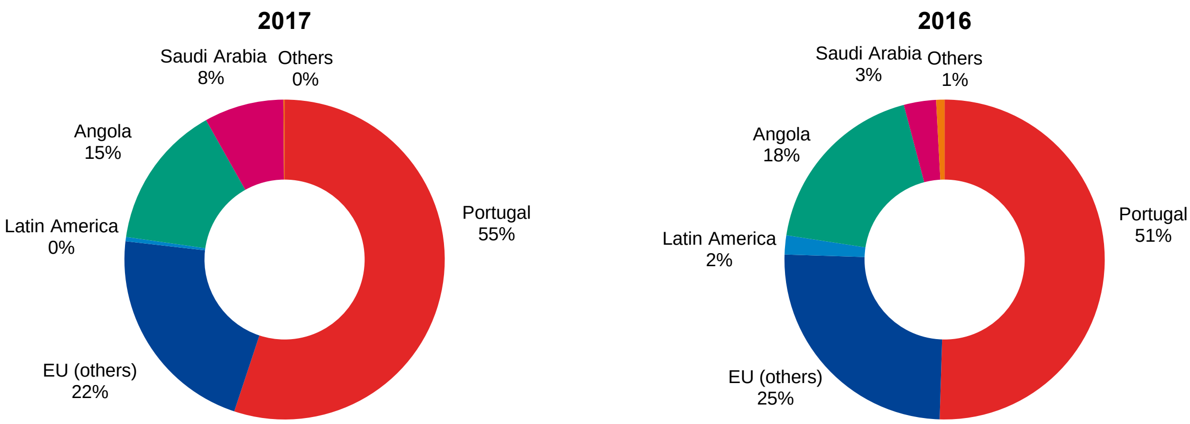
In 2017, the total operating income was 185.6 million Euros (217.1 million Euros in 2016), 59% of which is in the Metallic Constructions segment, 34 % in the Naval Industry segment and 9 % in the Renewables segment. "Others" refers to intersegment transactions.

Operating revenues in the Naval Industry segment are 62.7 million Euros in 2017 and are due to the positive variation in the volume of activity and due to increase in efficiency. In the Renewables segment, they amounted to 16.6 million Euros in 2017, and result from the activity of the wind farms and solar parks in exploration and from the sale of projects. Unlike these two business areas, Metallic Constructions suffered a decrease in its operating revenues in 2017, which is mainly due to activity reduction in that year.

As regards turnover (sales and services rendered), in 2017 it amounted to 177 million Euros compared to 206 million Euros in 2016. 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 4 million Euros.

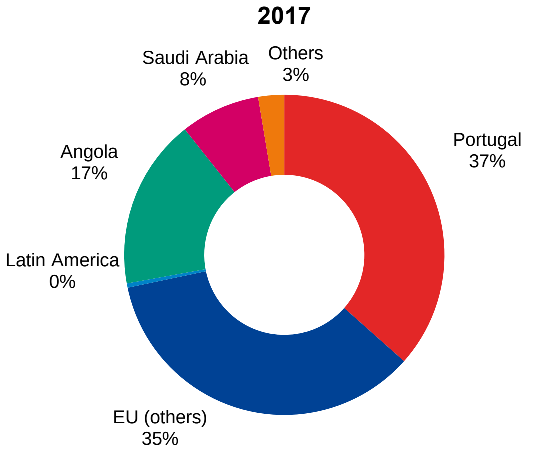
Analysing the turnover by geography - considering the location of the **companies** that generated the turnover – in 2017, Portugal accounts for 55 % of total sales and services rendered and the remaining 45 % are divided as follows: European Union (excluding Portugal)) – 22 %, Angola – 15 %, Saudi Arabia – 8 % and Latin America – less than 1 %.

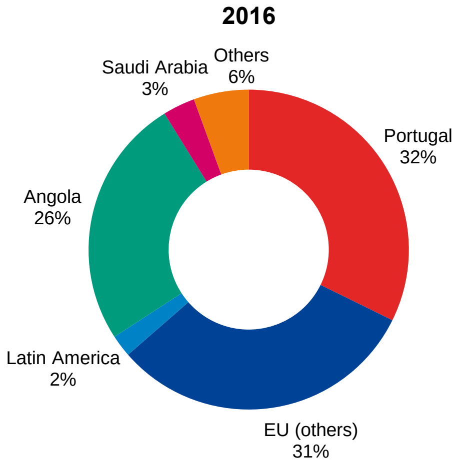
BREAKDOWN OF SALES AND SERVICES RENDERED BY ORIGIN – 2017 VERSUS 2016



Analysing the turnover by geography - considering the location of **Clients** and the destination of the sales and services rendered - in 2017, Portugal accounts for only 37 % of the total sales and services rendered (mainly in the Naval Industry) and the international market 63 % divided as follows: European Union (excluding Portugal) – 35 %, Angola – 17 %, Saudi Arabia – 8 % and Others (mainly Algeria and Switzerland) – 3 %.

BREAKDOWN OF SALES AND SERVICES RENDERED BY DESTINATION – 2017 VERSUS 2016





EBITDA AND NET PROFIT

EBITDA	DEC -17		DEC -16		M€ (%)
	€M	MARGIN	€M	MARGIN	
Martifer Consolidated	**8.5**	**5%**	**4.4**	**2%**	**93%**
Metallic Constructions	-1.4	-1%	-3.4	-2%	58%
Naval Industry	5.4	9%	3.5	7%	53%
Renewables	4.8	36%	4.2	30%	14%
Others, Holding and Adjust.	-0.3		0.0		n.m.

In 2017, the consolidated EBITDA recorded a positive value of 8.5 million Euros, to which the Renewables segment contributed with 4.8 million Euros and the Naval Industry segment with 5.4 million euros.

EBITDA improved in all segments, having registered a 93 % improvement compared to that of 2016. In the Metallic Construction segment, despite the reduction in turnover, there was an improvement in efficiency in terms of costs, which allowed EBITDA to improve by 58 %. In the Naval Industry and Renewables segments, the improvement in EBITDA was mainly due to the increase in operating revenues.

Depreciation and Amortization decreased slightly in 2017, reaching 10.6 million Euros compared to 10.7 million Euros in 2016, while in Provisions and Impairment Losses there was an increase of approximately 1.1 million Euros compared to 2016.

Operating Results (EBIT) were negative by 14.4 million Euros in 2017, compared with a negative 17.6 million Euros in 2016, registering an improvement of 18 % in relation to the same period last year.

Consolidated Financial Results were positive in 6 million Euros; the extraordinary gain of 12.1 million Euros resulting from a financial renegotiation agreement (discount debt amortization) contributed to it. Gains in associates and joint ventures totalled 12.5 million Euros, strongly influenced by the gain from the sale of the subsidiary Âncora Wind. There was also a net monetary loss of 1.1 million Euros, which derived from the Angolan companies in the Metallic Constructions segment, as a result of the application of IAS 29, since Angola was classified in 2017 as a hyperinflationary economy.

Consolidated Net Profit amounted to 3.8 million Euros in 2017 (6.5 million Euros attributable to the Group), showing a significant improvement compared to 2016 (-59.9 million Euros, of which -43.6 million Euros are attributable to the Group).

The impact of applying IAS 29 was positive in 0.3 million Euros at EBITDA level, negative at in 0.8 million Euros at EBIT and negative at 1.5 million Euros in Net Profit.

CONSOLIDATED CAPEX

The amount of investment in tangible and intangible fixed assets in 2017 was 2.8 million Euros, applied mostly in the Renewables segment (2.4 million Euros), mainly in wind and solar projects in Central Europe and Latin America.

CAPEX	DEC -17		DEC -16		VAR. (%)
	€M	WEIGHT	€M	WEIGHT	
Martifer Consolidated	**2.8**	**100%**	**3.1**	**100%**	**-7%**
Metallic Constructions	0.4	14%	0.6	19%	-32%
Naval Industry	0.0	0%	0.4	13%	n.m.
Renewables	2.4	86%	2.1	68%	18%
Others, Holding and Adjust.	0.0	0%	0.0	0%	n.m.

CONSOLIDATED CAPITAL STRUCTURE ANALYSIS

FINANCIAL POSITION

€M	DEC -17	DEC -16	VAR. %
Fixed Assets (including Goodwill)	131.1	142.4	-8%
Other non-current assets	69.4	69.3	0%
Inventory and Receivables	129.3	152.7	-15%
Cash and cash equivalents	46.3	53.1	-13%
Total Assets	**376.1**	**417.5**	**-10%**
Shareholders Equity	-6.4	-7.7	17%
Non-controlling interests	-30.7	-30.2	-2%
Total Equity	**-37.2**	**-37.9**	**2%**
Non-current debt and leasings	217.8	273.4	-20%
Other non-current liabilities	45.1	31.5	43%
Current debt and leasings	17.8	15.5	15%
Other current liabilities	132.6	134.9	-2%
Total Liabilities	**413.3**	**455.4**	**-9%**

The total assets amounted to 376 million Euros (418 million on 31st December 2016), while non-current assets reached 200 million Euros (211 million Euros in 2015).

The total equity on 31 December 2017 recorded -37.2 million Euros, which compares with -37.9 million Euros on 31 December 2016, with -6.4 million Euros attributable to the Group in 2017 and -7,7 million Euros in 2016.

On 31 December 2017 the liquidity ratio recorded 117 % (137 % in 2016) and the solvency ratio 113 % (126 % in 2016).

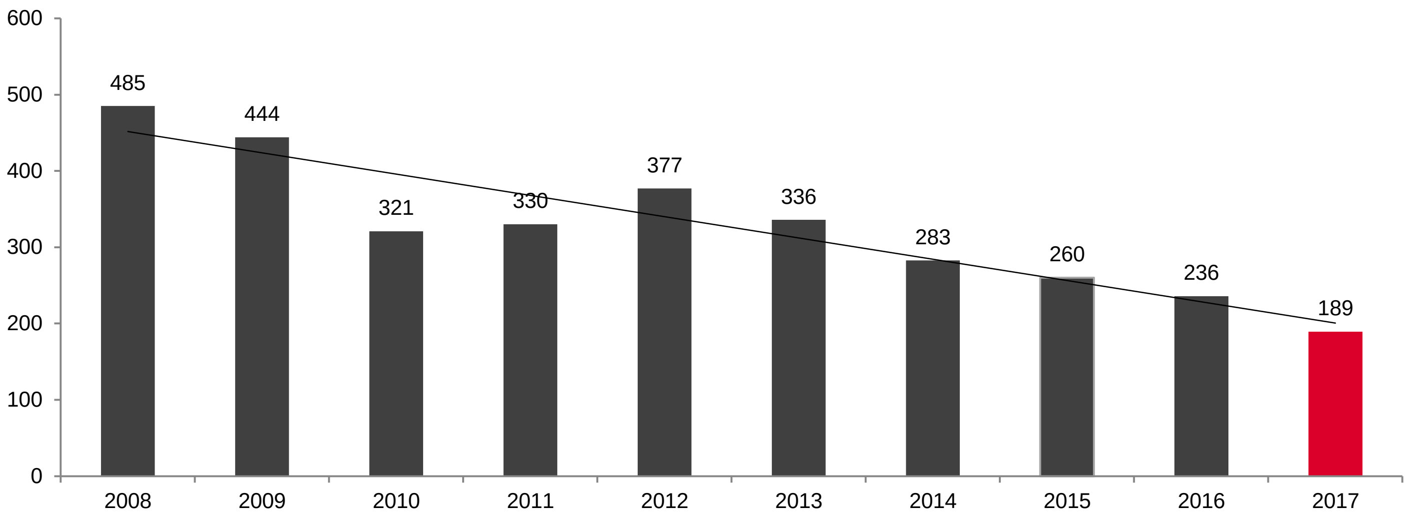
NET DEBT

During 2017, the decreasing trend was maintained, in line with the goals set in Martifer Group's Strategic Plan. Thus, on 31 December 2017, the consolidated Net Debt reached 189 million Euros, reflecting a 47 million Euro reduction when compared with the previous year.

€M	METALLIC CONSTRUCTIONS	NAVAL INDUSTRY	RENEWABLES	HOLDING	MARTIFER CONSOLIDATED
Net Debt 2017	91	-19	25	92	189
Net Debt 2016	94	-12	26	129	236

This evolution results from the implementation process of the Strategic Plan and, consequently, from the materialisation of the agreement to restructure the financial debt signed with the financing entities in December 2015, from the implementation of a non-core assets disposal plan and from the performance improvement in the Group's working capital.

DECREASE TREND OF THE CONSOLIDATED NET DEBT (€M)



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

In 2018, the Group will maintain its debt reduction strategy, continuing the premises defined in its Strategic Plan, namely regarding the implementation of the non-core asset disposal plan.

MANAGEMENT REPORT

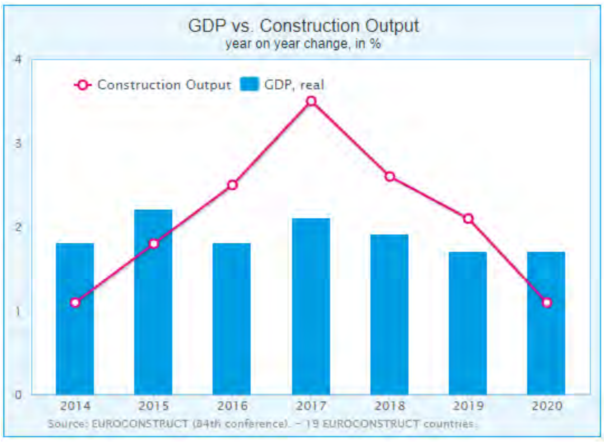
ANALYSIS BY SEGMENT

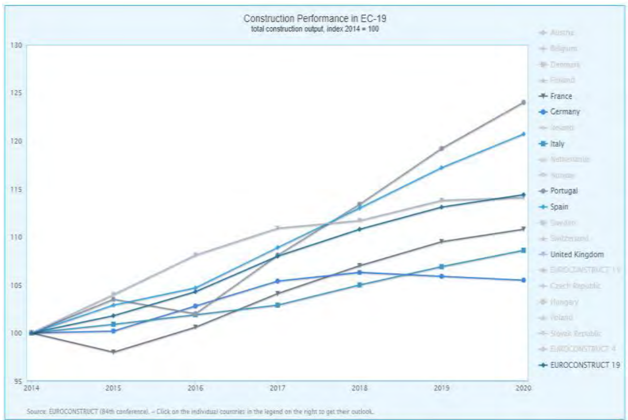
04 | ANALYSIS BY SEGMENT

METALLIC CONSTRUCTIONS

SECTOR TRENDS

- According to Euroconstruct's preliminary analysis at the end of 2017, the volume of construction should appreciate 3.5 %, driven mainly by two factors: the increase in construction demand in all European Union member countries; measures to encourage construction in Europe through subsidies (which has reached the highest level since 2006 and is based on the subsidy policy adopted by several Eurozone countries).
- The increase in demand for construction will be related to overall economic growth and, in parallel, to the low level of interest rates, which has led to an increase in disposable income. However, it should be noted that there is a containment of public spending in several countries, which has prevented further growth in this sector.
- According to the preliminary analysis of Euroconstruct, in 2017 the highest rates of construction growth should correspond to Hungary, Ireland, Sweden and Poland. For the next few years, the growth prospects for this sector remain, with a 6 % increase in the volume of construction in all Euroconstruct member countries expected by 2020. However, a decline in growth rates is expected from 2020 onwards.
- Hungary is expected to register the highest growth rates until 2020 - driven by EU funds (especially for civil engineering) and state subsidies for residential construction, followed by Ireland and then Poland, the Czech Republic and Portugal.





ACTIVITY

The order book at the end of 2017 reached 218 million Euros, spread by several countries.

From the most recent contracts, we highlight the following projects:

- In Switzerland:
  - Geneva International Airport
- In Portugal:
  - Wind towers for "Bad a Che" and "Mynydd y Gwair" wind farms in the UK
  - Wind towers for "Champ Chardon" parks in France and "Dilsen" in Belgium
  - FPM41 Building in Lisbon
  - Hospital da Luz, in Lisbon
  - Maintenance of the Sines Refinery
- In Spain:
  - Helios Building - Via de los Poblados
  - Building Castellana 163
- In the United Kingdom:
  - Royal Wharf Housing Complex - 2nd Stage
  - 55 Gresham Street Building
  - West End Gate Residential Complex
- In France:
  - Exhibition Pavilion "PORTE DE VERSAILLES, Paris"
  - TOKAMAK building in the ITER complex
  - Hotels in VI PARIS ENSEMBLE HÔTELIER
- In Angola:
  - EMBALVIDRO Factory
  - AngoNabeiro's Pavilion

ORDER BOOK BY GEOGRAPHY

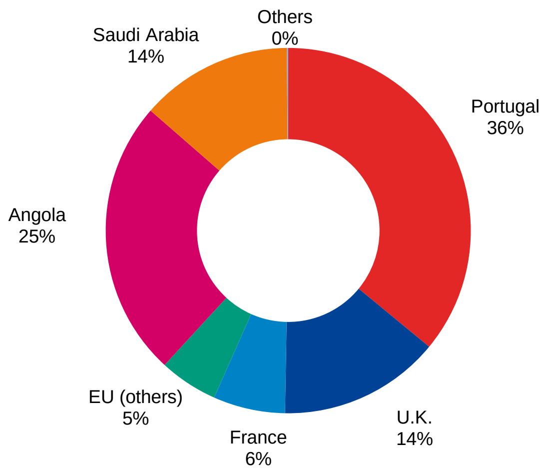
GEOGRAPHY	TOTAL (€M)	%
Africa	**12**	**5%**
Algeria	6	3%
Sub-Saharan Africa	5	3%
Eastern Europe and Middle East	**16**	**8%**
Western Europe	**190**	**87%**
Metallic Constructions	174	80%
Oil & Gas	16	7%
TOTAL	**218**	**100%**

MARTIFER GROUP

RESULTS

€M	DEC -17	DEC-16	VAR.%
Revenues	108.6	156.5	-31%
EBITDA	**-1.4**	**-3.4**	**58%**
EBITDA margin	-1.4%	-2.3%	0.9 pp
Depreciation & Amortization	-4.5	-4.1	-10%
Provisions and Impairment Losses	-1.3	-8.9	86%
EBIT	**-7.2**	**-16.4**	**56%**
EBIT margin	-7.0%	-11.2%	4.2 pp
Gains and losses in associates and joint ventures	-4.1	-3.9	-5%
Net monetary gain / loss	-1.1	0.0	n.m.

Operating Income from the Metallic Constructions segment amounted to 108.6 million Euros in 2017, which corresponds to a decrease of about 31 % compared to 2016, with Portugal representing approximately 36 % and the remaining 64 % distributed over several geographies. This decrease is due to the slowdown in activity in some geographies, especially in Portugal, in Angola, in Romania and in France, although there has been an increase in activity in Saudi Arabia and in the United Kingdom.



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EBITDA in 2017 stood at minus 1.4 million Euros, a 58 % improvement compared to the same period last year as a result of the internal reorganization with the objective of improving the Group's efficiency. However, the negative value in 2017 is due to the decrease in activity and also to non-recurring events, such as the 50 % disposal of the subsidiary M-City Gliwice in Poland (negative impact of 0.8 million Euros).

EBIT was negative at 7.2 million Euros, compared with a negative value of 16.4 million Euros in 2016. The value of EBIT in 2016 was impacted by the recognition of impairments in non-activity assets (9.7 million Euros).

Results in associated companies and jointly controlled companies in 2017 presented a value of -4.1 million Euros compared to 3.9 million Euros in 2016.

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 as a hyperinflationary economy.

The Net Financial Debt of the Metallic Constructions segment on 31 December 2017 amounted to 91 million Euros, less 3 million Euros than on 31 December 2016.

The total CAPEX at the end of 2017 was 0.4 million Euros.

NAVAL INDUSTRY

SECTOR TRENDS

INTERNATIONAL OUTLOOK

- This 50 % increase in orders hides the fact that this was one of the worst values of the last 20 years in terms of orders, but it allows to prospect a better 2018. Disaggregating the total volume of orders, the bulkers stand out with a 430 % growth compared to 2016 and the tankers with a 44 % increase, the latter group being leveraged mainly by orders for crude tankers. The increase in demand for construction is related to overall economic growth and, in parallel, to the low level of interest rates, which has led to an increase in disposable income. However, it should be noted that there is a containment of public spending in several countries, which has prevented further growth in this sector.

- China was responsible for most orders, capturing about 40 % of new construction when measured at Compensated Gross Tonnage (CGT). South Korea also posted a good recovery after a year of 2016 when volume in the country was particularly low. The European market also saw an increase in new construction, mostly based on cruise ships, which account for about 38 % of new CGT constructions. Hungary is expected to register the highest growth rates until 2020 - driven by EU funds (especially for civil engineering) and state subsidies for residential construction, followed by Ireland and then Poland, the Czech Republic and Portugal.

- It should also be noted that there is a reduction in the number of vessels ordered to be delivered, which in turn also leads to a reduction in the number of active shipyards (with orders for at least one vessel of over 1,000 tonnes) of 440 vessels at the beginning of 2017 compared to 360 in early 2018.

- The demolitions in 2017 decreased when compared to the ones done in 2016, but remain at a level that allows a controlled growth of the world fleet, of 3.3 % in 2017. It should be noted that the scenario is not the same in all ship classes, with the tankers class being impacted by more than four times the volume of demolitions - when compared to 2016. Conversely the bulkers’ class suffered a reduction of 50 % in demolitions when compared to 2016.

- Within the European market, there was a cementing of Greece as the country with the greatest control of the European fleet, measured in deadweight tons (dwt), while Germany reduced its fleet in 3.6 %. Already in the Asian market, China increased its fleet in 8.6 % and practically equaled the volume held by Japan, which in turn did not make significant changes to its fleet.

MARTIFER GROUP

2017 At a Glance

	2016	2017	+/- %
Contracting, No.			
Tankers	188	271	44,1%
Bulkers	54	286	429,6%
Containerships	98	108	10,2%
Gas Carriers	26	39	50,0%
Offshore	58	37	-36,2%
Other	180	161	-10,6%
Total (No.)	604	902	49,3%
Total ($bn, estimated)	37,2	58,7	57,8%
Contracting by Builder Country, m CGT			
China	4,9	9,2	85,9%
South Korea	2,2	6,4	199,2%
Japan	1,7	2,0	14,1%
Europe	3,5	3,8	8,6%
Global Total	13	23,3	78,6%
Deliveries, m dwt			
Tankers	33,3	38,3	15,2%
Bulkers	47,2	38,2	-19,2%
Containerships	10,1	12,4	22,7%
Gas Carriers	6,0	4,7	20,8%
Other	3,9	3,4	-14,2%
Total	100,5	97	-3,5%
Orderbook, m dwt, end year			
Tankers	78,1	68,9	-11,8%
Bulkers	85,9	76,0	-11,5%
Containerships	36,7	30,6	-16,6%
Gas Carriers	14,9	12,1	-18,3%
Other	11,7	9,2	-21,1%
Total	227,3	196,9	-13,4%
Demolition, m dwt			
Tankers	2,5	11,2	340,9%
Bulkers	29,2	14,5	-50,3%
Containerships	8,7	5,3	-39,0%
Gas Carriers	0,4	0,4	-2,2%
Other	3,6	3,7	3,6%
Total	44,5	35,2	-21,0%
Fleet, m dwt, end year			
Tankers	578,8	605,7	4,7%
Bulkers	793,9	817,2	2,9%
Containerships	245,8	252,8	2,9%
Gas Carriers	60,1	64,3	7,1%
Total Cargo Fleet	1781,6	1842,7	3,4%
Total World Fleet	1862,3	1924,0	3,3%
Fleet by Owner Country/Region, m dwt, end year			
Greece	345,4	367,4	6,4%
Germany	111,2	107,3	-3,6%
*Total Europe **	815	850,5	4,4%
China	224,3	243,6	8,6%
Japan	247,3	247,5	0,1%
*Total Asia **	772,4	798,1	3,3%
Price Trends (end year), Sale & Purchase Market			
Newbuilding Price Index	123	125	1,6%
Secondhand Price Index	75	94	25,7%
No. of Sales	1276	1688	32,3%
Reported Sales Value ($bn)	12,3	19,5	58,5%
India Scrap Price, Bulker ($/ldt)	290	430	48,3%

Vessel size limits as per World Shipyard Monitor.
Figures subject to revision including late reporting of contracts.
**Includes other countries.*

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. Navalria focuses its activity on ship repair of small and medium-sized vessels.

The order book at the end of 2017 amounted to 85 million Euros.

OPERATIONAL RESULTS

The Naval Industry's operating income amounted to 62.7 million euros in 2017, which corresponds to an increase of around 32 % over the same period last year, with shipbuilding accounting for 80 % and ship repair representing around 20 %.

EBITDA in 2017 stood at 5.4 million Euros positive, 53 % higher than the EBTIDA of the previous period, mainly due to the positive variation in the volume of activity and the increase in efficiency, reflecting a period of sharp growth that the activity is undergoing.

€M	DEC -17	DEC-16	VAR.%
Revenues	62.7	47.6	32%
EBITDA	**5.4**	**3.5**	**53%**
EBITDA margin	8.7%	7.5%	1.2 pp
Depreciation & Amortization	-0.8	-0.8	1%
Provisions and Impairment Losses	0.0	0.0	n.m.
EBIT	**4.6**	**2.7**	**68%**
EBIT margin	7.4%	5.8%	1.6 pp
Gains and losses in associates and joint ventures	-0.1	0.0	<-100%

MARTIFER GROUP

RENEWABLES

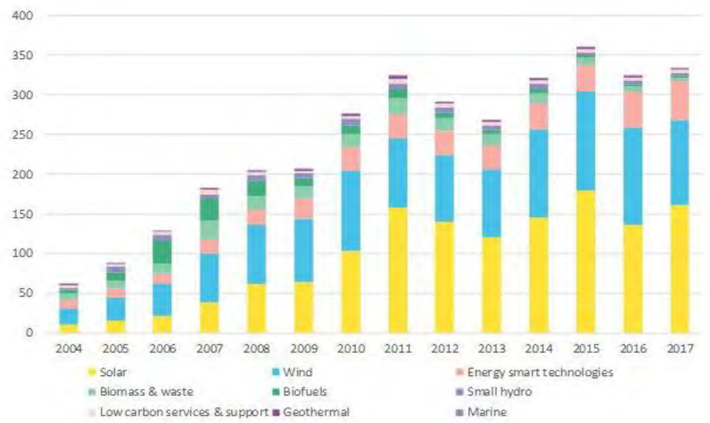
SECTOR TREND

INTERNATIONAL OUTLOOK

- Global investments in renewable energy, according to Bloomberg New Energy Finance, have continued to grow steadily in the last decade and increased by 3 % in 2017, reflecting continued investment in this sector.

- Solar energy continues to be the dominant technology in renewable energy (with USD 160.8 billion invested in 2017), followed by wind energy (USD 107.2 billion invested), as shown below.

Investments in renewable energy, by sector (USD billion)



Source: Bloomberg New Energy Finance

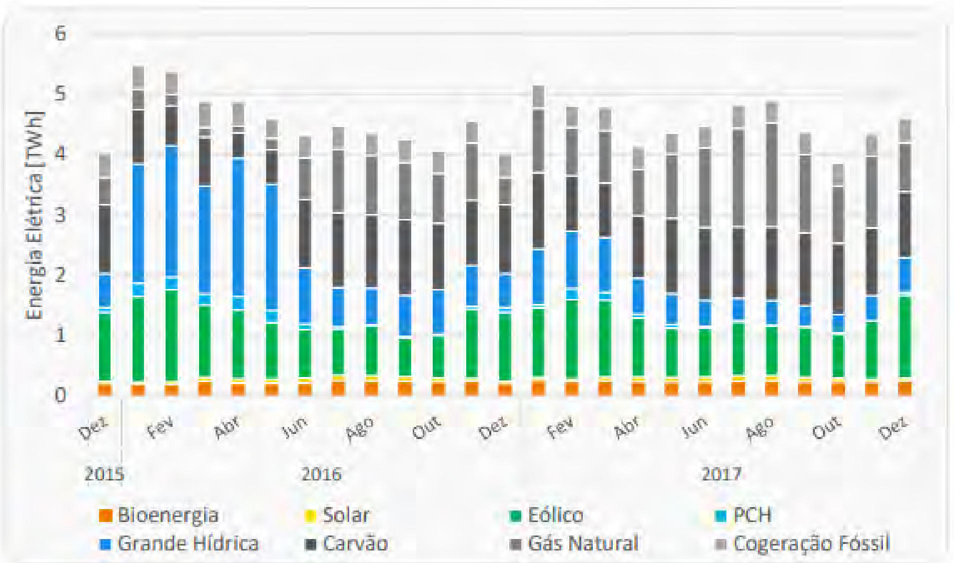
- According to the same entity, the largest investment in renewable energy (USD 132.6 billion) occurred in China, mostly in solar energy (USD 86.5 billion), where 53 gigawatts (GW) of new solar energy capacity were implemented, driven essentially by two factors: the persistent decline in the cost of energy from this source; the increase of the installation of photovoltaic systems in roofs and industrial parks (not subject to governmental taxes). The second largest investment in renewable energy, in turn, occurred in the United States of America (USD 56.9 billion) – 1 % higher than in 2016. On the other hand, in Japan, in the United Kingdom and in Germany a divestiture of renewable energy sources was verified in the course of 2017.

- In Portugal, according to the Portuguese Association of Renewable Energies, the climatic conditions verified during 2017 negatively influenced the renewable production of electricity, with wind being the predominant renewable source (responsible for 23.1 % of the electricity consumption in Portugal, in the continent, excluding the islands).

INTERNATIONAL OUTLOOK

- According to Bloomberg New Energy Finance, for the coming years it is expected, among other things, that:
    - China and India are responsible for the largest investments in renewable energy by 2040 - mostly in wind power generation;
    - Solar and wind power dominate the future of renewable electricity production - a large investment in wind and solar projects is estimated;
    - The cost of solar energy decreases 66 % by 2040;

Evolution of electricity production by source



Source: REN, APREN Analysis

ACTIVITY

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, 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 39 employees at the end of the year, has a wide experience in the development and management of wind farms and solar PV parks, being present in the Iberian Peninsula, in Central Europe and in Latin America. Owning, in total or in partnership, a portfolio of over 80 MW in operation, Martifer Renewables has already developed and built more than 1,200 MW in different geographies, having had as partners in the latest projects that were sold relevant companies such as IKEA, GALP, Ferrostaal, Santander Bank, CPFL, Tractebel and Solaire Direct.

In 2017 Martifer Renewables concluded in Latin America the sale to Tractebel of the Assú I (112.5 MWp) and Assú II (187.5 MWp) projects and won the 'Renovar 2.5' energy tender in Argentina, with the Guañizuil IIA solar project (110 MWp).

In Portugal, the Ventinveste associate concluded the sale of shares and transfer of assets of the company Âncora Wind - Energia Eólica S.A. - which owns the wind farms PE Douro Sul and PE Vale do Chão - to First State Benedict S.A.R.L..

MARTIFER GROUP

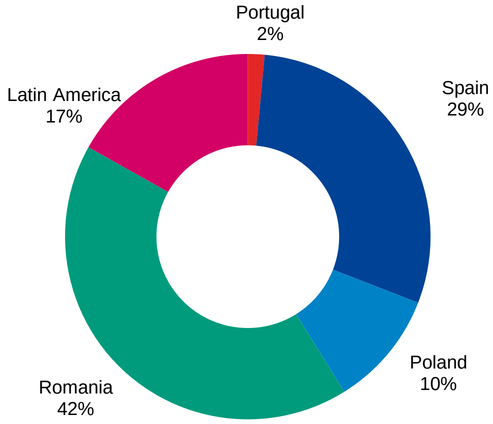
RESULTS

€M	DEC -17	DEC-16	VAR.%
Revenues	16.6	15.1	10%
EBITDA	**4.8**	**4.2**	**14%**
EBITDA margin	35.9%	30.2%	5.7 pp
Depreciation & Amortization	-5.3	-5.9	9%
PROVISIONS AND IMPAIRMENT LOSSES	-8.5	-2.9	<-100%
EBIT	**-9.1**	**-4.6**	**-99%**
EBIT margin	-67.9%	-32.6%	-35.3 pp
Gains and losses in associates and joint ventures	20.1	4.1	26%

The RE Developer's total Revenues amounted to around 17 million euros which result from the wind and solar assets in operation and from selling projects. EBITDA reached a positive 5 million Euros in 2017 and EBIT totalled 9 million Euros negative.

The recognition of impairments in projects in operation in Romania following the regulatory changes published in 2017 contributed significantly to this result.

Revenues in this segment remain focused on the external market.



'Results from associated and jointly controlled companies' amounted to 19 million Euros and are essentially the result of the conclusion in 2017 of the sale of the company Âncora Wind, part of Ventinveste This company, which owns all of the PE Douro Sul and the PE Vale Chão parks (with a total installed capacity of 171.6 MW), was acquired by First State Benedict, after verifying the conditions precedent to the sale contract concluded in 2016.

The total investment in the development of wind and solar projects totalled 2 million Euros.

Net Debt in December 2017 amounted to 24 million Euros.

MANAGEMENT REPORT

INDIVIDUAL FINANCIAL INFORMATION

05 | INDIVIDUAL FINANCIAL STATEMENTS

During the 2017 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 decentralization and greater accountability of the business areas.

The Net Profit of Martifer, SGPS, S.A. was positive in16.2 million Euros, comparing to a negative Net Profit of 31.6 million Euros in the previous year.

The most significant impacts on net income were the reversal of impairment on financial investments (net balance of 6.2 million Euros) and an extraordinary gain of 9.6 million Euros obtained under a financial renegotiation agreement (amortization of discount debt).

Interest and similar expenses amounted to 2.2 million Euros, which represents a reduction compared to the previous period (2.8 million Euros) and is a consequence of the bank debt reduction.

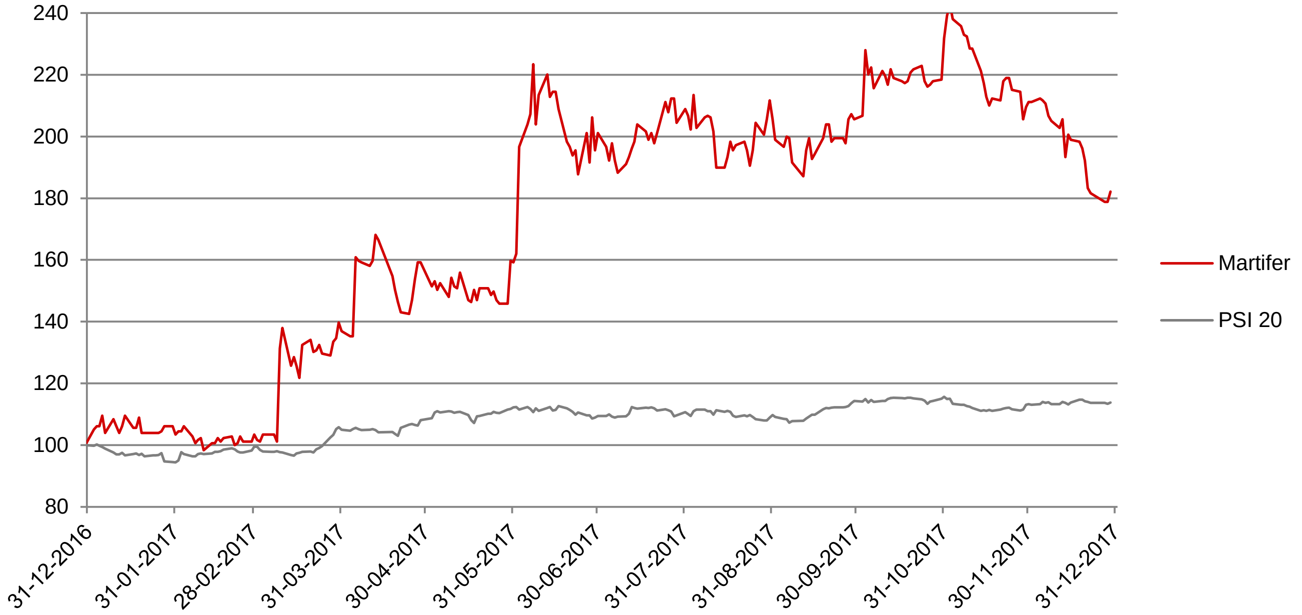
The Company's equity amounted to 45,3 million Euros, with total assets of 183.5 million Euros and total liabilities of 138.2 million Euros. Debt amounts to 92.2 million Euros (129 million Euros in 2016) and its maturity is of more than 1 year.

MANAGEMENT REPORT

MARTIFER SHARE PERFORMANCE

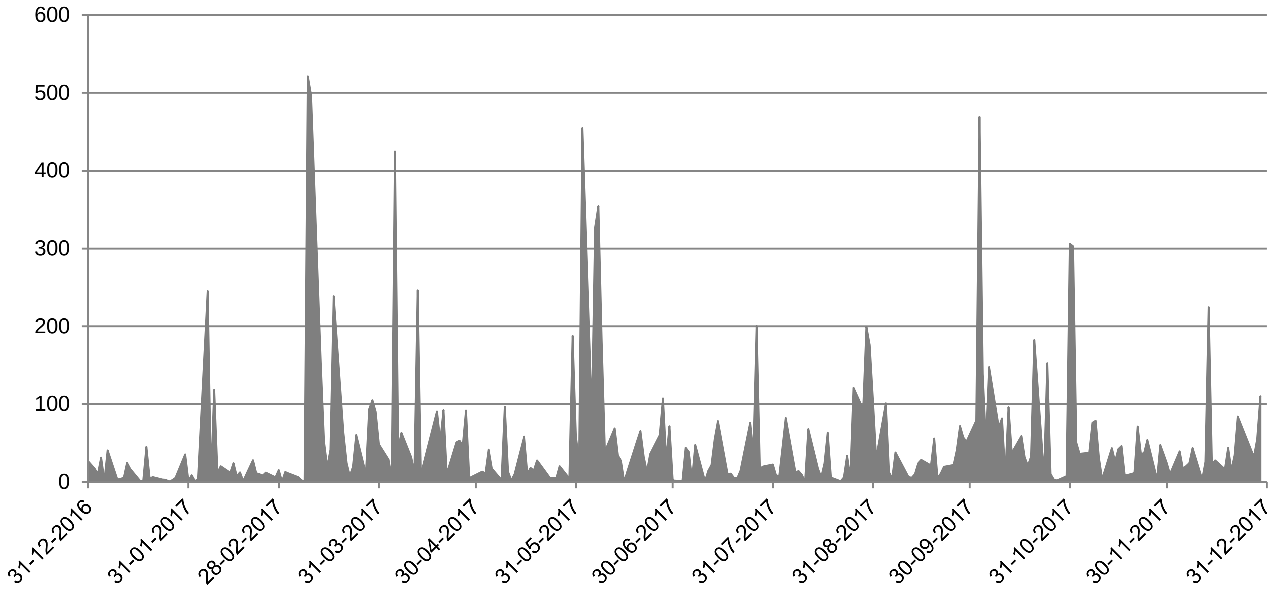
06 | MARTIFER SHARE PERFORMANCE

SHARE PERFORMANCE | 2017



Source: Reuters

TRADED VOLUME | 2017 – ’000 shares



Source: Reuters

The year 2017 was a year in which the international markets registered considerable appreciations. European stock markets ended the last session of the quarter with gains, boosted by strong corporate earnings and the absence of significant political problems. An example of this is the European Stoxx 600 index, which ended the year with a 7.7 % growth - thus having the strongest year since 2013. At the same time, the indices of Italy and Germany, whose valuations reached 13.6 % and 12.5 % respectively, should also be highlighted. As for the Portuguese Index, PSI-20, it remained in line with the European trend, closing the year with a 13.8 % increase - translating an inversion of the trend, after the fall of 6.2 % in 2016. According to the economic projections of the European Central Bank, real annual GDP growth in the Euro area is expected to grow annually by 2.4 % in the respective year. The S&P Goldman Sachs Commodities Index is the largest commodity index, being one of the most widely recognized benchmarks, ended the year with a valuation of 7.8 %, whose closing price reached the annual maximum value transacted (USD 2,556.71).

In 2017, 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 82.1 %.

During the year, the maximum share price was 0.435 Euros / share (in November), while the minimum price was 0.176 Euros/ share (in February). At the end of 2017 the Martifer stock traded at 0.326 Euro/ share.

Throughout the year 2017 13,339,214 shares were transacted, with a daily average of 52,517. The highest daily transaction volume occurred in March (521,164 shares). Compared to 2016, another 9,550,420 shares were transacted.

PURCHASE OF OWN SHARES

In accordance with CMVM regulation 5/2008, namely article 11, numbers 1 and 2, we confirm that Martifer SGPS, SA didn’t purchase own shares on the Stock Exchange during 2017. 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 will mark a new cycle in the Group. A new governance model will be implemented that will be more independent of the reference shareholders. For the first time, no representative of the shareholders will have executive functions. The reference shareholders will continue to be represented on the Board of Directors but only as non-executive Directors.

A new Strategic Plan will be approved for the coming years to address the many challenges that the Group will face.

The objectives are clear, increase operational efficiency and productivity, improve planning and execution, retain clients that seek quality and response even in the most complex projects, increase exports both to markets where the Group is present and to new markets, but manufacturing more in Portugal, in Oliveira de Frades and in Viana do Castelo. Invest in training, in knowledge and in innovation.

With regard to the prospects for the world economy and for the Group's activity in particular, we expect that 2018 will continue to be the growth of the main economies, according to estimates presented by several international organizations, that some instability may occur due to the unpredictability of the United States administration, that countries like Angola and Mozambique will grow, will improve their financial situation and will reduce the constraints on the circulation and export of foreign exchange, that the construction sector will maintain the growth trend of 2017 and that more countries will invest in renewable energy.

In what concerns the Group, our prospects are to continue the consolidation in the Naval Industry, guaranteeing orders for the coming years; in Metallic Constructions, in addition to strengthening the order book, improving profitability through the raising of projects that value the execution quality in detriment of low prices; to obtain at least one more contract in the Oil & Gas sector; and in Renewables, to strengthen its presence in Latin America.

MANAGEMENT REPORT

MAIN RISKS

08 | MAIN RISKS

FINANCIAL RISKS

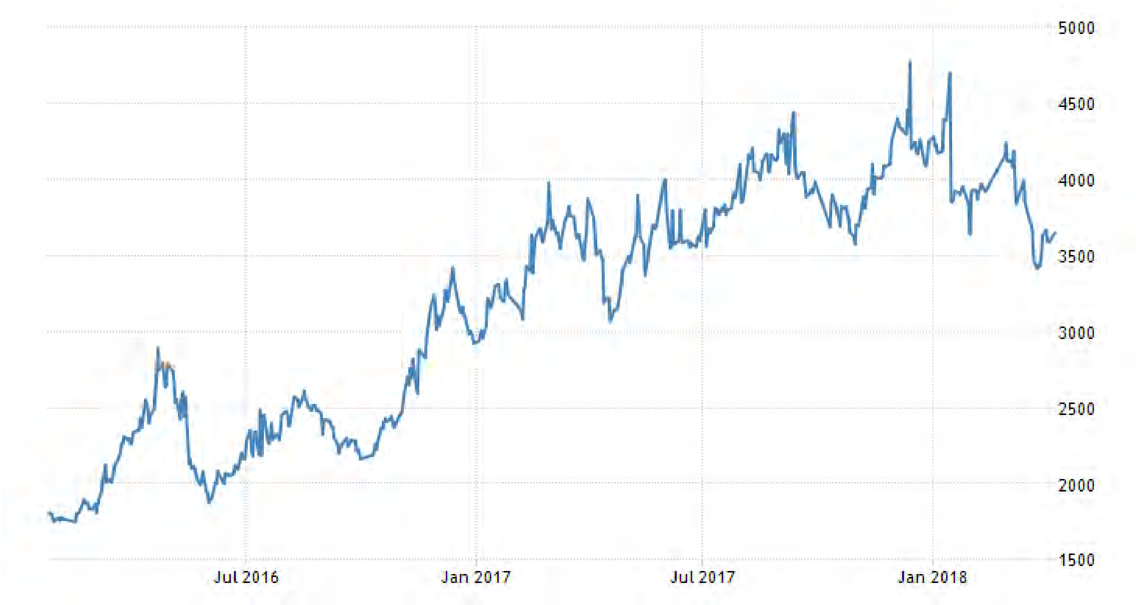
A) PRICE RISK

The volatility of the price of raw materials constitutes a risk for the Group in the segment of Metal 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 areas.

Thus, in 2017, there was a sharp rise in the price of this commodity as a result of the implementation of these measures, a trend that was maintained throughout the year of 2017. The first quarter of 2018 started with a strong uncertainty on the price evolution of these commodities with the Trump administration in the USA, that announced the application of a surcharge of 25 % on steel and 15 % on aluminium on the imports of third countries, in particular imports from EU countries.

Martifer has sought to mitigate this risk, through a rigorous planning of raw materials 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.

Evolution of the price of Steel



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 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, 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 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 level of the risks involved. However, whenever considered appropriate, the Group hires the coverage of exchange rates in order to cover the risk.

In 2017, the cycle of scarcity of tradable currencies in Angola remained the same, as a result of the maintenance of oil prices at very low levels associated with the climate of political uncertainty in the country. This high scarcity of tradable currencies had serious consequences in the devaluation of the Angolan currency (Kwanza), which forced Martifer Group to make due payments to local suppliers, in order to obtain a natural exchange coverage through local commercial transactions.

Martifer Group has mitigated this risk by means of financial instruments submitted by clients (e.g. letters of credit) in order to maintain the normal financial flow.

During the year 2017, the negotiations on the model of exit of the United Kingdom from the EU were initiated, in consequence of the outcome of the referendum, which led to Brexit. A climate of uncertainty regarding the evolution of the British economy was maintained and consequently also regarding the Pound after the effective exit of the United Kingdom. The Group has managed to circumvent the risk of exposure to these currencies, taking advantage of the fact that many of the supplies are being contracted in these currencies.

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 in a timely manner. 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 % 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 2017, the reference interest rates in the Euro zone remained at very low levels in line with what has already happened 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, following what is the expected evolution of interest rates in the US. However, at the beginning of 2018, the ECB President *Mario Draghi* announced that the ECB should not increase the interest rates in 2018, and the possible increase until 2020 is expected to be smooth. Thus, in accordance with the projections of the European Central Bank, published in March 2018 ("*March 2018 ECB staff macroeconomic projections for the euro area*"), the short-term interest rates shall remain negative until 2019, maintaining the levels near zero until 2020; there already are, however, estimates of growth of the medium and the long term rates.

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 restructuring 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 an 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 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 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. 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 fairly contained, particularly for companies that operate in sectors strongly affected by the preceding crisis.

The Group is subject to credit risk in relation to the operational activity - Clients and Other Debtors and other Accounts Receivable.

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 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 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 metal 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.

With regard to 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 regards the submission of proposals and the preparation of the administrative dossier, respecting 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 domino effect the compliance with the deadline for delivery 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 metal 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, however, 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, it must be also pointed out the difficulty to capture highly qualified staff due to foreign competition from Northern European countries;
- 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 in relation with subcontractors and suppliers that may not fulfil their contractual obligations and can jeopardize the implementation and quality of the projects;
- risk in the labour aspect, since nowadays there is a lack of qualified personnel because of two reasons. On one hand, not enough employees are being trained to cater for the needs of West Sea, even though the company is making an internal effort in this sense. On the other hand, the competitive pressure from Spain, more specifically of Galicia and its shipyards, given the geographical proximity, 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 revenue ends up being minimized.

LICENCING:

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 for the development of wind farms and solar parks, such actions may have a significant impact on the activity.

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 company's adaptation 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 area and is monitored within the scope of legal and tax advisory services dedicated to the respective activities, which operate in dependence of the administration and management, developing their competencies in articulation with the other fiscal and financial departments, so as to ensure the protection of the interests of the Company and, ultimately, of the stakeholders, in strict respect for the fulfilment of their legal duties.

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

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 OS RESULTS ALLOCATION

09 | PROPOSAL OF RESULTS ALLOCATION

The Board of Directors recommends at the Shareholders General Meeting, the allocation of the net profit resulting from the Individual Financial Statements totalling of 16,162,255.88 Euros, recorded in 2017, as follows:

- For Legal Reserve, 5 % of Net Profit, in the amount of 808,112.79 Euros
- Retained Earnings 15,354,143.09 Euros.

Oliveira de Frades, 3rd April 2018

The Board of Directors,

Carlos Manuel Marques Martins
(Chairman)

Jorge Alberto Marques Martins (Vice Chairman)

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

Arnaldo José Nunes da Costa Figueiredo
(Member of the Board of Directors)

Jorge Bento Ribeiro Barbosa Farinha
(Member of the Board of Directors)

Luís Valadares Tavares
(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 nominated Committees by the Board (Corporate Governance Committee, Ethics and Conduct Committee or Risk Committee). Each of these Committee's regulations are published in the Group's website and the functions and activities developed throughout 2017 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 397 OF THE PORTUGUESE COMPANIES CODE ARTICLE 397 OF THE COMMERCIAL COMPANIES CODE

In 2017 there are no transactions subject to regime no. 397 of the Commercial Companies Code.

OTHER INFORMATION

Martifer SGPS, S.A. doesn't 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
- VAT training session in Saudi Arabia addressed exclusively to Group employees
- Training session on IFRS (training session open to the general public in which Martifer employees participated)

MANDATORY INFORMATION

MANDATORY INFORMATION

SHAREHOLDINGS OF THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

In accordance with articles no. 447 and no. 448 of the Portuguese Companies Code, the securities issued by Martifer, SGPS, SA and companies dominated by it or i a group relationship, held by members of the governing bodies in the period from 1 January 2017 to 31 December 2017, are the following:

HOLDER	CORPORATE BODY	NO. SHARES HELD ON 31/12/2017
Carlos Manuel Marques Martins*	Board of Directors	420.542
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
Luís Valadares Tavares	Board of Directors	-
Jorge Bento Ribeiro Barbosa Farinha	Board of Directors	-
Pedro Nuno Cardoso Abreu Moreira	Board of Directors	-
Américo Agostinho Martins Pereira	Supervisory Board	-
Carlos Alberto da Silva e Cunha	Supervisory Board	-
Paulo Sérgio Jesus das Neves	Supervisory Board	-
António Baia Engana	Supervisory Board	-
António Joaquim Brochado Correia	Statutory Auditor, representing PriceWaterhouseCoopers	-
José Joaquim Neiva Nunes de Oliveira	General Meeting	-
Luís Leitão Marques Vale Lima	General Meeting	-
Luís Neiva 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).
** The Directors 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..

EVENTS DESCRIBED IN ARTICLE 447 OF THE PORTUGUESE COMPANIES CODE

NAME OF THE MEMBER OF THE CORPORATE BODY	CORPORATE BODY	NO. SHARES HELD ON 31/12/2017
Carlos Manuel Marques Martins	Board of Directors	420.542
Jorge Alberto Marques Martins	Board of Directors	230.260
Pedro Nuno Cardoso Abreu Moreira	Board of Directors	-
Arnaldo Nunes da Costa Figueiredo	Board of Directors	3.000
Luis António de Valadares Tavares	Board of Directors	-
Jorge Bento Ribeiro Barbosa Farinha	Board of Directors	-
Carlos Alberto da Silva e Cunha	Supervisory Board	-
Américo Agostinho Martins Pereira	Supervisory Board	-
Paulo Sérgio Jesus das Neves	Supervisory Board	-
António Baia Engana	Supervisory Board	-

Carlos Manuel Marques Martins and Jorge Alberto Marques Martins, respectively Chairman and Vice-Chairman of the Board of Directors, as well as direct holders of the shares of Martifer SGPS, SA, hold respectively 48 % and 50 % of the share capital of I'M SGPS, SA, which, on 31 December 2017, held a total of 42,405,689 shares of Martifer SGPS, SA.

Transactions by the members of the governing bodies in 2017:

In 2017 there were no transactions of shares by members of the corporate bodies.

HOLDERS OF QUALIFYING SHAREHOLDINGS

According to paragraph 1b) of article no. 8 of CMVM regulation number 5/2008, and fulfilling article no. 448 of the Portuguese Companies Code, the list of qualifying shareholders, with the indication of the number of shares and percentage of voting rights held, calculated according to article no. 20 of the Securities Code (CMVM), on 31 December 2017 is the following:

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*	420.542	0.42%	0.43%
Jorge Alberto Marques Martins*	230.260	0.23%	0.24%
Total Imputable to I'M – SGPS, SA	**43.056.491**	**43.06%**	**44.03%**
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%**

% Voting rights = No. of held shares / (Total no. of 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 245, NUMBER 1, PARAGRAPH C) OF THE SECURITIES CODE (CMVM) (FREE TRANSLATION FROM THE ORIGINAL IN PORTUGUESE)

Dear Shareholders,

According to article 245, number 1, paragraph 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 its individual 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, 3rd April 2018

The Board of Directors,

Carlos Manuel Marques Martins
(Chairman)

Jorge Alberto Marques Martins (Vice Chairman)

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

Arnaldo José Nunes da Costa Figueiredo
(Member of the Board of Directors)

Jorge Bento Ribeiro Barbosa Farinha
(Member of the Board of Directors)

Luís Valadares Tavares
(Member of the Board of Directors)

CONSOLIDATED FINANCIAL INFORMATION

CONSOLIDATED FINANCIAL INFORMATION

CONSOLIDATED FINANCIAL STATEMENTS

11 | CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF RESULTS FOR THE YEARS AND SEMESTERS ENDED ON 31 DECEMBER 2017 AND 2016

€	NOTES	FY 2017	FY 2016	2ND HALF 2017 (NON AUDITED)	2ND HALF 2016 (NON AUDITED)
Sales and services rendered	3, 4	176,871,771	205,871,088	83,158,240	108,037,291
Other income	5	8,679,443	11,190,128	5,879,322	2,266,775
Cost of goods sold	6	(60,957,152)	(63,187,251)	(31,537,786)	(35,564,852)
Subcontractors	7	(38,550,542)	(62,806,422)	(12,806,447)	(34,197,216)
External supplies and services	8	(32,849,790)	(34,093,318)	(17,804,666)	(15,171,585)
Staff costs	9	(34,493,254)	(37,439,505)	(17,015,669)	(17,905,312)
Other expenses	10	(10,192,642)	(15,131,280)	(4,329,644)	(7,464,936)
	3	**8,507,835**	**4,403,440**	**5,543,350**	**165**
Amortizations	3, 18, 19	(10,621,737)	(10,741,029)	(5,522,514)	(5,091,652)
Provisions	3, 11, 33	(3,462,853)	1,302,664	(3,373,116)	(1,231,032)
Impairment losses	3, 11	(8,844,174)	(12,548,076)	1,510,143	(9,363,387)
Operating income	**3**	**(14,420,929)**	**(17,583,001)**	**(1,842,137)**	**(15,685,906)**
Financial income	12	13,946,566	4,654,707	3,103,274	(2,094,091)
Financial expenses	12	(7,932,513)	(12,088,037)	(3,859,491)	(5,683,653)
Gains / (losses) on associate companies and joint arrangements	3, 13	12,511,243	(23,909,279)	777,915	(23,646,928)
Net monetary gain (loss)	41	(1,062,251)	-	(1,062,251)	-
Profit before tax of continued operational units		**3,042,116**	**(48,925,610)**	**(2,882,690)**	**(47,110,578)**
Income tax	14	731,562	(1,238,302)	2,159,532	(64,741)
Profit after tax of continued operational units		**3,773,677**	**(50,163,912)**	**(723,158)**	**(47,175,319)**
Earnings from discontinued operations	**28**	**-**	**(9,688,570)**	**-**	**(6,032,285)**
Attributable to:					
non-controlling interests	28	-	(9,587,743)	-	(7,864,610)
owners of Martifer	28	-	(100,827)	-	1,832,325
Profit for the year		**3,773,677**	**(59,852,482)**	**(723,158)**	**(53,207,604)**
Attributable to:					
non-controlling interests	29	(2,768,618)	(16,267,343)	(1,587,228)	(12,861,327)
owners of Martifer	16	6,542,295	(43,585,139)	864,068	(40,346,276)
Earnings per share:	16				
Basic and diluted		0.0669	(0.4457)	0.0088	(0.4126)
from continued operations		0.0669	(0.4447)	0.0088	(0.4313)
from discontinued operations		-	(0.0010)	-	0.0187

The accompanying notes are part of these financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED ON 31 DECEMBER 2017 AND 2016

€	FY 2017	FY 2016	2ND HALF 2017 (NON AUDITED)	2ND HALF 2016 (NON AUDITED)
Profit for the year	**3,773,677**	**(59,852,482)**	**(723,158)**	**(53,207,603)**
Amounts that will be reclassified by results				
Fair value of cash flow hedges (derivatives), net of tax	(6,277,237)	-	(6,277,237)	-
Income recognized directly in equity	**(6,277,237)**	**-**	**(6,277,237)**	**-**
Amounts that will be reclassified by results				
Fair value of cash flow hedges (derivatives), net of tax	-	(28,108)	-	8,138
Exchange differences arising on (i) translating foreign operations; (ii) net investment in subsidiaries and (iii) goodwill	(1,440,756)	(1,019,143)	(634,169)	533,257
Gains on revaluation of tangible fixed assets, net of tax	(801,484)	4,075,079	(714,114)	4,482,275
Income recognized directly in equity	**(2,242,240)**	**3,027,829**	**(1,348,282)**	**5,023,670**
Total comprehensive income for the period	**(4,745,800)**	**(56,824,653)**	**(8,348,679)**	**(48,183,933)**
Attributable to:				
non-controlling interests	(3,258,432)	(16,774,754)	(1,755,998)	(12,706,933)
owners of Martifer	(1,487,368)	(40,049,899)	(6,592,681)	(35,477,001)
Total comprehensive income for the period				
from continued operations	(4,745,800)	(40,129,899)	(8,348,679)	(35,338,359)
from discontinued operations	-	(16,694,754)	-	(12,845,574)

The accompanying notes are part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ON 31 DECEMBER 2017 AND 2016

€	NOTES	FY 2017	FY 2016
ASSETS			
Non-current assets			
Goodwill	17	10,980,675	10,980,675
Intangible assets	18	2,832,161	2,407,152
Tangible fixed assets	19	117,258,806	128,977,697
Investment properties	20	20,826,300	20,826,300
Financial assets under the equity method	3, 21	12,228,126	4,848,908
Available for sale investments	22	5,961,419	6,009,794
Other non-current receivables	24	24,559,968	32,761,393
Deferred tax assets	14	5,780,459	4,854,801
		200,427,916	**211,666,721**
Current assets			
Inventories	23	9,627,614	8,222,869
Trade receivables	24	67,437,814	71,092,276
Other receivables	24	19,488,687	40,658,733
Prepayments	24	5,429,583	-
Income tax	14, 25	787,546	551,394
Current tax assets	25	6,330,328	6,355,573
Other current assets	26	20,221,138	25,820,407
Cash and cash equivalents	27	46,346,599	53,087,694
Derivatives	37	3,221	3,221
		175,672,530	**205,792,167**
Total assets	**3**	**376,100,446**	**417,458,888**
EQUITY			
Issued capital		50,000,000	50,000,000
Share premium		-	186,500,000
Treasury stock		(2,868,519)	(2,868,519)
Reserves		(60,093,602)	(197,790,042)
Profit for the year		6,542,295	(43,585,139)
Equity attributable to owners of Martifer		**(6,419,826)**	**(7,743,700)**
Non-controlling interests		(30,748,263)	(30,169,515)
Total equity	29	**(37,168,089)**	**(37,913,215)**
LIABILITIES			
Non-current liabilities			
Borrowings	30	204,906,931	260,546,024
Obligation under finance leases	31	12,876,453	12,876,453
Trade payables and Other payables	32	11,570,417	11,230,557
Provisions	33	30,570,438	19,325,876
Deferred tax liabilities	14	2,944,375	957,607
		262,868,614	**304,936,517**
Current liabilities			
Borrowings	30	17,826,240	15,502,287
Obligation under finance leases	31	-	25,289
Trade payables	32	47,594,515	59,908,138
Other payables	32	12,658,311	11,662,550
Income tax	14, 35	656,730	861,330
Current tax liabilities	35	2,659,390	3,266,242
Other current liabilities	36	69,004,735	59,209,750
		150,399,921	**150,435,586**
Total liabilities	**3**	**413,268,535**	**455,372,103**
Total equity and liabilities		**376,100,446**	**417,458,888**

The accompanying notes are part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED ON 31 DECEMBER 2017 AND 2016

€	ISSUED CAPITAL	SHARE PREMIUM	TREASURY STOCK	FAIR VALUE RESERVES CASH FLOW HEDGE DERIVATIVES	FOREIGN CURRENCY TRANSLATION RESERVES	STOCK OPTIONS RESERVES	OTHER RESERVES	NET PROFIT OF THE YEAR	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	NON-CONTROLLING INTERESTS
Balance at 1 January 2016	50,000,000	186,500,000	(2,868,519)	21,038	(21,860,588)	(171,259,650)	(482,490)	40,049,791	(28,377,206)	11,672,585
Appropriation of the profit of 2015	-	-	-	-	-	(482,490)	482,490	-	-	-
COMPREHENSIVE INCOME FOR THE YEAR										
Profit for the year	-	-	-	-	-	-	(43,585,139)	(43,585,139)	(16,267,343)	(59,852,482)
Exchange differences arising on (i) translating foreign operations and (ii) net investment in subsidiaries	-	-	-	-	(537,220)	-	-	(537,220)	(481,923)	(1,019,143)
Equity method application effect	-	-	-	-	-	4,093,498	-	4,093,498	(18,419)	4,075,079
Other changes in equity of parent company and subsidiaries	-	-	-	(21,038)	-	-	-	(21,038)	(7,070)	(28,108)
Total comprehensive income for the year	**-**	**-**	**-**	**(21,038)**	**(537,220)**	**4,093,498**	**(43,585,139)**	**(40,049,899)**	**(16,774,754)**	**(56,824,653)**
Other changes in equity of parent company and subsidiaries	-	-	-	-	-	(4,273,530)	-	(180,032)	(62,106)	(260,557)
Changes in the consolidation perimeter	-	-	-	-	-	(3,470,062)	-	(3,470,062)	15,044,551	11,574,489
Balance on 31st December 2016	**50,000,000**	**186,500,000**	**(2,868,519)**	**(0)**	**(22,397,808)**	**(175,392,235)**	**(43,585,139)**	**(7,743,700)**	**(30,169,515)**	**(37,913,215)**
Balance at 1 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 year	-	-	-	-	-	-	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)**

The accompanying notes are part of these financial statements.

CONSOLIDATED STATEMENTS ON CASH FLOWS FOR THE YEARS ENDED ON 31 DECEMBER 2017 AND 2016

€	NOTES	FY 2017	FY 2016	2ND HALF 2017 (NON AUDITED)	2ND HALF 2016 (NON AUDITED)
OPERATING ACTIVITIES					
Receipts from customers		187,754,671	256,842,276	56,515,398	112,839,616
Payments to suppliers		(144,394,047)	(178,305,871)	(62,438,086)	(81,679,245)
Payments to employees		(34,235,250)	(38,211,316)	(16,859,012)	(18,857,782)
Cash generated from operations		**9,125,375**	**40,325,089**	**(22,781,700)**	**12,302,589**
Income tax paid / received		(1,059,666)	(1,026,212)	(164,879)	(560,803)
Other receipts/(payments) relating to operating activities		31,922,879	(14,528,309)	38,180,955	(12,286,493)
Cash generated from other operating activities		**30,863,213**	**(15,554,521)**	**38,016,076**	**(12,847,296)**
Net cash generated by operating activities from discontinued operations	28	-	(14,010,816)	-	(8,086,357)
Net cash generated by operating activities (1)		**39,988,587**	**10,759,752**	**15,234,376**	**(8,631,063)**
INVESTING ACTIVITIES					
Receipts arising from:					
Financial assets	42	202,500	6,701,645	-	3,712,849
Tangible fixed assets		4,388,993	4,741,381	4,171,558	1,411,802
Interest and similar income		345,714	2,892,329	55,670	864,122
Others		58,938	248,997	26	(536,248)
		4,996,145	**14,584,351**	**4,227,254**	**5,452,525**
Payments arising from:					
Financial assets	42	(35,225)	(2,035,789)	(35,225)	(1,427,942)
Tangible fixed assets		(2,616,284)	(3,956,180)	(1,467,731)	(1,778,450)
Intangible assets		(21,238)	(95,549)	(18,158)	(32,505)
Others		(120,710)	(217,006)	(1,095)	(14,157)
		(2,793,457)	**(6,304,524)**	**(1,522,209)**	**(3,253,054)**
Net cash generated by investing activities from discontinued operations	28	-	5,150,739	-	4,791,493
Net cash generated by investing activities (2)		**2,202,688**	**13,430,566**	**2,705,045**	**6,990,964**
FINANCING ACTIVITIES					
Receipts arising from:					
Borrowings		2,447,617	7,845,991	891,509	4,077,041
Others		404,372	9,489	322,891	(2,986,476)
		2,851,989	**7,855,480**	**1,214,400**	**1,090,565**
Payments arising from:					
Borrowings		(43,616,758)	(21,445,056)	(16,106,503)	(8,886,221)
Leasing's		(44,919)	(963,569)	(11,226)	(395,492)
Interest and similar costs		(4,996,688)	(7,831,980)	(1,660,152)	(3,267,900)
Others		(752,350)	(229,117)	(478,101)	(188,819)
		(49,410,715)	**(30,469,722)**	**(18,255,982)**	**(12,738,432)**
Net cash generated by financing activities from discontinued operations	28	-	3,220,911	-	8,454,326
Net cash generated by financing activities (3)		**(46,558,726)**	**(19,393,331)**	**(17,041,582)**	**(3,193,541)**
Net increase in cash and cash equivalents (4)=(1)+(2)+(3)		(4,367,451)	4,796,987	897,839	(4,833,640)
Changes in the consolidation perimeter and others		(398,793)	(1,952,166)	(108,940)	10,302,051
Effect of foreign exchange currencies		(1,974,851)	(2,397,278)	(728,778)	(440,285)
Cash and cash equivalents at the beginning of the period		53,087,694	52,640,152	-	48,059,568
Cash and cash equivalents at the end of the period					
from continuing operations	27	46,346,599	53,087,694	60,120	53,087,694

The accompanying notes are part of these financial statements.

CONSOLIDATED FINANCIAL INFORMATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 | NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTORY NOTE

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

Martifer SGPS was established 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 established in 1990, and which at the time was the parent company of the current Martifer Group.

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.

In September 2014, the Board of Directors of Martifer SGPS decided, within the strategy of focusing in the area of metal constructions, selling the participation of Martifer Solar (constituted by Martifer Solar, S.A. and its subsidiaries, 55% held by the Group). Being the sale of the participation highly probable, and meeting the requirements laid down by IFRS 5, the Group decided under that norm to classify the assets and liabilities of this company and subsidiaries as 'non-current assets held for sale' and 'liabilities associated to non-current assets held for sale', respectively, with the net result presented under the heading 'Result of discontinued activities' (Note 28). In August 2016 the Martifer Solar, S.A. and its subsidiaries were disposed of, except Martifer Solar Inc. and Martifer Silverado Fund LLC, which began to be subsidiaries of Duelobrigatório, S.A. since July 2016, this being a company owned by 55% by the Group, but in relation to which there is a shareholders agreement that determines the shared control, therefore it was included in the consolidation by the equity method.

On 31 December 2017, 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 notes are expressed in Euro (rounded to the unit), unless otherwise indicated.

1. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

These accompanying financial statements relate to the consolidated financial statements of the companies of Martifer Group 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 2017. These correspond to the International Financial Reporting Standards, issued by the International Accounting Standards Board ("IASB"), and 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 xxvii(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 certain financial instruments, which are recorded at fair value.

The accounting policies and mensuration criteria adopted by the Group in the 2017 financial period are consistent with those applied by the Group in the preparation of 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 2017, the adoption of which has not had a significant impact on the Group's comprehensive income or on the Group's financial position.

Effective amendments to standards as of 1January 2017

	EFFECTIVE DATE
IAS 7 – Cash- Flows statement	01-01-2017
IAS 12 – Income Tax	01-01-2017

Change in IAS 7 - 'revision on disclosures'. This amendment introduces an additional disclosure about changes in funding liabilities, disaggregated between transactions that gave rise to cash flows and those that do not, and how this information reconciles with the cash flows of the financing activities of the Cash Flow Satement.

Amendment to IAS 12 - 'Income tax - Recognition of deferred tax assets on potential losses' This amendment clarifies how to account deferred tax assets related to assets measured at fair value, such as estimating future taxable income when there are deductible temporary differences and how to assess the recoverability of deferred tax assets when there are restrictions in the tax law.

The adoption of these standards did not cause significant changes in the consolidated financial statements presented.

(New) standards (and amendments) which become effective on or after 1 January 2018, already endorsed by the EU

	EFFECTIVE DATE
IFRS 9 - Financial instruments	01-01-2018
IFRS 15 - Revenue from contracts with customers	01-01-2018
IFRS 16 - Locations	01-01-2019
IFRS 4 - Insurance contracts (application of IFRS 4 and IFRS 9)	01-01-2018
Changes to IFRS 15 - Revenue from contracts with customers	01-01-2018

IFRS 9 (new) - 'Financial Instruments' replaces the requirements of IAS 39 for: (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.

IFRS 15 (new) - 'Customer Contract Revenue' applies only to contracts for the delivery of products or rendering of services, 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".

IFRS 16 (new) - 'Leases' replaces IAS 17, with a significant impact on accounting by lessees who are now required to recognize a lease liability reflecting future lease payments and a 'right of use' asset for all lease agreements, except for certain short-term leases and low-value assets. The definition of a lease has also been changed, based on the "right to control the use of an identified asset".

The change in IFRS 4 - 'Insurance contracts (application of IFRS 4 and IFRS 9)' entitles the entities that negotiate insurance contracts to recognize in Other comprehensive income, instead of recognizing in the Income Statement the volatility that may result from the application of IFRS 9 before the new insurance contract standard enters into force. In addition, a temporary exemption is granted to the application of IFRS 9 to 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.

Amendments to IFRS 15 'Customer Contract Revenue' refer to the following additional indications for determining the performance obligations of a contract, when recognizing the return on an intellectual property license, for the revision of the indicators for the classification of the main versus agent relationship, and the new schemes envisaged to simplify the transition.

The Administration estimates that the future adoption of IFRS 9 will have an impact, yet to be determined, in the calculation of impairment losses of accounts receivable. In relation to the IFRS 15 the effects are being evaluated, no significant impacts in the consolidated financial statements are expected. As regards to other standards, it is estimated that they will not cause significant changes in the consolidated financial statements.

(New) standards (and amendments) and interpretations that become effective on or after 1 January 2018, not yet endorsed by EU

	EFFECTIVE DATE
Improvements to standards 2014 - 2016	01-01-2017 / 01-01-2018
IAS 40 - Investment Property	01-01-2018
IFRS 2 - Share-based payments	01-01-2018
IFRS 9 - Financial instruments	01-01-2019
IAS 28 - Investments in associates and joint ventures	01-01-2019
Improvements to standards 2015 - 2017	01-01-2019
IFRS 17 - Insurance contracts	01-01-2021

Improvement to standards 2014 - 2016: this cycle of improvements affects the following regulations: IFRS 1, 12 and IAS 28.

The amendment in IAS 40 - 'transfer of investment property' is still subject to the process of endorsement by the European Union. 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 affect the transfer.

The amendment to IFRS 2 - 'Classification and measurement of share-based payment transactions' is still subject to the process of endorsement by the European Union. 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 cash-settled classification to equity-settled. In addition, it introduces an exception to the principles of IFRS 2, which requires that an action-based payment plan be treated as if it were fully equity-settled when the employer is required to withhold amount from the employee and to pay that amount to the tax authority.

The change in IFRS 9 - 'Prepayment elements with negative compensation' is still subject to the process of endorsement by the European Union. This amendment introduces the possibility of classifying financial assets with prepayment conditions with negative compensation at amortized cost, provided that specific conditions are verified, instead of being classified at fair value through profit or loss.

The amendment to IAS 28 - 'Long-term investments in associates and joint ventures' is still subject to the process of endorsement by the European Union. This amendment clarifies that 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, subject to the estimated impairment loss model, before any impairment test for the investment as a whole.

Improvement of standards 2015-2017: this cycle of improvements is still subject to the process of endorsement by the European Union. This cycle of improvements affects the following regulations: IAS 23, IAS 12, IFRS 3 and IFRS 11.

IFRS 17 (new) - 'Insurance contracts' replaces IFRS 4 and is applicable 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 at 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

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

Interpretations:

	EFFECTIVE DATE
IFRIC 22 - Transactions in foreign currency and advanced consideration	01-01-2018
IFRIC 23 - Uncertainties about the treatment of income tax	01-01-2019

The interpretation of IFRIC 22 (new) - "Transactions in foreign currency and prepayment' is still subject to the process of endorsement by the European Union. 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 the exchange rate to be used to convert the transactions in foreign currency.

The interpretation of the norm IFRIC 23 (new) - 'Uncertainty about the treatment of income tax' is still subject to the process of endorsement by the European Union. 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 Administration in relation to Income tax. In case of uncertainty regarding the position of the Tax Administration on a specific transaction, the entity shall make itsbest 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 the IFRIC 23 can be retrospective or retrospectively modified.

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 (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 xxv). All 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.

CONSOLIDATION BASES

The consolidation methods adopted by the Group are following:

a) Group Companies

The 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 has the capacity to affect these results by the power it has over the investee.

The 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 - not controlled interests') and on the consolidated profit and loss statement (included in the consolidated net profit attributable to not controlled 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 at 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 recognized, 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 fair value and in case this is maintained, in the the profit and loss statement of the exercise. Not controlled 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 concentrations of business activities that haveoccurred since 1 January 2011 (IFRS 3R), the excess of acquisition cost, the fair value of any shares held prior to the acquisition of control and the value of not controlled interests, over the fair value of the assets, liabilities and contingent liabilities identifiable and recorded as Goodwill. If the cost of acquisition, the fair value of any shares held prior to the acquisition of control and the value of not controlled interests, is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement. The transaction costs relating to business combinations that occurred after this date are recognized in expense when incurred.

Transactions of divestiture or acquisition of shareholdings of not controlling interests do not result in the recognition of gains, loss or Goodwill, and any difference found between the transaction value and the accounting value of the traded participation, recognized in Equity.

The negative results generated in each period by the subsidiaries who have not controlling interests are allocated in the percentage held to the not 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 recognized as a result of 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 2017 and 2016 there were no entities in this situation.

b) Associated Companies and jointly controlled Companies

Investments in associated companies (companies where the Group holds a significant influence but does not have control of them through the participation in making financial and operating policies in the Company - usually investments representing between 20 % to 50 % of the capital of a company) and in jointly controlled companies (companies where the group shares control with other partners) are recorded under the equity method under the heading 'Investments in associated companies 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 in 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 at the date of acquisition. Any excess in the cost of acquisition compared to the fair value of the net assets and liabilities acquired is recognized as a difference of apositive cquisition (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 stratement of the exercise.

An evaluation of the investments in associate companies and in jointly controlled companies is done when there are signs that the asset may be impaired. In that case, a loss is registered 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 registered, 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 heading of Liabilities 'Provisions' to meet those obligations.

The unrealized 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 unrealized 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.

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) Differences in positive acquisition (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 tests at the end of each year, from that date onwards.

The value of Goodwill is not amortized, 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 exercise, are recorded in the income statement under the heading 'impairment losses'. The recoverable amount is the highest between of the two: net selling 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of 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 functional 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 heading of Own Capital - '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 transaction 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 recognized 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 amortized in accordance with the period of the granted licenses (currently 20 years).

The expenses incurred with the licensing of wind farms are capitalized 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 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 recognized in the income statement at the moment in which they are incurred.

The remaining research costs are recognized 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 heading '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 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 ir os subject to a 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 recognized 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 in financial or operationing leases is done depending on the economic substance and not the form of the contract.

The tangible assets acquired through leasing contracts, as well as the corresponding responsibilities, are accounted for by the financial method, recognizing 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 depreciation of tangible fixed assets are recognized as an expense in the income statement for the year to which they relate.

In the leases considered as operating, the rents payable are recognized 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 comprise essentially, 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 recognition 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 recognized in the income statement for the year to which they relate.

vi) Financial assets and liabilities

Financial assets and liabilities are recognized in the consolidated balance sheet when the Group is a contractual party of the instrument.

a) 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 ‘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:

- Borrowings and other receivables: This category includes non-derivative financial assets with fixed or variable repayments and with maturity set or within view that 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 heading 'Clients and other debtors' in case of non-current assets, as well in the heading "Clients" 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 for the purpose of selling it 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 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 which 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 classified as non-current, unless the Board of Directors has the intention to sell the investment within 12 months of the balance sheet date.

Held-to-maturity investments are classified as non-current financial assets, except if they are going to be realized within twelve months of the balance sheet date; Investments recorded at fair value through profit or loss are classified as current financial investments.

All acquisitions and sales of financial assets are recognized 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 recognized at fair value plus transaction costs; the only exception being the 'financial assets recorded at fair value through results'. In the latter case, the investments are initially recognized at fair value and transaction costs are recognized in the income statement. Investments are derecognized 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 available for sale' and the 'financial assets recorded at fair value through results' are subsequently measured at fair value.

The gains and losses realized or not, arising from a change in the fair value of the 'financial assets recorded at fair value through results' are recorded in the income statement of the period. Gains and losses arising from a change in the fair value of investments classified as available-for-sale are recognized in the statement of comprehensive income under the heading 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 recognized 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: measurement 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 results 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 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 Instruments/ Green Certificates (level 1).

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

The Group undertakes assessments at the date of each statement of financial position whenever there is objective evidence that a financial asset may be impaired. 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 recognized at amortized 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, with the exception of accounts receivable from clients and other debtors for which the Group constitutes an account for 'accumulated impairment losses' specific for it. 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 anulled by the financial statements are credited to the P&L Statement of the exercise. Changes in the account 'Accumulated impairment losses are recorded in the P&L Statement of the exercise.

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 exercise.

b) Clients and other debtors

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

c) Borrowings

Borrowings are recorded as liabilities at the nominal value received, net of up-front fees and commissions relating to the issuance of these instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the income statement on an accruals basis.

d) Other accounts payable and other liabilities to third parties

Accounts payable and receivable that are common, 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 their contractual substance. 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 it is expected to occur a payment of funds.

f) Derivatives

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

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 amount 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 measured reliably;
- There is proper documentation about the transaction to be covered at the beginning of the coverage;
- 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 recognized 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 gain or loss relating to the ineffective portion is recognized immediately in the income statement, when determined.

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 recognized in the statement of comprehensive income under the heading 'Fair value reserves - Derivatives' are retained in equity, and subsequent measurements are recorded directly in the items of the P&L Statement.

g) Green Certificates

Green Certificates are instruments approving 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 system of incentives for renewables in Romania, i.e., until 2032) and suspended green certificates (that can be traded between 2018 and 2025).

At 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 recognizes an asset in ' available for sale financial investments' or 'Other current financial assets' (depending on the type of certificate) and the corresponding 'deferred income'. The income is recognized 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, for not having been used within the term of validity, shall be recorded in 'financial expenses and losses'.

h) Letters discounted and accounts receivable transferred in factoring

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

Consequently, the balances of clients holders of deducted bills not yet overdue and accounts receivable transferred in *factorin* at the date of each statement of financial position, with the exception of 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

The goods, raw material, subsidiary and for consumption are valued at the lowest of the average acquisition cost, or of the respective market value (estimate 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 theincorporated raw material, direct labour and production overheads.

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

x) Specialization of exercises

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; valuation started to be used to calculate the percentage of completion instead of using the ratio between expenditure incurred in each work 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 specialized. This did not happen until the last fiscal year where only the revenues were specialized. These costs are recorded in the sub-headings 'Expenses to be recognized - Works in Progress' or 'Extra expenses - Works in Progress', included in headings 'Other current assets' and 'Other current liabilities', respectively, being that it does not have a comparative value in the previous year.

xi) Revenue

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

a) Recognition of expenses and income in projects (construction of metallic structures and construction of turnkey wind farms and solar parks)

Until 2016, the Group recognized the results of the projects contract by contract, in accordance with the percentage of completion, using as a method of arriving at the value the proportion between the costs incurred in each project until a certain date and the sum of those costs with the estimated costs to complete the project. The differences obtained between the values resulting from the application of the finishing percentage of the estimated income and the amounts invoiced were until then registered in the sub-headings 'Work to be invoiced' or 'Invoice in advance', included in headings 'Other current assets' and 'Other current liabilities', respectively.

From 2017 onwards, the Group recognizes the results of the projects contract by contract, in accordance with the percentage of completion using as a method of verification of the valuation, 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 recognized 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 measured reliably.

Claims for 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 recognizes 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 warranty period.

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

(b) Projects of short duration

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

c) Recognition of expenses and income in real estate activity

The relevant expenses with real estate ventures are calculated taking into account the direct costs of construction, 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 the purpose of capitalization of financial charges, it is considered that the project is in progress if it is waiting for a decision of the involved authorities, or if it is in construction phase. If the venture isn't in any of these phases, it is considered stopped and the capitalisation abovementioned is suspended.

The revenue, in this type of operations, has been generated and recognized, essentially, on the occasion of the transfer of the rights and obligations associated with the assets, which, as a general rule, coincides with the celebration of the deed of sale.

d) Recognition of revenue on sales of goods and finished products

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

- The Group has transferred to the buyer all significant risks and benefits inherent in the 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, labor and manufacturing overheads) incurred in the production of tangible fixed assets are capitalized only when the following requirements are met:

- the developed assets are identifiable;
- there is a strong likelihood of the assets 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 recognized in the P&L Statement for the year in which they are incurred, in virtue of the outcome of 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 of the exercise.

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 2017	FY 2016	EVOLUTION IN %	FY 2017	FY 2016	EVOLUTION IN %
Polish zloty	4.177	4.410	-5.3%	4.257	4.363	-2.4%
New Romanian leu	4.659	4.539	2.6%	4.569	4.490	1.7%
US dollar	1.199	1.054	13.8%	1.130	1.107	2.1%
South African Rand	14.805	14.457	2.4%	15.049	16.264	-7.5%
Brazilian real	3.973	3.430	15.8%	3.605	3.856	-6.5%
Angolan kwanza	191.892	173.540	10.6%	191.892	180.372	6.4%
Moroccan dirham	11.223	10.661	5.3%	10.943	10.825	1.1%
Pound sterling	0.887	0.856	3.6%	0.877	0.819	7.0%
Mozambique metical	70.090	74.940	-6.5%	71.034	69.147	2.7%
Saudi Riyal (Arábia Saudita)/ SAR	4.503	3.950	14.0%	4.228	4.149	1.9%
(Ukraine) Hryvna	33.577	28.486	17.9%	30.033	28.253	6.3%
Venezuelan Bolivar [1)]	13.564.840	711.308	1807.0%	5.504.183	551.438	898.2%
Peru Nuevo Sol	3.883	3.527	10.1%	3.680	3.730	-1.3%

1) The significant change from 2016 to 2017 is due to the change of the reference base since DICOM was suspended during 2017. The impacts foreseen were not significant, given that the operation of the group in that geography is very reduced.

xv) Income Taxes

The Income tax charge 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 at the place where each Group company has its registered office.

Deferred taxes are calculated on the basis of the balance sheet liability method and refer to temporary differences between the amount 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 measured at the tax rates and based on the tax legislation in force or expected to apply in the period in which the differences reverse.

Deferred tax assets are only recognized to the extent that there is a reasonable probability that taxable profits will be available against which to offset them. The carrying amount of deferred tax assets is reviewed at each balance sheet date and they are derecognized whenever it is probable athat they will be used in the future.

Deferred tax liabilities are recognized 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 result of accounting or tax. However, with regard to the taxable temporary differences associated with investments in associates and jointly controlled companies, these should not be recognized 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 does not reverse in the near future.'

The deferred tax amount that results from transactions or events recognized directly in equity is registered directly in equity as well, not affecting the net income for the period.

xvi) Interest charges on borrowings

The financial charges related to borrowings are recognized as an expense in the period in which they are incurred.

The financial cost of loans obtained directly related with the construction of fixed assets and some inventories (real estate projects) are capitalized as part of the cost of the asset. The capitalization of these costs starts after the beginning of the preparation of the construction activities or 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.

xvii) Provisions

Provisions are recognized 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 at each balance date 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.

The provisions constituted by the company result, essentially of:

a) Construction warranties

The Group recognizes a provision for the estimated costs to be incurred in the future with the construction warranties provided on metallic structures or on 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 results of the exercise.

b) Onerous contracts

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

c) Legal claims in progress

Provisions for legal proceedings are recognized when, due to actions filed by third parties, Martifer 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.

d) Financial assets in equity method

A provision is recognized whenever the invested company has negative equity and and it is considered that the Group took responsibility in addition to their participation in the share capital.

xviii) Subsidies granted by the State

Subsidies attributed to finance training sessions and support on recruitment are recognized as income during the period of time during which the Group incurs in their spending.

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

xix) Impairment of assets that are not Goodwill

An impairment assessment is made at the date of each financial position statement whenever an event or change in 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 recognized in the P&Lstatement under the caption 'Impairment losses'. The recoverable amount is the highest between of the two: net selling 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The reversal of impairment losses recorded in previous years is recognized 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 recognized 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 (using the historical cost, or the revalued amount, net of amortization 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 at a Remuneration Committee elected by shareholders establishes, when elected, the fixed and variable remuneration to be distributed to members of governing bodies. Bonus payments are recorded in the period to which they relate.

xxi) Classification in the financial position statement

Assets to be realized and liabilities to be settled twelve months after the 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 Group classifies as ‘Cash and cash equivalents’ treasury operations, which mature in less than three months, readily convertible to a known amount of cash, and which are subject to insignificant value changes.

The cash flow statement is classified by operating, investment and financing activities. Operating activities include cash receipts from clients, cash payments to suppliers, cash payments to and on behalf of employees and other relating to operating activities. The cash flows included in investing activities include, inter alia, 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 2017 and 2016 include:

a) Useful lives of tangible assets (see Note 1. 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 percentages to be applied and the estimated losses deriving from the replacement of equipment before the end of its useful life, for reasons of technological obsolescence, is essential to determine the amount of amortisation/ depreciation to recognize in the consolidated P&L statement of each exercise.

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) Fair value of investment property (see Note 1. 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 to transaction conditions of each property in the market, which may differ from the results calculated in the future.

c) Impairment to Goodwill (see Note 1. 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, 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 of the discount rates considered.

d) Provisions and contingent liabilities (see Note 1. xvii and Note 1. xxii);

The Group analyzes on a regular basis any obligations arising from past events and that should recognised or disclosed. The subjectivity inherent in the determination of the probability of the existence of this responsibility and of the amount 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. 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 indicators of impairment, 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.

f) Impairment losses of accounts receivable (see Note 1. vii (a));

The credit risk of the balances of accounts receivable is assessed at each reporting date, taking into account the historical information of the debtor and its risk profile. Accounts receivable are adjusted in accordance with the management's assessment - the estimated collecting risks existent on the date of the financial position, which might turn out to be wrong.

g) Recognition of revenue on projects in progress and warranties (see Note 1. xi);

The Group recognizes the results of construction contracts in accordance with the percentage of completion method, which is obtained through valuation, which accurately reflect the physical evolution of the project at a certain date. The assessment of the degree of finishing 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. xv)

Deferred tax assets are recognized 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 management at the end of each financial year, taking into account the expectation of future fiscal performance.

Estimates used were based on the best information available at the date of the preparation of the consolidated financial statements. However, events may occur in subsequent periods that, not being foreseeable at the date, 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 approaching in cumulative terms 100 %, and analyzing some qualitative aspects of the Angolan economy (the use of the 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.

The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy, whether they are based on historic 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 certain 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.

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, at 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 exercise, 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 in whose currency it reports 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 is 1 January 2017, and the adjustments at this date recorded in equity under the heading of 'Other reserves'.

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

Thus, in 2017, there was a sharp rise in the price of this commodity as a result of the implementation of these measures, a trend that was maintained throughout the year of 2017. The first quarter of 2018 started with a strong uncertainty on the price evolution of these commodities with the Trump administration in the USA, that announced the application of a surcharge of 25 % on steel and 15 % on aluminum on the imports from third countries, in particular imports from EU countries.

Martifer has sought to mitigate this risk, through a rigorous planning of raw materialspurchases, 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, 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 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 level of the risks involved. However, whenever considered appropriate, the Group hires the coverage of exchange rates in order to cover the risk.

In 2017, the cycle of scarcity of tradable currencies in Angola remained the same, as a result of the maintenance of oil prices at very low levels associated with the climate of political uncertainty in the country. This high scarcity of tradable currencies had serious consequences in the devaluation of the Abgolan currency (Kwanza), which forced Martifer Group to make due payments to local suppliers, in order to obtain a natural exchange coverage through local commercial transactions.

Martifer Group has mitigated this risk by means of financial instruments submitted by clients (e.g. letters of credit) in order to maintain the normal financial flow.

During the year 2017, the negotiations on the model of exit of the United Kingdom from the EU were initiated, in consequence of the outcome of the referendum, which led to Brexit. A climate of uncertainty regarding the evolution of the British economy was maintained and consequently also regarding the Pound after the effective exit of the United Kingdom. The Group has managed to circumvent the risk of exposure to these currencies, taking advantage of the fact that many of the supplies are being contracted in these currencies.

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

	ASSETS		LIABILITIES	
	FY 2017	FY 2016	FY 2017	FY 2016
New leu (Romania)	119,876,409	143,298,731	65,877,805	73,165,152
Zloty (Poland)	8,596,875	38,298,189	28,098,964	55,186,422
Kwanza (Angola)	52,314,412	53,496,510	42,825,827	44,068,256
Real (Brazil)	14,077,898	14,350,469	6,200,426	5,588,950
Moroccan dirham (Morocco)	1,446,373	1,686,668	2,263,834	2,262,760
Pound sterling (United Kingdom)	9,422,172	12,080,900	7,614,566,00	13,382,325
Saudi Riyal (Saudi Arabia)	12,160,265	16,952,702	10,061,539	14,880,182

An analysis of fluctuations in exchange rates that occurred between 2016 and 2017 was done, and consequently projected potential reductions that will occur in 2018. 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 summarized as follows (amounts in Euro):

	LOCAL CURRENCY CHANGE AGAINST EURO	FY 2017		FY 2016	
		IMPACT ON PROFITS	IMPACT ON EQUITY	IMPACT ON PROFITS	IMPACT ON EQUITY
New leu (Romania)	3%	394,023	(1,572,775)	69,224	(694,392)
Zloty (Poland)	3%	35,449	568,022	64,780	167,210
Pound sterling (United Kingdom)	3%	(52,048)	(52,649)	24,481	12,885
Moroccan dirham (Morocco)	5%	13,198	38,927	6,722	5,704
Kwanza (Angola)	12%	514,965	(1,016,634)	(2,517)	(93,349)
Real (Brazil)	12%	(5,080)	(844,015)	(2,262)	(86,748)
Saudi Riyal (Saudi Arabia)	12%	(37,536)	(224,864)	(2,028)	(20,520)

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 in a timely manner. 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 % 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 2017, the reference interest rates in the Euro zone remained at very low levels in line with what has already happened in recent years. With the recovery of the European economy, a possible rise in interest rates in the Euro zone for the next few years was expected, following what is the expected evolution of interest rates in the US. However, at the beginning of 2018, the ECB President Mario Draghi announced that the ECB should not increase the interest rates in 2018, and the possible increase until 2020 is expected to be smooth. Thus, in accordance with the projections of the European Central Bank, published in March 2018 ("*March 2018 ECB staff macroeconomic projections for the euro area*"), the short-term interest rates shall remain negative until 2019, maintaining the levels near zero until 2020; there already are, however, estimates of growth of the medium and the long term rates.

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 restructuring 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 30 Loans.

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, honoring all commitments made with third parties through an 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 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 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.

As a result of the measures previously mentioned, it appears that, on 31 December 2017, the current assets largely surpass the current liabilities. Thus, the liquidity risk is greatly reduced, given Martifer's capacity in the transformation of its short-term assets in liquidity, which can be shown as follows:

	FY 2017	FY 2016
Current Assets	175,672,530	205,792,167
Current Liabilities	(150,399,921)	(150,435,586)
Operational cash-flows	18,383,268	39,988,587
Estimated Net Interests	(4,907,224)	(4,650,974)
Total	**38,748,653**	**90,694,194**

The table below analyzes 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 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 Debtors, 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 Martifer Group's Clients to meet their obligations, with possible negative effects on the results of the Group. 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 fairly contained, particularly for companies that operate in sectors strongly affected by the preceding crisis.

The Group is subject to credit risk in relation to the operational activity - Clients and Other Debtors and other Accounts Receivable.

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 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 processes in litigation; these are essential procedures to manage the credit activity and to minimize the occurrence of irrecoverable amounts.

The assets subject to credit risk are as follows:

	FY 2017	FY 2016
Clients (Note 24)	95,014,709	85,039,663
Other debtors (Note 24)	38,664,787	101,637,819
Other current assets (Note 26)	13,689,059	23,017,810
Cash and cash equivalents and derivatives	46,349,820	53,090,915
Total	**193,718,375**	**262,786,207**

The rating of financial institutions on the Group's funds is as follows:

RATING MOODY'S	CASH AND CASH EQUIVALENTS VALUES	
	FY 2017	FY 2016
Not assigned*	8,769,360	18,620,829
A1	1,319,492	-
A2	45,248	3,418,208
A3	51,425	52,892
AA1	201,570	-
AA2	-	6,503
AA3	15,376	-
B1	6,209,751	5,116,172
B2	295,266	789,801
B3	665,356	-
BA1	3,437,017	3,517,132
BA2	-	5,119
BA3	176,257	7,820,175
BAA1	659,715	1,335,505
BAA2	357,825	15,480
BAA3	5,167,726	1,411,066
BBB-	85,688	-
BBB+	1,199,256	-
CAA1	17,693,491	10,982,034
Total	**46,349,820**	**53,090,915**

*In 'Unassigned' 8.3 million Euros of Angolan financial institutions are considered in 2017 (12 million Euros in 2016).

xxviii) Management of Operational Risks

a) Metallic Constructions

The operational risks in the area of metal 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.

With regard to 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 regards the submission of proposals and the preparation of the administrative dossier, respecting 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 domino effect the compliance with the deadline for delivery 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 metal 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, however, 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 Shipbuilding Industry

Companies in the shipbuilding 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, it must be also pointed out the difficulty to capture highly qualified staff due to foreign competition from Northern European countries;
- 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 in relation with subcontractors and suppliers that may not fulfill their contractual obligations and can jeopardize the implementation and quality of the projects;
- risk in the labor aspect, since nowadays there is a lack of qualified personnel because of two reasons. On one hand, not enough employees are being trained to cater for the needs of West Sea, even though the company is making an internal effort in this sense. On the other hand, the competitive pressure from Spain, more specifically of Galicia and its shipyards, given the geographical proximity, 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 operatinal 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 revenue ends up being minimized.

LICENCING:

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 for the development of wind farms and solar parks, such actions may have a significant impact on the activity.

xxix) Management of 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 Company's adaptation 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 area and is monitored within the scope of legal and tax advisory services dedicated to the respective activities, which operate in dependence of the administration and management, developing their competencies in articulation with the other fiscal and financial departments, so as to ensure the protection of the interests of the Company and, ultimately, of the stakeholders, in strict respect for the fulfillment of their legal duties.

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

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.

2. COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

On 31 December 2017 and 2016, the companies included in the consolidation, their methods of consolidation, as well as their headquarters and proportion of capital held, are as follows:

COMPANIES CONSOLIDATED BY THE FULL CONSOLIDATION METHOD

				SHARE CAPITAL HELD PERCENTAGE			FY 2016
COMPANY	HEAD OFFICE	COUNTRY	DESIGNATION	DIRECTLY	INDIRECTLY	TOTAL	TOTAL
Martifer SGPS, S.A.	**Oliveira de Frades**	**Portugal**	**Martifer SGPS**	**Holding**			
Martifer Metallic Constructions SGPS, S.A.	**Oliveira de Frades**	**Portugal**	**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%	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%
Martifer Polska Sp. Zo.o.	Gliwice	Poland	Martifer Polska	-	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 Roménia	2.00%	73.50%	75.50%	75.50%
Park Logistyczny Biskupice	Gliwice	Poland	Biskupice	-	75.00%	75.00%	75.00%
Martifer Konstrukcje Sp. Z o.o.	Gliwice	Poland	Martifer Konstrukcje	-	75.00%	75.00%	75.00%
Martifer Slovakia S.R.O.	Bratislava	Slovakia	Martifer Slovakia	-	-	-	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 Beteiligungsverwaltungs GmbH	Vienna	Austria	Martifer GmbH	100.00%	-	100.00%	100.00%
M City Gliwice Sp. Zo.o	Gliwice	Poland	M City Gliwice 2)	-	-	-	75.00%
Martifer Energia S.R.L.	Bucareste	Romania	Martifer Energia Roménia	-	75.00%	75.00%	75.00%
Martifer Energia LLC	Kiev	Ukraine	Martifer Energia Ucrânia	-	75.00%	75.00%	75.00%
Martifer Wind Energy Systems LLC	San Angelo TX	USA	Martifer Wind USA	-	-	0.00%	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 1)	-	75.00%	75.00%	45.00%
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**	**Portugual**	**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%**

COMPANY	HEAD OFFICE	COUNTRY	DESIGNATION	SHARE CAPITAL HELD PERCENTAGE DIRECTLY	INDIRECTLY	TOTAL	FY 2016 TOTAL
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%
Premium Management Consulting, S.R.L.	Bucharest	Romania	Premium Management	-	0.00%	0.00%	85.00%
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%
Eviva Beteiligungsverwaltungs GmbH	Vienna	Austria	Eviva GmbH	-	100.00%	100.00%	100.00%
Eviva Hidro S.R.L.	Bucharest	Romania	Eviva Hidro	1.00%	99.00%	100.00%	100.00%
Martifer Deutschland GmbH	Berlin	Germany	Martifer Deutschland	-	100.00%	100.00%	100.00%
Wind Farm Odrzechowa Sp. Zo.o	Gliwice	Poland	Wind Odrzechowa	-	-	-	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%
Martifer Renewables Italy BV	Amesterdão	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%	55.00%	55.00%
Eólica Cajueiro da Praia, Ltda .	Fortaleza	Brazil	Cajueiro	-	-	-	55.00%

COMPANY	HEAD OFFICE	COUNTRY	DESIGNATION	SHARE CAPITAL HELD PERCENTAGE DIRECTLY	INDIRECTLY	TOTAL	FY 2016 TOTAL
SBER – Sociedade Brasileira de Energias Renováveis, Ltda.	Fortaleza	Brazil	SBER 1)	-	-	-	46.88%
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	-	100.00%	100.00%	0.00%
Los Rosales Generación de Energia SAS	Bogota	Colombia	Los Rosales	-	100.00%	100.00%	-
Eviva Energy AR S.A	Buenos Aires	Argentina	Eviva Energy AR	-	100.00%	100.00%	-
Palermo Generacion de Energia, S.A	Buenos Aires	Argentina	Palermo	-	100.00%	100.00%	-
Recoleta Generación Energía S.A	Buenos Aires	Argentina	Recoleta	-	100.00%	100.00%	-
Puerto Madero Generación de Energía S.A	Buenos Aires	Argentina	Puerto Madero	-	100.00%	100.00%	-

1) The consolidation of these companies by the full consolidation method is justified to the extent that the Group holds shares "in ladder" with control at each level.
2) This company ceased to consolidate by the full consolidation method due to the fact that Martifer Beteiligungsverwaltungs GmbH alienated its participation to Martifer Metallic Constructions SGPS (47.8 %) and to APCL Invest, S.A.. (50 %).

COMPANIES CONSOLIDATED USING THE EQUITY METHOD

The companies consolidated using the equity method, its headquarters and proportion of capital held, are as follows:

COMPANY	HEAD OFFICE	COUNTRY	DESIGNATION	SHARE CAPITAL HELD PERCENTAGE DIRECTLY	INDIRECTLY	TOTAL	FY 2016 TOTAL
Metallic Construction							
Associate companies:							
Liszki Green Park, Sp. Zo.o	Gliwice	Poland	Liszki Green Park	-	33.75%	33.75%	33.75%
Amal Construções Metálicas Moçambique, S.A.	Maputo	Mozambique	Amal Moçambique	-	37.50%	37.50%	-
Martifer Amal, S.A.	Nacala	Mozambique	Martifer Amal	-	37.50%	37.50%	26.25%
Martimetal Spa	Algiers	Algeria	Martimetal	-	36.75%	36.75%	36.75%
Joint control companies:							
Promoquatro – Investimentos Imobiliários, Lda.	Oliveira de Frades	Portugal	Promoquatro	-	37.50%	37.50%	37.50%
M City Bialystok Sp. Zo.o	Gliwice	Poland	M City Bialystok [2)]	-	-	-	37.50%
M City Radom Sp. Zo.o	Gliwice	Poland	M City Radom [2)]	-	-	-	37.50%
M. City Szczecin Sp. Z o.o.	Gliwice	Poland	M City Szczecin [2)]	-	-	-	37.50%
CNA Chantier Naval d'Arzew , SPA	Arzew	Algeria	CNA Chantier Naval d'Arzew	-	36.75%	36.75%	36.75%
M City Gliwice Sp. Zo.o	Gliwice	Poland	M City Gliwice [1)]	-	37.50%	37.50%	-
Renewables							
Joint control companies:							
Ventinveste, S.A.	Lisbon	Portugal	Ventinveste SA	100.00%	225.00%	325.00%	48.50%
Âncora Wind – Energia Eólica, S.A	Lisbon	Portugal	Âncora	-	-	-	24.25%
Parque Eólico do Douro Sul, S.A.	Lisbon	Portugal	PE Douro Sul	-	-	-	24.25%
Parque Eólico de Vale do Chão, S.A.	Lisbon	Portugal	PE Vale do Chão	-	-	-	24.25%
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%
Parque Eólico da Penha da Gardunha, Lda.	Oliveira de Frades	Portugal	PE Penha da Gardunha	-	-	-	50.00%

COMPANY	HEAD OFFICE	COUNTRY	DESIGNATION	SHARE CAPITAL HELD PERCENTAGE DIRECTLY	INDIRECTLY	TOTAL	FY 2016 TOTAL
FW Warta Sp. Z.o.o	Kraków	Poland	Warta	-	50.00%	50.00%	50.00%
Others							
Duelobrigatório, S.A.	Oliveira de Frades	Portugal	Duelobrigatório	55.00%	-	55.00%	55.00%
Martifer Solar Inc.	S. Francisco CA	USA	Martifer Inc. 3)	-	55.00%	55.00%	55.00%
MT Silverado Fund I LLC	S. Francisco CA	USA	Silverado 3)	-	55.00%	55.00%	31.42%

1) This company started to be consolidated by the asset equivalence method due to the fact that Martifer Beteiligungsverwaltungs GmbH alienated its participation to Martifer Metallic Constructions SGPS (47.8 %) and to APCL Invest, S.A. (50 %).
2) These companies were merged in M City Gliwice Sp. Zo.o.
3) In July 2016 these companies ceased to be part of the Martifer Solar Group and were acquired by Duelobrigatório, S.A., a subsidiary in 55% by Martifer SGPS; there was, however, a loss of control in the context of this operation, They ceased to be consolidated by the full consolidation method and started to be consolidated by the equity method.

During the year ended on 31 December 2017 and during the year 2016, the changes in the consolidation perimeter were as follows:

CONSTITUTION OF COMPANIES

FY 2017	HEAD OFFICE	COUNTRY
Renewables		
Subsidiary companies		
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

FY 2016	HEAD OFFICE	COUNTRY
Solar		
Subsidiary companies		
RA Solar S.A.E.	Cairo	Egypt
Mire Solar SA de CV	Mexico City	Mexico
Renewables		
Subsidiary companies		
Cedilhas ao Vento S.A.	Oliveira de Frades	Portugal
PV Sol 1 Sp. Zo.o	Krakow	Poland
PV Sol 2 Sp. Z o.o	Krakow	Poland
PV Sol 3 Sp. Z o.o	Krakow	Poland
Others		
Subsidiary companies		
Duelobrigatório, S.A.	Oliveira de Frades	Portugal

ACQUISITION OF COMPANIES

FY 2017	HEAD OFFICE	COUNTRY
Metallic Constructions		
Associate Companies		
Amal Construções Metálicas Moçambique, S.A.	Maputo	Mozambique

FY 2016	HEAD OFFICE	COUNTRY
Renewables		
Joint control companies:		
FW Warta Sp. Z.o.o	Kraków	Poland

SALE/ DISSOLUTION OF COMPANIES

FY 2017	HEAD OFFICE	COUNTRY
Metallic Constructions		
Subsidiary companies:		
Martifer Slovakia S.R.O.	Bratislava	Slovakia
Martifer Wind Energy Systems LLC	San Angelo TX	USA
Renewables		
Subsidiary companies:		
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
Joint control companies:		
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

FY 2016	HEAD OFFICE	COUNTRY
Metallic Constructions		
Subsidiary companies:		
Martifer Aluminium Pty, Ltd	Sidney	Australia
Solar		
Subsidiary companies:		
Martifer Solar Canadá, Ltd.	Toronto	Canada
Martifer Solar, S.A.	Oliveira de Frades	Portugal
Martifer Solar Sistemas Solares, S.A.	Madrid	Spain
Solar Parks Construccion Parques Solares ETVE, S.A.	Madrid	Spain
MTS Solar Sistemas Solares, S.A.	Mexico City	Mexico
Martifer Solar Chile Holding, Lda	Santiago	Chile
Mencey Solar SpA	Santiago	Chile
Dehesa Solar SpA	Santiago	Chile
Martifer Solar Servicios México	Mexico City	Mexico
Martifer Solar S.R.L.	Milan	Italy
MTS1 S.R.L.	Siracusa	Italy
MTS2 S.R.L.	Siracusa	Italy
Martifer Solar RO S.R.L.	Bucharest	Romania
Martifer Solar Inc.	S. Francisco CA	USA
MT Silverado Fund I LLC	S. Francisco CA	USA
Martifer Solar Hellas, A.T.E.	Athens	Greece
Martifer Solar Angola	Luanda	Angola
Martifer Solar N.V.	Deerlijk	Belgium
Martifer Solar UK Limited	London	United Kingdom

FY 2016	HEAD OFFICE	COUNTRY
MTS Exbury Solar Limited	London	United Kingdom
MTS Manton Manor Solar Limited	London	United Kingdom
MTS Stud Farm Solar Limited	London	United Kingdom
MTS Penderi Solar Limited	London	United Kingdom
Martifer Solar S.A.S.	Lyon	France
Home Energy France SAS	Lyon	France
PVGlass S.r.l	Milan	Italy
MPrime Solar Solutions, S.A.	Oliveira de Frades	Portugal
Sol Cativante, Lda.	Sever do Vouga	Portugal
Martifer Solar Investments, B.V.	Amsterdam	Holanda
MTS6 S.R.L.	Siracusa	Italy
Martifer Solar SK s.r.o.	Dolny Kubin	Slovakia
Ginosa Solar Farm, S.R.L.	Rome	Italy
Solar Spritehood S.R.L	Rome	Italy
Steadfast Fairview Solar, Ltd	Andover	United Kingdom
Martifer Solar UA, LLC	Kiev	Ukraine
Inspira Martifer Solar Limited	Mumbai	India
Societé Developpement Local SA	Dakar	Senegal
Martimak Solar	Besiktas	Turkey
Martiper Solar	Besiktas	Turkey
Martifer Solar Lasout	Lyon	France
Martifer Solar Parrou	Lyon	France
Martifer Solar Parroc	Lyon	France
Martifer Solar Singapura PTE. LTD.	Singapore	Singapore
Martifer Solar Japan KK	Tokyo	Japan
Solariant Portfolio GK One	Tokyo	Japão
EVIVA SOLAR 1 LTD	Athens	Greece
EVIVA SOLAR 2 LTD	Athens	Greece
Khepri Solar B.V._NL	Amsterdam	Netherlands
RA Solar S.A.E	Cairo	Egypt
Martifer Solar MZ, S.A.	Maputo	Mozambique
Greencoverage Unipessoal, Lda.	Oliveira de Frades	Portugal
Martifer Solar, Ltda	Pindamonhangaba	Brazil
Visiontera Unipessoal, Lda	Oliveira de Frades	Portugal
Martifer Solar Middle East	Dubai	United Arab Emirates
Belive in Bright Unipessoal, LDA.	Oliveira de Frades	Portugal
Associate Companies		
Parque Solar Seseña I, S.L.	Madrid	Spain
Empresa de Energia Renovable Maria del Sol Norte S.A.	Santiago	Chile
MSN Solar Uno SpA	Santiago	Chile
MSN Solar Dos SpA	Santiago	Chile
MSN Solar Tres SpA	Santiago	Chile
MSN Solar Cuatro SpA	Santiago	Chile
MSN Solar Cinco SpA	Santiago	Chile
Martifer Solar Canadá, Ltd.	Toronto	Canada
Mire Solar SA de CV	Mexico City	Mexico
Renewables		
Subsidiary companies		

FY 2016	HEAD OFFICE	COUNTRY
Martifer Renewables Pty, Ltd.	Sidney	Australia
Martifer Renewables Investments ETVE, S.A.	Madrid	Spain
Martifer Renewables Brazil B.V.	Amsterdam	Netherlands
Associate Companies		
Parque Eólico do Cabeço Norte, S.A.	Lisbon	Portugal
Parque Eólico do Pinhal do Oeste, S.A.	Lisbon	Portugal
Parque Eólico do Planalto, S.A.	Lisbon	Portugal
Parque Eólico da Serra do Oeste, S.A.	Lisbon	Portugal
Parque Eólico de Torrinheiras, S.A.	Lisbon	Portugal

CHANGE IN THE CONSOLIDATION METHOD

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 due to the fact that Martifer Beteiligungsverwaltungs GmbH alienated its participation to Martifer Metallic Constructions SGPS
(47.8 %) and to APCL Invest, S.A. (50 %), the latter not belonging to Martifer Group. The impact on the consolidated result was 0.8 million Euros.

In 2016:

Martifer Solar Inc. and MT Silverado Fund LLC - from full consolidation method to equity method. In July 2016 these companies ceased to be part of the Martifer Solar Group and were acquired by Duelobrigatório, S.A. participated in 55 % by Martifer SGPS, there was, however, a loss of control in the context of this operation.

OTHER CHANGES IN THE CONSOLIDATION PERIMETER

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, Cedillas ao Vento S.A. was 100 % owned by Martifer Renewables Italy BV. Without impact on the Consolidated Financial Statements.

West Sea, Lda - was held in 1 % by Navalria, S.A., but this participation was sold to Martifer Metallic Constructions SGPS, SA, which began holding 100 % of West Sea, Lda. Without 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 and M. City Szczecin Sp. Z o.o - after restructuring, these companies were merged in M City Gliwice Sp. Zo.o. . Without impact on the Consolidated Financial Statements.

In 2016:

Martifer Energy Systems SGPS, SA and Martifer Global SGPS, S.A., merged in Martifer Metallic Constructions SGPS, SA and as a consequence the first two ceased to exist.

FW Warta Sp. Z.o.o - increased participation from 25 % to 50 %.

The companies Martifer Inovação e Gestão, S.A., Martifer Gestão de Investimentos, S.A., Nagatel Viseu - Promoção Imobiliária, S.A. and Gebox, S.A. were merged in Martifer Construções Metalomecânicas, S.A., and as a consequence the first four ceased to exist.

Duelobrigatório, S.A. - was constituted 100 % by Martifer SGPS and subsequently 45 % was aliented, so Martifer SGPS holds 55 % of this company.

In spite of the alienation of the of the 55 % participation in Martifer Solar, S.A., its entities in the United States will continue to be held by Martifer Group (subsisdiaries of the company Duelobrigatório).

3. OPERATING SEGMENTS

For management purposes, the Group uses its internal organization as a basis for its reporting of information by operating segments.

The Group is organized 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 metal mechanic structures, aluminum and glass façades and infrastructures for oil & gas. The 'Naval Industry' includes shipbuilding as well as the rendering of ship repair services. The segment 'Renewables' integrates the promotion and development of renewable energy projects, with special focus on the wind energy sector.

Until 2016 the operating segment 'Metallic Constructions' included the shipbuilding industry but given the characteristics of this industry and the weight that it already assumes in the total activity of the Group, it has become an independent operating segment and started being reported as such since 2017. Martifer Metallic Constructions, SGPS, SA remains as the subholding aggregating the operating segments 'Metallic Constructions' and 'Naval Industry'. The 2016 information was disaggregated to allow comparability with the 2017 information.

The values included in the line 'Other' relate to services rendered by the Holding.

In September 2014, the Group started to classify the solar business unit (consisting of Martifer Solar, SA and its subsidiaries) as a non-current asset held for sale. Since the requirements of IFRS 5 are fulfilled, the contribution to Martifer's consolidated results coming from this segment is presented in an autonomous line in the Consolidated P&L. The breakdown of these contributions is included in the Notes to the Consolidated Financial Statements (Note 28). However, in August 2016 Martifer Solar S.A. and its subsidiaries (except the US entities) were sold to Voltalia Group (a French renewable energy group). On 31 December 2017 the Group did not hold non-current assets held for sale.

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).

On 31 December 2017 and 2016, sales and services rendered by operating segments can be analyzed as follows:

	SALES TO EXTERNAL CUSTOMERS		INTERSEGMENT SALES		TOTAL	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Metallic Construction	101,324,951	144,780,013	16,962,009	19,875,115	118,286,960	164,655,128
Naval Industry	62,218,034	47,093,534	820,000	1,383,320	63,038,034	48,476,854
Renewables	13,328,786	13,926,306	936,004	791,895	14,264,790	14,718,201
Others	-	71,236	839,186	642,069	839,186	713,305
	176,871,771	**205,871,088**	**19,557,199**	**22,692,399**	**196,428,970**	**228,563,487**
Intersegment eliminations					(19,556,994)	(22,682,944)
Own work capitalized (Note 5)					(205)	(9,455)
					176,871,771	**205,871,088**

Sales and services rendered to external clients, by geography of origin and by segment present the following breakdown:

	FY 2017	FY 2016
Iberian Peninsula		
Metallic Construction	36,396,231	62,588,806
Naval Industry	62,218,034	47,093,534
Renewables	4,890,150	2,358,723
Others	-	71,236
European Union (Other)		
Metallic Construction	25,137,643	35,719,556
Renewables	7,686,183	7,604,056
Other markets		
Metallic Construction	39,791,077	46,471,651
Renewables	752,453	3,963,527
	176,871,771	**205,871,088**

In the year of 2017 the sales and services rendered registered a decrease of approximately 29 million Euros, compared to the same period of the previous year. This reduction mainly results from the slowdown in activity in some geographies in the segment of 'Metallic Constructions', with emphasis to Portugal, Angola, Romania and France; although there was an increase of activity in Saudi Arabia and in the United Kingdom. There was also the alienation of the Slovakian company, of the 'Metallic Constructions' segment, which in 2016 contributed with approximately 9 million Euros. This large decrease in sales is offset in part by the tremendous growth of the 'Naval Industry' segment which increased its revenues in around 15 million Euros compared to those in 2016.

On 31 December 2017 and 2016, the operating income as well as the operating results before (EBITDA) and after depreciation/ amortization and provisions and impairment losses (EBIT) by operating segments can be analyzed as follows:

	OPERATING PROFIT		EBITDA		EBIT	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Metallic Construction	108,638,816	153,238,537	(1,426,630)	(4,787,935)	(7,175,345)	(17,791,570)
Naval Industry	62,743,607	47,561,918	5,399,253	4,968,352	4,606,393	4,164,545
Renewables	16,634,762	15,059,336	4,805,556	4,218,759	(9,079,765)	(4,554,497)
Others	(2,465,971)	1,201,425	(270,346)	4,263	(2,772,212)	598,520
	185,551,214	**217,061,216**	**8,507,835**	**4,403,440**	**(14,420,929)**	**(17,583,001)**

In 2017, consolidated EBITDA recorded a positive value of 8.5 million Euros, having the 'Naval Industry' segment contributed with 5.4 million Euros and the 'Renewables' segment with 4.8 million Euros. The EBITDA of Metallic Constructions in 2017 stood at 1.4 million Euros negative, with an improvement of 58% compared with the same period in 2016, as result of the internal reorganization with the goal of improving the Group's efficiency. However, the negative value in 2017 is due to the decrease in activity and also to non-recurring events, such as the alienation of 50% of the subsidiary M-City Gliwice, in Poland.

The losses and gains in associate companies, the value in the balance sheet of financial assets in associate companies, 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 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Metallic Construction	4,084,578	3,909,898	16	1,466	126,819	719,589
Naval Industry	132,812	34,339	-	-	739,853	1,017,509
Renewables	86,984	573,080	20,189,524	4,666,308	11,358,455	3,111,810
Others (Note 13)	8,390,815	24,666,891	5,016,891	607,154	3,000	-
	12,695,188	**29,184,206**	**25,206,431**	**5,274,928**	**12,228,126**	**4,848,908**

	PROVISIONS AND IMPAIRMENT LOSSES RECORDED IN THE YEAR		REVERSALS OF PROVISIONS AND IMPAIRMENT LOSSES RECORDED IN THE YEAR	
	FY 2017	FY 2016	FY 2017	FY 2016

Metallic Construction	4,335,839	11,180,288	2,188,434	2,252,022
Naval Industry	-	-	-	-
Renewables	9,958,297	3,316,025	2,299,675	960,044
Others	2,501,000	557,377	-	596,212
	16,795,136	**15,053,690**	**4,488,109**	**3,808,278**

The investment (acquisition of tangible and intangible fixed assets) and the depreciations/ amortisations of the Group by operating segments until 31 December 2017 and 2016 are as follows:

	CAPITAL EXPENDITURES		AMORTIZATIONS	
	FY 2017	FY 2016	FY 2017	FY 2016
Metallic Construction	398,304	584,823	4,480,031	4,075,369
Naval Industry	5,356	399,629	792,860	803,807
Renewables	2,431,595	2,066,880	5,347,978	5,859,898
Others	-	-	867	1,955
	2,835,255	**3,051,332**	**10,621,737**	**10,741,029**

The assets held and the investments made by geography can be analyzed as follows:

	ASSETS		CAPITAL EXPENDITURES	
	FY 2017	FY 2016	FY 2017	FY 2016
Iberian Peninsula	222,625,050	220,947,441	877,802	1,362,117
European Union	91,055,428	129,186,081	441,893	404,342
Other markets	62,419,968	67,325,365	1,515,561	1,284,874
	376,100,446	**417,458,888**	**2,835,255**	**3,051,332**

4. SALES AND SERVICES RENDERED

The breakdown of sales and services rendered for the periods ended on 31 December 2017 and 2016 is as follows:

	FY 2017	FY 2016
Revenue from the sale of goods	94,997,398	109,983,275
Services rendered	81,874,373	95,887,813
	176,871,771	**205,871,088**

In 2017, sales and services rendered decreased in 14 % compared to 2016 to 177 million Euros. This variation is the result of the decrease mainly in the segment of Metallic Constructions in Angola and in Portugal and the alienation of the company in Slovakia, of this segment.

This item includes 150,225,979.00 Euros of construction contracts, of which 142,282,600.00 Euros relate to construction contracts in progress on 31 December 2017 (Note 26).

The impact of the recognition of the Angolan companies as part of a hyperinflationary economy, in accordance with IAS 29, was an increase of approximately 3.8 million Euros.

5. OTHER OPERATING INCOME

Other operating income of the years ended on 31 December 2017 and 2016 can be analysed as follows:

	FY 2017	FY 2016
Change in production	1,686	(219,258)
Own work capitalised	205	9,455
Taxes	161,116	95,118
Reversals of impairment losses:		
Trade debtors (Note 24)	300,062	245,537
Other impairment losses	4,328	30,104
Supplementary income	334,331	1,921,263
Capital gains in non-financial assets	1,767,744	412,585
Operating subsidies	44,525	343,171
Investments subsidies	81,001	248,769
Foreign exchange gains	2,138,273	4,593,497
Other operational gains	3,846,172	3,509,886
Total	**8,679,443**	**11,190,128**

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.

The 'favorable exchange differences' 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).

The item 'Other operating income' in 2016 includes, essentially, income from the metallic constructions area (1.2 million Euros), of which we highlight the contributions of Saudi Arabia and of Portugal, and of the Renewables area (0.8 million Euros). In 2017, the value of surplus 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 relating the development of projects conducted 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 AND MATERIALS CONSUMED

The cost of goods for the years ended on 31 December 2017 and 2016 can be analyzed as follows:

FY 2017	TOTAL
Opening balance	5,575,577
Purchases	69,807,285
Changes in the consolidation perimeter, currency exchange differences, transfers and others	(9,670,278)
Impact of Hyperinflationary Economies (Note 1)	2,105,022
Closing balance (Note 23)	6,860,454
Cost of goods sold	**60,957,152**

FY 2016	TOTAL
Opening balance	5,712,906
Purchases	70,332,337
Changes in the consolidation perimeter, currency exchange differences, transfers and others	(7,282,417)
Closing balance (Note 23)	5,575,577
Cost of goods sold	**63,187,251**

The decrease of this item in the financial year 2017 is a consequence of the decrease in production and respective sales.

In 2017, about 2.1 million Euros were registered which result from the application of IAS 29 regarding the Angolan hyperinflationary economy.

7. SUBCONTRACTS

The value of subcontracts in the years ended on 31 December 2017 and 2016 is as follows:

	FY 2017	FY 2016
Subcontractors	38,550,542	62,806,422
	38,550,542	**62,806,422**

The subcontracts relate to subcontracting of works carried out, mainly in the segments 'Metallic Constructions' and 'Naval Industry', and the reduction is justified by the reduction of activity in 2017.

Around 0.5 million Euros are registered as a conseguence of the application of IAS 29 to the Angolan companies.

8. SUPPLIES AND EXTERNAL SERVICES

The breakdown of supplies and external services for the periods ended on 31 December 2017 and 2016 is as follows:

	FY 2017	FY 2016
Transportation of goods	4,097,684	4,304,257
Specialized works	7,936,050	8,675,910
Leases and rents	5,630,592	7,414,693
Service Fees	3,661,162	2,047,334
Travelling expenses	1,784,050	1,555,340
Electricity and Fuel	2,454,814	2,680,524
Insurance	1,785,844	1,804,236
Maintenance and repairs	1,689,580	1,663,881
Communications	395,812	482,959
Security	804,892	856,032
Legal and notarial fees	380,801	194,813
Commissions	280,944	216,222
Advertising	340,434	215,177
Cleaning, health and safety	480,909	394,725
Tools and devices	291,237	371,169
Other	834,983	1,216,048
	32,849,790	**34,093,318**

In general, a reduction of supplies and external services can be verified due to the reduction of activity in 2017, with emphasis on rents and leases and specialized services.

During the year ended on 31 December 2017, under the heading 'rents and leases', 648,960.00 Euros were recognized relating to rents from operating lease contracts.

The specialized services include the expenses with audit services, with consulting services, information systems, studies and opinions.

The heading 'Fees' in 2017 increased compared to 2016, which is mainly due to an increase in the fees that must be supported with the sale of green certificates in Romania, in the Renewables segment.

There was also an increase in 'Travel and Accomodation' from 2016 to 2017 mainly due to an increase in the naval industry segment.

The recognition of Angola as a hyperinflationary economy has led to an increase of approximately 0.4 million Euros in 'Supplies and External Services'.

9. PERSONNEL COSTS

The Staff costs for the periods ended on 31 December 2017 and 2016 can be analysed as follows:

	FY 2017	FY 2016
Salaries	27,125,504	29,703,415
Social contributions and others	7,367,750	7,736,091
	34,493,254	**37,439,505**

The value of social charges and other charges is, essentially, Social Security payments, meal and disease subsidies, with occupational accident insurance and indemnities.

The application of IAS 29 in Angolan companies meant an additional expenditure of approximately 0.4 million Euros in this item.

AVERAGE NUMBER OF PERSONNEL

During 2017 and 2016, the company's average number of personnel was as follows:

	FY 2017	FY 2016
Directors	14	14
Other employees	1,434	1,706
	1,448	1,720
Portuguese	959	1,047
Portuguese in foreign countries and foreigners	489	673
	1,448	1,720

10. OTHER OPERATING COSTS

Other operating expenses for the years ended on 31 December 2017 and 2016 are as follows:

	FY 2017	FY 2016
Taxes	1,513,557	2,070,161
Impairment losses:		
Trade debtors (Note 24)	1,965,899	1,953,377
Other impairment losses	-	104,809
Losses in inventories	1,192	-
Losses in non-financial assets	1,367,604	243,997
Foreign exchange losses	3,436,675	7,001,281
Fines and penalties	288,640	46,283
Other operational losses	1,619,074	3,711,372
Total	**10,192,642**	**15,131,280**

The item 'impairment losses' in 'Clients' in 2017 is mostly concerned with the 'Metallic Constructions' segment in Romania, in Angola and in Saudi Arabia. In 2016 impairments were recorded in Angola in the amount of 1.3 million Euros.

The item 'Capital losses on non-financial assets' in 2017 is related, essentially, to the loss arising from the alienation of 50 % of M-City Gliwice Sp. Zo.o to APCL Invest SA, as well as the loss derived from the sale of Premium Management Consulting, S.R.L..

The item 'unfavorable exchange differences' is related with the occurrence of exchange rate variations in non-financial transactions, mainly in the Group's subsidiaries outside the Euro Zone (Note 1). Both in 2017 and in 2016, the geographies that contributed the most to the increase of the exchange costs were Angola and Saudi Arabia.

The value of the item 'Other operating expenses' in 2016 includes especially the costs associated with a project sold in Latin America in the Renewables segment and other costs in Saudi Arabia and in the United Kingdom in the of metallic constructions segment. In 2017, the amount of costs associated with the sale of the Project ASSÚ as well as the expenses in Central Europe, in the segment of Renewables stand out. There were also other costs in Saudi Arabia and in Poland in the Metallic Constructions segment.

11. PROVISIONS AND IMPAIRMENT LOSSES IN FIXED ASSETS

Provisions and impairment loss for the periods ended on 31 December 2017 and 2016 are as follows:

	FY 2017	FY 2016
Impairment losses		
in financial assets (Note 21)	-	437,500
In intangible assets (Note 18)	8,571	-
In tangible assets (Note 19) and investment properties (Note 20)	8,835,603	12,110,576
	8,844,174	**12,548,076**
Provisions (Note 33)		
Quality guarantees	(422,580)	(35,588)
Onerous contracts	(492,703)	891,507
Legal claims in progress	1,805,115	117,050
Others	2,573,022	(2,275,633)
	3,462,853	**(1,302,664)**

Impairments in fixed assets and in investment properties registered in 2016 are related to one of the factories in Portugal of the of 'Metallic Constructions' segment and to windfarms in Poland and in Romania, and with the Szczecin real estate project, in Poland (right of surface that expired in 2017, due to the non-development of the real estate project foreseen in the agreement with the local Municipality. The impairments in tangible fixed 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 1st half of 2017.

The 'Provisions for onerous contracts ' relate to construction contracts in progress where it is estimated that the cost to be incured to comply with the obligation exceeds the expected economic benefits. These provisions relate essentially to the 'Metallic Constructions' segment. In 2017 the value of provisions related to onerous contracts has a negative value due to the fact that these have been reversed.

The registration of around 1.8 million Euros in 'judicial proceedings in progress' resulting from the Alstom process; since the unfavourable ruling of the Group is known. The ruling on the arbitration proceedings that opposed Martifer Construções and Walder Wyss lawyers, so a provision was made in the amount to be paid.

The reversal of 'provisions for contractual obligations' in 2016 has essentially to do with the expiry of fiscal risks in the amount of 1.8 million Euros in the Metallic Constructions area in Portugal. As regards the year 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 in which it may have to compensate third parties in the future.

12. FINANCIAL RESULTS

The financial results for the periods ended on 31 December 2017 and 2016 may be analysed as follows:

FINANCIAL INCOME	FY 2017	FY 2016
Loans and accounts receivable (including bank deposits)		
- Interest income	499,774	1,681,616
Other financial income related to other financial assets		
- Foreign exchange gains	1,287,060	1,085,367
- Gains on the sale of financial assets	306	1,838,842
- Other financial income	12,159,427	48,882
	13,946,566	**4,654,707**

FINANCIAL EXPENSES	FY 2017	FY 2016
Loans and accounts payable		
- Interest expenses in bank loans and in finance leases	5,062,649	6,187,107
Other financial income related to other financial liabilities		
- Foreign exchange losses	1,327,260	3,392,843
- Other financial expenses	1,542,603	2,508,086
	7,932,513	**12,088,037**

The items 'Favourable/ Unfavorable Exchange Rate Differences' are related with the occurrence of exchange rate variations, mainly in the Group's subsidiaries outside the Euro Zone (Note 1).

The item 'Gains from the alienation of financial assets' in 2016 is related mainly with the alienation of the participation in the company Greenvouga (Note 42).

In 2017, 'Other income and financial gains' include, in almost all of the amount, the gain arising from a financial renegotiation agreement (amortization of the debt with discount) (see Note 30).

The item 'supported interest' was reduced in 2017, mainly explained by the decrease of the loans in 53.3 million Euros compared to 2016.

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13. GAINS / (LOSSES) ON ASSOCIATE COMPANIES AND JOINT ARRANGEMENTS

The gains and losses in associate companies and jointly controlled companies in the years ended on 31 December 2017 and 2016 can be analyzed as follows:

	FY 2017	FY 2016
Equity method		
Parque Eólico da Penha da Gardunha, Lda.	(54,384)	(27,720)
Ventinveste, S.A.	19,308,741	(536,074)
SPEE 2 – Parque Eólico de Vila Franca de Xira, S.A.	456,592	513,287
SPEE 3 – Parque Eólico do Baião, S.A.	161,691	183,660
Liszki Green Park, Sp. Zo.o	(2,720,871)	(14,477)
M-City Szczecin	(7,679)	(196,595)
M City Bialystok Sp. Zo.o	(816)	(1,934,885)
M City Radom Sp. Zo.o	(2,136)	(61,312)
M City Gliwice Sp. Zo.o	(28,134)	-
Promoquatro	(188,900)	1,466
Duelobrigatório	(6,890,815)	607,154
Martifer Amal	(329,179)	(466,270)
Amal	(141,077)	-
Martimetal	(665,770)	(1,236,358)
Warta	(32,601)	(9,285)
CNA Chantier Naval d'Arzew, SPA	(132,812)	(34,339)
	8,731,852	**(3,211,749)**
Others		
Duelobrigatório impairment (Note 21 e Note 24)	5,016,891	(9,966,891)
Duelobrigatório provision for closure of associate companies	(1,500,000)	-
Gain of Dividends from Ventiveste due to % above participation	262,500	-
Loss arising from the sale of Nutre	-	(14,700,000)
Loss arising from the sale of Eviva Gizalki	-	2,988,795
Gain from the sale of 5 Wind Farms	-	980,566
	3,779,391	**(20,697,530)**
	12,511,243	**(23,909,279)**

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 alienated in the sale process of Martifer Solar, S.A.), since the Board decided this due to the expectation that the Fund held by its subsidiary would originate losses. In 2017, the sale of the Fund in question occured, which reverted the impairment regarding the Financial Investment abovementioned (5 million Euros) and took over the outcome of this subsidiary in the proportion of the Equity Equivalence Method (6.9 million Euros). In relation to the impairment of the supplementary payments of this subsidiary, it remained the same on 31 December 2017.

In 2017, a provision of 1.5 million Euros was constituted to deal with any expenses with the closure of Duelobrigatório and of its subsidiaries.

The high amount recognized as a gain regarding Ventinveste (19.3 million Euros) derives vastly from the alienation of various 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'.

The 'Loss arising from the alienation of Nutre' in 2016 is due to the recognition of an impairment in the amount of 14.7 million Euros for the credit to be received from the alienation of Nutre following the judicial process with Bunge.

The 'Gain arising from the alienation of Eviva Gizalki' in 2016 is related to the additional receipt resulting from the sale of Eviva Gizalki Sp. Zo.o., which was sold in 2015 (Note 42).

The information on the associate companies and jointly controlled companies is in the Notes 21 and 33.

14. INCOME TAX

The breakdown of assets and liabilities giving rise to deferred tax in the periods ended on 31 December 2017 and 2016 may be analysed as follows:

	FY 2017		FY 2016	
DEDUCTIBLE TEMPORARY DIFFERENCES	BASIS	DEFERRED TAX	BASIS	DEFERRED TAX
With impact in Net Profit				
Provisions not accepted for tax purposes	3,719,763	929,941	6,251,685	1,562,921
Tax losses	25,442,511	5,657,739	20,620,675	4,652,598
Others	5,041,714	1,107,850	2,842,894	554,353
Deferred Tax Assets Compensation	(9,300,000)	(1,953,000)	(9,300,000)	(1,953,000)
	24,903,988	**5,742,530**	**20,415,254**	**4,816,872**
With impact in Equity				
Others	252,863	37,929	252,863	37,929
	252,863	**37,929**	**252,863**	**37,929**
	25,156,851	**5,780,459**	**20,668,117**	**4,854,801**

	FY 2017		FY 2016	
TAXABLE TEMPORARY DIFFERENCES	BASIS	DEFERRED TAX	BASIS	DEFERRED TAX
With impact in Net Profit				
Differences between cost and fair value	1,197,918	317,448	1,197,918	317,448
Investment properties revaluation	9,300,000	1,953,000	9,300,000	1,953,000
Others	1,324,101	397,230	17,091	3,247
Deferred tax liabilities compensation	(9,300,000)	(1,953,000)	(9,300,000)	(1,953,000)
	2,522,019	**714,678**	**1,215,009**	**320,695**
With impact in Equity				
Fair value on the acquisition of subsidiaries	2,295,300	605,354	2,295,300	605,354
Others	5,449,793	1,624,342	140,510	31,557
	13,054,376	**2,229,696**	**2,435,810**	**636,912**
	15,576,395	**2,944,375**	**3,650,818**	**957,607**

In 2015, deferred tax assets and deferred tax liabilities related to tax losses and to the revaluation of investment property, included an amount of 9,300,000.00 Euros and 1,953,000.00 Euros of tax, which were compensated, since it was estimated by the Board of Directors that the investment property abovementioned will be sold within the period of recovery of Deferred Tax Assets, so at the time of sale these deferred tax assets and deferred tax liabilities would be used at the same time. This property was not sold until 31 December 2017, so the amounts remain to this date.

Under the heading 'Other' 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 geography can be presented as follows:

	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES	
	FY 2017	FY 2016	FY 2017	FY 2016
Portugal	2,102,431	2,102,431	954,359	954,359
Spain	2,367,939	2,242,461	-	-
Angola	-	-	1,990,015	-
Poland	-	-	-	3,247
Romania	427,724	438,985	-	-
United Kingdom	820,151	-	-	-
Other	62,215	70,925	-	-
	5,780,459	**4,854,801**	**2,944,375**	**957,607**

The amount of 1,990,015.00 Euros related to Angola derives from the application of IAS 29.

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 2017 and 2016, using tax rates for that purpose, they were reportable as follows:

	FY 2017		FY 2016	
TIME LIMIT	BASIS	DEFERRED TAX	BASIS	DEFERRED TAX
2017	-	-	107,635	28,523
2022	2,673,276	427,724	2,743,656	438,985
2026	7,649,570	2,027,136	7,659,937	2,029,728
2027	9,300,000	1,953,000	9,300,000	1,953,000
	19,622,846	**4,407,860**	**19,811,228**	**4,450,236**
Without limited time use	5,819,666	1,249,880	809,446	202,362
	25,442,511	**5,657,739**	**20,620,675**	**4,652,598**

On 31 December 2017, the assets and deferred tax liabilities amounted to 5,780,459.00 Euros and 2,944,375.00 Euros, respectively (2016: 4,854,801 euros and 957,607 euros, respectively), and the effect on the P&L Statement is of 1,356,098 Euros positive (in 2016 a negative effect of 1,129,678 Euros).

On 31 December 2017 and 2016, 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 2017 there were reported tax losses, calculated by 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 87,952,630.00 Euros (122,151,708.00 Euros on 31 December 2016), whose potential deferred tax assets amount to 19,789,342.00 Euros (27,484,134.00 Euros on 31 December 2016). In a perspective of prudence, deferred tax assets were registered, related with tax losses in Portugal to be used in the future, only in the amount of 4,008,660.00 Euros.

The breakdown of total reportable tax losses and potential tax credits, in Portugal, can be analysed as follows:

	FY 2017			FY 2016		
	TAX LOSS	TAX CREDIT	TIME LIMIT	TAX LOSS	TAX CREDIT	TIME LIMIT
Generated in 2010	-	-	-	13,063,092	2,939,196	2014/2017
Generated in 2012	-	-	-	24,429,357	5,496,605	2017
Generated in 2013	23,299,590	5,242,408	2018	37,128,239	8,353,854	2018
Generated in 2014	37,968,459	8,542,903	2026	37,968,459	8,542,903	2026
Generated in 2015	5,489,330	1,235,099	2027	5,489,330	1,235,099	2027
Generated in 2016	21,195,251	4,768,931	2028	4,073,231	916,477	2028
Generated in 2017	-	-	2029	-	-	-
	87,952,630	**19,789,342**		**122,151,708**	**27,484,134**	

In relation to the above tax losses, the following should be noted:

i. The tax losses generated in 2010 and 2012 are no longer eligible for deduction from the period of 2017 onwards;

ii. The tax losses generated in 2013 suffered alteration, in the total amount of 13,828,648.00 Euros, due to the corrections made by the Tax Authority, during and inspection visit and which are not to being contested. These corrections relate to companies Martifer Construções (correction in the amount of 78,291.00 Euros) and Martifer Renewables SGPS (correction in the amount of 13,750,357.00 Euros). The remaining corrections made by the Tax Authority to Martifer Construções in the amount of 14,378,629.00 Euros and to Martifer Alumínios (merged in Martifer Construções) in the amount of 11,092,962.00 Euros, because they are being claimed;

iii. For the period of 2017, as an estimate, tax loss was not determined, the RETGS presented an estimated taxable profit in the amount of 3,322,073.00 Euros, from which tax losses generated during the financial years 2010 and 2012 will be deducted.

The reconciliation of tax for the year and current tax can be analyzed as follows:

	FY 2017	FY 2016
Current tax	**624,537**	**108,624**
Deferred tax - generated by temporary differences	(533,684)	-
Deferred tax - reversal of temporary differences	832,697	1,012,938
Deferred tax assets- tax losses recognition	(1,254,517)	118,196
Other	(400,594)	(1,456)
Deferred tax	**(1,356,098)**	**1,129,678**
Income tax	**(731,562)**	**1,238,302**

In the item 'Other' there is an amount of 397,230.00 Euros for the recognition of Angolan companies of the 'Metallic Construction' segment as companies in hyperinflationary economy (Note 1).

On 31 December 2017 and 2016, the reconciliation between the nominal and effective tax rate is as follows:

	FY 2017	FY 2016
Profit before tax	**3,042,115**	**(48,925,611)**
Income tax rate (nominal rate of 21%)	638,844	(10,274,378)
Non-taxable gains and losses:	-	-
Gains / Losses of financial assets	(88,812)	4,438,356
Reversions/Amortizations on revalued fixed assets	740,634	(273,559)
Impairment losses	(2,408,546)	2,659,145
Results of associates using equity method	(1,833,689)	674,467
Tax benefits	(168,893)	(8,747)
Not recognized deferred tax assets arising from losses of current year	2,909,691	2,457,246
Recognition of the effect of hyperinflationary economies (IAS29)	405,628	-
Creation / Reversion of deferred tax assets in the year	(1,356,098)	1,129,678
Different tax rates	111,545	360,997
Municipaly surchage and autonomous taxes	432,110	357,319
Excess/ Insufficiency of income tax estimate	(61,552)	(875,151)
Others	(52,424)	592,929
Effective income tax	**(731,562)**	**1,238,302**

In 2017, Martifer SGPS, SA and its Portuguese investees are subject to taxation on Corporate Income Tax ("IRC") at the normal rate of 21 %, plus 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 7 % that is charged on the part of the taxable income that exceeds 35,000,000.00 Euros.

Pursuant 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 the 2011, Martifer SGPS, SA opted for 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.

The remaining companies, which are not included in the special scheme of taxation of Group Martifer, 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 the United States of America, and are taxed, respectively at 30 %, 20 %, 34 %, 34.43 %, 19 %, 16 %, 25 %, 19 % and 35 %.

For the calculation of deferred taxes in Spain, in Angola, in Romania and in the United Kingdom, the rates of 25 %, 30 %, 16 % and 20 % were used, respectively.

Under Portuguese law, the tax returns of Portuguese companies 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 are undergoing, complaints or appeals are under way, in which cases, depending on the circumstances, the time limits may be extended or suspended. Consequently, the tax declarations for the years 2014 through to 2017 may be subject to review.

On 31 December 2017 and 2016, the balance of income tax receivable and payable, can be shown as follows:

	FY 2017	FY 2016
Income tax - Assets	787,546	551,394
Income Tax - Liabilities	(656,730)	(861,330)
Net income tax	**130,816**	**(309,936)**

15. DIVIDENDS

In 2017 and 2016 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 realized, 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 2017 and 2016, 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 2017	FY 2016
Profit for the year (I)	**6,542,295**	**(43,585,139)**
Weighted average number of shares outstanding (II)	97,784,090	97,784,090
Basic and diluted earnings per share (I) / (II)	**0.0669**	**(0.4457)**
from continuing operations	0.0669	(0.4447)
from Assets as held for sale	-	(0.0010)

17. GOODWILL

The changes in 'Goodwill' in the years ended on 31 December 2017 and 2016 are as follows:

	FY 2017	FY 2016
Gross amount		
Opening balance	**10,980,675**	**15,639,252**
Sale of subsidiaries	-	(4,658,577)
Closing balance	**10,980,675**	**10,980,675**
Accumulated impairment losses		
Opening balance	**-**	**4,658,577**
Sale of subsidiaries	-	(4,658,577)
Closing balance	**-**	**-**
Carrying amount at the beginning of the period	**10,980,675**	**10,980,675**
Carrying amount at the end of the period	**10,980,675**	**10,980,675**

The detail of 'Goodwill' for the years ended on 31 December 2017 and 2016 can be analyzed as follows:

	FY 2017			FY 2016
	COST	IMPAIRMENT LOSSES	CARRYING AMOUNT	CARRYING AMOUNT
Martifer Construções	5,457,165	-	5,457,165	5,457,165
Martifer Metallic Constructions	3,898,809	-	3,898,809	3,898,809
Navalria	1,618,675	-	1,618,675	1,618,675
Martifer GmbH	6,026	-	6,026	6,026
	10,980,675	**-**	**10,980,675**	**10,980,675**

The Group has the procedure of making annual impairment tests for 'Goodwill' at the end of each year, as defined in section 'Main accounting policies, judgements and estimates'.

In 2016, the company Martifer Aluminum Pty Ltd (Sassall Aluminum) was dissolved, so the Goodwill was derecognized as well as the impairment related to it.

For the purpose of 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 2017, the methods and assumptions used in the measurement 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:

MARTIFER GROUP

METALLIC CONSTRUCTIONS

	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 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
(4) Discount rate applied to projected cash flows

The average growth rate of turnover registered in each segment is underlied 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 previsional 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 projections of cash flows were based on historic performance and the expectations 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:

	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 EBITDA/Turnover margin, maintaining a constant turnover
(3) Estimated average growth rate based on the company's 5-year business plan, carried out according to 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:

	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)	6.95%	7.95%	5.95%	6.95%	6.95%	6.95%	6.95%
CAGR turnover [2017 ; 2022] (3)	10.20%	10.20%	10.20%	15.20%	5.20%	10.20%	10.20%
EBITDA / Turnover average margin [2017 ; 2022]	5.20%	5.20%	5.20%	5.20%	5.20%	5.70%	4.70%
Net Book Value (4)	3,899	3,899	3,899	3,899	3,899	3,899	3,899
Total recoverable amount (4)	42,994	20,835	76,276	82,695	9,289	72,232	36,369
Estimated impact (4)	39,095	16,936	72,377	78,797	5,390	68,333	32,470
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 EBITDA/Turnover margin, maintaining a constant turnover
(3) Estimated average growth rate based on the company's 5-year business plan, carried out according to the Board of Directors' estimates and assumptions
(4) Values in thousands of Euros

NAVAL:

	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)	6.50%	7.50%	5.50%	6.50%	6.50%	6.50%	6.50%
CAGR turnover [2017 ; 2022] (3)	4.74%	4.74%	4.74%	9.74%	-0.26%	4.74%	4.74%
EBITDA / Turnover average margin [2017 ; 2022]	9.15%	9.15%	9.15%	9.15%	9.15%	9.65%	8.65%
Net Book Value (4)	1,619	1,619	1,619	1,619	1,619	1,619	1,619
Total recoverable amount (4)	90,928	77,655	110,146	113,561	70,417	95,119	84,376
Estimated impact (4)	89,309	76,036	108,527	111,942	68,798	93,500	82,757
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. (2017=100 %), maintaining a constant EBITDA/Turnover margin
(2) Variation in EBITDA/Turnover margin, maintaining a constant turnover
(3) Estimated average growth rate based on the company's 5-year business plan, carried out according to the Board of Directors' estimates and assumptions
(4) Values in thousands of Euros

18. INTANGIBLE ASSETS

This item is analyzed as follows:

	FY 2017	FY 2016
Gross amount, reduced by impairment losses:		
Software and other rights	19,052,461	18,214,335
	19,052,461	**18,214,335**
Accumulated depreciation:		
Software and other rights	16,220,300	15,807,183
	16,220,300	**15,807,183**
Carrying amount	**2,832,161**	**2,407,152**

The value recorded in Software and other rights relates mainly with computer programs purchased by companies of the Group.

The information relating to the gross values of the intangible asset, less impairment losses, for the years ended on 31 December 2017 and 2016, can be analyzed as follows:

FY 2017	SOFTWARE AND OTHER RIGHTS	TOTAL
Opening balance 1 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)	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 31 December 2017	**19,052,461**	**19,052,461**

FY 2016	SOFTWARE AND OTHER RIGHTS	TOTAL
Opening balance 1 January 2016	**18,213,095**	**18,213,095**
Additions	95,549	95,549
Effect of foreign currency exchange differences	(90,751)	(90,751)
Changes in the consolidation perimeter	(18,801)	(18,801)
Transfers and other movements	15,241	15,241
Closing balance 31 December 2016	**18,214,335**	**18,214,335**

The information related to the accumulated amortization values of the intangible asset, with reference to the years ended on December 2017 and 2016, can be analyzed as follows:

FY 2017	SOFTWARE AND OTHER RIGHTS	TOTAL
Opening balance 1 January 2017	**15,807,183**	**15,807,183**
Additions	288,862	288,862
Effect of foreign currency exchange differences	(26,109)	(26,109)
Impact of Hyperinflationary Economies (Note 1)	166,681	166,681
Changes in the consolidation perimeter	(17,045)	(17,045)
Transfers and other movements	727	727
Closing balance 31 December 2017	**16,220,300**	**16,220,300**

FY 2016	SOFTWARE AND OTHER RIGHTS	TOTAL
Opening balance 1 January 2016	**15,308,505**	**15,308,505**
Transfers to assets held for sale	522,984	522,984
Sales, disposals and write-offs	(20,749)	(20,749)
Effect of foreign currency exchange differences	(18,800)	(18,800)
Transfers and other movements	15,242	15,242
Closing balance 31 December 2016	**15,807,183**	**15,807,183**
Carrying Amount:		
31 December 2016	**2,407,152**	**2,407,152**
31 December 2017	**2,832,161**	**2,832,161**

The net impact of the application of IAS 29 to the Angolan companies in this item is approximately 0.8 million Euros (Note 1).

19. TANGIBLE FIXED ASSETS

This item is analyzed as follows:

	FY 2017	FY 2016
Gross amount, reduced by impairment losses:		
Land and buildings	78,945,712	72,525,474
Equipments	86,481,411	87,227,762
Tangible assets in progress	11,440,071	11,788,224
Other tangible assets	51,279,927	50,260,749
	228,147,121	**221,802,209**
Accumulated depreciation:		
Land and buildings	27,497,701	21,436,024
Equipments	59,997,741	50,425,570
Other tangible assets	23,392,873	20,962,919
	110,888,315	**92,824,513**
Carrying amount	**117,258,806**	**128,977,697**

The accumulated impairment losses as on 31 December 2017 amount to 34.9 million Euros.

The information concerning the gross values of land and buildings, equipment, tangible fixed assets in progress and other tangible fixed assets, net of accumulated impairment losses for the years ended in 2017 and 2016 can be analyzed as follows:

FY 2017	LAND AND BUILDINGS	EQUIPMENTS	TANGIBLE ASSETS IN PROGRESS	OTHER TANGIBLE ASSETS	TOTAL
Opening balance 1 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)	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 31 December 2017	**78,945,713**	**86,481,411**	**11,440,071**	**51,279,926**	**228,147,121**

FY 2016	LAND AND BUILDINGS	EQUIPMENTS	TANGIBLE ASSETS IN PROGRESS	OTHER TANGIBLE ASSETS	TOTAL
Opening balance 1 January 2016	**82,087,659**	**89,510,587**	**14,628,512**	**49,240,031**	**235,466,789**
Additions	179,867	463,146	2,122,532	190,238	2,955,783
Sales, disposals and write-offs	(5,001,205)	(1,049,506)	(1,512,352)	(8,852)	(7,571,915)
Effect of foreign currency exchange differences	(992,233)	(716,609)	226,965	(10,667)	(1,492,544)
Changes in the consolidation perimeter	-	(1,630)	(26,521)	-	(28,151)
Impairment losses (Note 11)	(3,750,000)	(1,086,136)	(3,256,972)	850,000	(7,243,108)
Transfers and other movements	1,386	107,910	(393,942)	-	(284,646)
Closing balance 31 December 2016	**72,525,474**	**87,227,762**	**11,788,222**	**50,260,750**	**221,802,209**

The investment in tangible fixed assets in the financial year 2017 mainly occurred in the segment 'Renewables', with a strong investment in Latin America and in Poland, with the acquisition of equipment and the capitalization of costs in projects under development.

The information relating to the amounts of the accumulated depreciation of land and buildings, equipment, tangible fixed assets in progress and other tangible fixed assets for the years ended in 2017 and 2016 can be analyzed as follows:

FY 2017	LAND AND BUILDINGS	EQUIPMENTS	TANGIBLE ASSETS IN PROGRESS	OTHER TANGIBLE ASSETS	TOTAL
Opening balance 1 January 2017	**21,436,023**	**50,425,570**	**-**	**20,962,918**	**92,824,513**
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)
Impact of Hyperinflationary Economies (Note 1)	3,277,910	5,904,407	-	128,680	9,310,997
Transfers and other movements	(224)	(139)	-	-	(363)
Closing balance 31 December 2017	**27,497,701**	**59,997,741**	**-**	**23,392,873**	**110,888,315**

FY 2016	LAND AND BUILDINGS	EQUIPMENTS	TANGIBLE ASSETS IN PROGRESS	OTHER TANGIBLE ASSETS	TOTAL
Opening balance 1 January 2016	**21,024,326**	**46,558,543**	**-**	**18,736,495**	**86,319,364**
Additions	2,766,138	5,166,980	-	2,241,463	10,174,581
Sales, disposals and write-offs	(2,104,568)	(835,089)	-	(6,211)	(2,945,868)
Effect of foreign currency exchange differences	(250,097)	(503,459)	-	(7,383)	(760,939)
Changes in the consolidation perimeter	-	37,182	-	-	37,182
Transfers and other movements	224	1,413	-	(1,446)	191
Closing balance 31 December 2016	**21,436,023**	**50,425,570**	**-**	**20,962,918**	**92,824,513**
Carrying Amount:					
31 December 2016	**51,089,451**	**36,802,192**	**11,788,222**	**29,297,832**	**128,977,696**
31 December 2017	**51,448,012**	**26,483,670**	**11,440,071**	**27,887,053**	**117,258,806**

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 'Accounting Policies'.

The net impact of the application of IAS 29 to the Angolan companies in this item is approximately 6 million Euros (Note 1).

The cost of the acquisition 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 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**

ASSETS ACQUIRED BY FINANCIAL LEASE CONTRACTS	GROSS VALUE	DEPRECIATIONS	TOTAL
	31 DECEMBER 2017		
Land and Building	11,121,353	(4,907,235)	6,214,118
Equipments	2,103,816	(1,609,693)	494,123
Total	**13,225,168**	**(6,516,928)**	**6,708,240**

The value of the debts relating to financial lease contracts is presented in Note 31.

On 31 December 2017 and 2016, except for the assets acquired under financial leasing, Project Finance and for the goods mentioned in Note 38, 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 measurement of the existence of impairment for tangible fixed assets of the Group was done based on the business plans of various companies whose assumptions are detailed below.

RENEWABLES

	SPAIN	ROMANIA
Tangible Fixed Assets (1)	27,893	30,702
Period	10 years	18 years
Growth rate (g) (2)	n.a.	n.a.
Average growth rate of Turnover [2016 ; 2029]; [2016 ; 2036](3)	-0.58%	-0.34%
Weighted Average Cost of Capital (WACC) (4)	6.90%	8.00%

(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, carried out according to the Board of Directors' estimates and assumptions
(4) Discount rate applied to projected cash flows

The projections of cash flows were based on historic 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 table below:

SPAIN:

	CASH GENERATING UNIT	WACC INCREASE IN 1,0 P.P.	WACC DECREASE IN 1,0 P.P.	VAR. TURNOVER +1,0 P.P. (1)	VAR. TURNOVER-1,0 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)	6.90%	7.90%	5.90%	6.90%	6.90%	6.90%	6.90%
CAGR Turnover [2017; 2028] (3)	-0.58%	-0.58%	-0.58%	0.41%	-1.58%	-0.58%	-0.58%
EBITDA / Turnover average margin [2017; 2028]	78.16%	78.16%	78.16%	78.16%	78.16%	78.62%	77.70%
Net book value (4)	27,893	27,893	27,893	27,893	27,893	27,893	27,893
Total recoverable amount (4)	27,713	26,393	29,142	28,956	26,545	27,860	27,566
Impact on recoverable amount (4)	(179)	(1,499)	1,249	1,064	(1,348)	(32)	(326)
Conclusions of sensitivity analysis	Impairment	Impairment	No impairment	No impairment	Impairment	Impairment	Impairment

(5) Yearly turnover variation in 0,1p.p. (2017=100 %), maintaining a constant EBITDA/Turnover margin
(6) Variation in EBITDA/Turnover margin, maintaining a constant turnover
(7) Estimated average growth rate based on the company's 5-year business plan, carried out according to the Board of Directors' estimates and assumptions
(8) 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 +1,0 P.P. (1)	VAR. TURNOVER-1,0 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)	8.00%	9.00%	7.00%	8.00%	8.00%	8.00%	8.00%
CAGR Turnover [2017; 2036] (3)	-0.34%	-0.34%	-0.34%	0.66%	-1.34%	-0.34%	-0.34%
EBITDA / Turnover average margin [2017; 2036]	54.62%	54.62%	54.62%	54.62%	54.62%	55.09%	54.14%
Net book value (4)	30,702	30,702	30,702	30,702	30,702	30,702	30,702
Total recoverable amount (4)	31,369	29,288	33,688	33,690	29,265	31,618	31,121
Estimated impact (4)	667	(1,414)	2,986	2,988	(1,438)	916	419
Conclusions of sensitivity analysis	No impairment	Impairment	No impairment	No impairment	Impairment	No impairment	No impairment

(1) Annual variation of turnover in 1p.p (2017=100 %), keeping the EBITDA /Turnover margin constant.
(2) Variation in EBITDA/Turnover margin, maintaining a constant turnover
(3) Estimated average growth rate based on the company's 5-year business plan, carried out according to the Board of Directors' estimates and assumptions
(4) Values in thousands of Euros

The Group believes that the different sensitivity analyzes in which the conclusion is 'impairment'', are possible but unlikely scenarios, so impairment was not recorded.

In 2017 part of impairment of assets held in Spain was reversed (1.7 million Euros) and in Romania impairment was recognized 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 1st half of 2017.

METALLIC CONSTRUCTIONS

	MARTIFER CONSTRUÇÕES
Fixed assets [1]	23,808
Period	5 years
Growth rate (g) [2]	2%
Average growth rate of Turnover for 5 years [3]	1.73%
Discount rate [4]	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 drawn on 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 the turnover that was determined has, underlying, a significant increase in 2018 and in 2019, driven by the project of the Geneva Airport (45 million Euros), and from 2020 on, a turnover in line with 2017 and an annual activity growth between 1 % and 5 %, accompanying the consolidation of the announced economic recovery with a more accentuated growth of the Portuguese economy and of the major world economies.

The projections of cash flows were based on historic performance and on 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)	6.50%	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]	23,808	23,808	23,808	23,808	23,808	23,808	23,808
Total recoverable amount [4]	67,192	47,079	98,841	57,163	66,092	70,194	58,623
Estimated impact [4]	43,384	23,271	75,033	33,355	42,284	46,386	34,816
Conclusions of sensitivity analysis	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment

(5) Yearly variation of turnover in 5 p.p. (2017=100 %), maintaining a constant EBITDA/Turnover margin
(6) Variation in EBITDA/Turnover margin, maintaining a constant turnover
(7) Estimated average growth rate based on the company's 5-year business plan, carried out according to the Board of Directors' estimates and assumptions
(8) Values in thousands of Euros

20. INVESTMENT PROPERTY

The item 'Investment Property' includes the following properties held by Group Martifer: Benavente Business Centre, warehouses in Albergaria-a-Velha and the "Martifer Construções building", all in Portugal, all intended to be leased or valued in the long-term. In 2016, it also included the real estate project in Szczecin, Poland (this with an impairment that assigned a null value since it was expected that in 2017 it would revert to the city of Szczecin, which was what actually happened in 2017).

These assets are recorded at market value according to independent evaluation, 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 evaluations to these properties, and any variations in fair value are recorded in the results. In 2016 there was an exception with the real estate project Szczecin in Poland as an impairment was constituted in relation to it, as referred to above.

The movement occurred in the years 2017 and 2016 under the heading 'Investment Property' was as follows:

	FY 2017	FY 2016
Opening balance	20,826,300	25,951,708
Sales and disposals	(4,867,469)	(139,776)
Transfers - Martifer Construções Property	4,867,469	-
Impairment - Szczecin (Note 11)	-	(4,867,469)
Effect of foreign currency exchange differences	-	(118,164)
Total	**20,826,300**	**20,826,300**

The table below presents the evaluation method, yield and total value of the independent evaluations performed during the year, as well as the amount by which the assets are recorded in the accounts of the Group:

FY 2017	APPRAISAL METHOD	YIELD	FAIR VALUE	INDEPENDENT APPRAISAL
Armazém em Albergaria a Velha	Comparative, Cash-Flow and Yield (Fraction)	8.74	1,415,300	1,430,000
Centro empresarial de Benavente	Comparison, Revenue and Cost of Replacement	7.00	9,364,000	9,255,000
Fábrica' Martifer Construções	Comparative and Yield (Fraction)	10.11	10,047,000	10,094,000
			20,826,300	**20,779,000**

Given that the difference between the fair value recorded and the independent evaluation is reduced, the Administration chose not to make any accounting adjustment to the fair value of these assets.

The income earned from the investment properties in 2017 was 432,062.00 Euros (409,659.00 Euros in 2016) and is registered under the heading 'Sales and Services Rendered'.

21. FINANCIAL ASSETS UNDER THE EQUITY METHOD

On 31 December 2017 and 2016, the information relating to associates and jointly controlled companies, as well as to the value of the shares is as follows:

	% 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

	% CAPITAL HELD	TOTAL EQUITY WITHOUT SUPPLEMENTARY CAPITAL	FINANCIAL PARTICIPATION BY EQUITY METHOD	SUPPLEMENTARY CAPITAL	SUPPLEMENTARY CAPITAL IMPAIRMENTS	NET INCOME	31 DECEMBER 2016
	31 DECEMBER 2016						
Martimetal, SPA	49.00%	1,468,549	719,589	-	-	(2,523,179)	719,589
SPEE 3 - Parque eólico de Baião, S.A.	50.00%	1,458,562	729,281	-	-	367,320	729,281
SPEE 2 - Parque eólico de Vila Franca de Xira, S.A.	50.00%	3,532,237	1,766,118	-	-	1,026,575	1,766,118
Martifer Amal, S.A. (Moçambique)	35.00%	(1,256,104)	-	-	-	(1,332,201)	-
FW Warta Sp. Z.o.o.[1]	50.00%	25,359	616,411	-	-	(18,570)	616,411
Ventinveste, S.A.	48.50%	(6,576,513)	-	-	-	(1,105,308)	-
CNA Chantier Naval d'Arzew, SPA	49.00%	2,076,549	1,017,509	-	-	(70,079)	1,017,509
Duelobrigatório, S.A. [2]	55.00%	9,121,619	-	-	-	1,103,917	-
							4.848.908

1) The value of financial investment includes Goodwill of 675,052.00 Euros on 31 December 2017 and 639,342.00 Euros on 31 December 2016.
2) At the end of 2016, the participation that the Group held in Duelobrigatório, S.A. was totally considered 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 occured, 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 supplementary capital subscription of this subsidiary, it remained the same on 31 December 2017, since there is no prospect of being received.

The remaining financial holdings, that have negative equity, were constituted provisions and are disclosed in Note 33.

In 2016 the following is highlighted: the acquisition of Warta FW, the establishment of CNA Chantier Naval d'Arzew and the establishment of Duelobrigatório that holds the U.S. companies of the Solar segment that were not sold to Voltalia group. In the case of Duelobrigatório, in spite of Martifer SGPS holding 55 % of the capital, the control is shared with another shareholder, according to a shareholders agreement. In 2017, M-City Gliwice Sp. Zo.o started being consolidated by the equity method (Note 2) and there was the liquidation of Parque Eólico da Penha da Gardunha, Lda.

The movement occurred under this heading, in the years ended on 31 December 2017 and 2016, is as follows:

	FY 2017	FY 2016
Opening balance	4,848,908	3,150,644
Supplementary Capital Reclassification [1]	1,232,806	-
Acquisition of Warta	-	607,200
Constitution of CNA Chantier Naval d'Arzew	-	1,017,509
Constitution of Duelobrigatório, S.A.	-	27,500
Acquisition of Warta	10,000	-
Change in consolidation method of Duelobrigatório, S.A.	-	4,382,237
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]	10,077,455	24,120
- Other equity changes	(6,658,574)	622,443
Supplemntary Capital Payments / Receipts	(745,044)	-
Effect of foreign currency exchange differences	487,141	-
Other changes	(978)	34,146
Impairments movements [3]	4,653,594	(5,016,891)
Closing balance	**12,228,126**	**4,848,908**

1) The supplementary capital and their impairment in 2016 were reported in the heading 'clients and other debtors' and in 2017 they are being reported under the heading 'Financial Investments in Equity (Note 21).
2) The impact in the result of the application of the Equity Method is different from what is recognized in Note 13, due to the fact that part of the result has been affected to the constitution/ reversal of provisions (Note 33).
3) Of the amount in 2017, 5,016,891.00 Euros concern the reversal of the impairment of Duelobrigatório, S.A. (Note 13).

22. AVAILABLE FOR SALE INVESTMENTS

On 31 December 2017 and 2016, the composition of the values relating to financial investments held for sale is as follows:

	FY 2017	FY 2016
Non-current financial investment	5,935,139	5,811,911
Others	26,280	197,883
	5,961,419	**6,009,794**

The value of 'non-Current Financial Application' is mostly concerned with the Green Certificates held by the company Eviva Nalbant, SRL., part of the Renewables segment (Note 1), vii) (g)).

The movement occurred in the years 2017 and 2016 under the heading 'financial investments held for sale' was as follows:

	FY 2017	FY 2016
Opening balance	6,009,794	4,266,234
Additions	352,041	2,182,640
Reductions	(666,517)	(32,127)
Impairments	437,500	(437,500)
Transfers	-	386
Other	(171,399)	30,162
Closing balance	**5,961,419**	**6,009,795**

The heading 'impairment' refers to an investment in Muki Solar, which was constituted in 2016 and reversed in 2017, given that it was sold.

The increase in this heading, in 2017 as well as had already occurred in 2016, resulting mainly from the allocation of 10,979 Green Certificates of medium/ long term 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 and 2016, the detail of the medium/long-term Green Certificates held by the Group is as follows:

	FY 2017	FY 2016
Number of green certificates held	206,276	195,295
Unit Price (RON)	132	132
Total Amount (RON)	27,234,517	25,857,937
Total Amount (EUR)	5,846,199	5,696,836

The held for sale financial assets do not have a defined maturity.

23. INVENTORIES

The information on inventories for the years ended on 31 December 2017 and 2016 can be analyzed as follows:

	FY 2017	FY 2016
Gross Value		
Raw-materials, subsidiaries and other consumables	3,700,069	2,535,170
Work in progress	5,126,857	5,005,284
Merchandise	3,160,385	3,040,407
Finished goods	207,980	206,293
	12,195,291	**10,787,155**
Acumulated impairment losses:		
Raw-materials, subsidiaries and other consumables	264,136	268,598
Work in progress	1,377,831	1,369,979
Merchandise	760,208	760,208
Finished goods	165,501	165,501
	2,567,676	**2,564,286**
Net value - Inventories	**9,627,614**	**8,222,869**

In the year 2017, when compared with the same period of 2016, there is an increase of inventories, a consequence of the increase in activity in the Naval Industry segment.

The heading 'Products and work in progress' concerns primarily the land located in Taveiro and in Amarante. In relation to these plots evaluations were done, which did not result in any additional impairment.

24. TRADE ON OTHER RECEIVABLES

On 31 December 2017 and 2016, the financial assets held by the Group, in addition to those referred to above in Note 22, are shown below.

The information relating to 'Clients and Other Debtors' for the years ended on 31 December 2017 and 2016 can be analyzed as follows:

	NON CURRENT		CURRENT	
	FY 2017	FY 2016	FY 2017	FY 2016
Cost:				
Trade receivables:				
Trade receivables	13,654,819	986,711	68,656,215	69,433,660
Notes receivables	-	-	681,331	2,592,288
Doubtful trade receivables	-	-	12,022,344	12,027,004
	13,654,819	**986,711**	**81,359,890**	**84,052,952**
Other receivables:				
Related companies	11,043,497	37,161,933	5,672,588	12,885,499
Advances to suppliers	6,803	-	6,743,024	7,143,788
Others	3,764,936	4,057,587	11,433,939	40,389,012
	14,815,236	**41,219,520**	**23,849,551**	**60,418,299**
	28,470,055	**42,206,231**	**105,209,441**	**144,471,251**

The heading 'Clients, current account' for the year 2017 includes 15,657,224.00 Euros (2016: 16,768,543.00 Euros) relating to retentions in construction contracts, being that in 2017 the non-current value is mostly concerned with these retentions.

On 31 December 2016, the non-current balances maintained with associate companies, subsidiaries and participants were mostly concerned with conceeded supplementary capital subscriptions of equity, that had no payable interest nor repayment terms, being that during the year 2017 they were transferred to financial holdings, which explains the sharp reduction of this heading compared to 2016. Thus, on 31 December 2017, the current and non-current balances with 'associate companies and other shareholders' are maninly 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 heading 'Other' in 'Other debtors' relates mainly to the geographies Portugal, Angola and Poland.

The accumulated impairment losses on accounts receivable are as follows:

	NON CURRENT		CURRENT	
	FY 2017	FY 2016	FY 2017	FY 2016
Accumulated impairment losses:				
Trade receivables	-	-	13,922,075	12,960,676
Other receivables	3,910,087	9,444,838	4,360,865	19,759,566
	3,910,087	**9,444,838**	**18,282,940**	**32,720,242**
Carrying amount – trade receivables	**13,654,819**	**986,711**	**67,437,815**	**71,092,276**
Carrying amount - other receivables	**10,905,149**	**31,774,682**	**19,488,686**	**40,658,733**
Total	**24,559,968**	**32,761,393**	**86,926,501**	**111,751,010**

The movement of accumulated impairment losses on accounts receivable is as follows:

	TRADE RECEIVABLES		OTHER RECEIVABLES	
	FY 2017	FY 2016	FY 2017	FY 2016
Opening balance	12,960,676	10,755,481	29,204,404	8,440,384
Additions (Note 10)	1,334,946	1,936,583	630,954	16,794
Reductions (Note 5)	(289,090)	(231,617)	(10,972)	(13,920)
Applications	-	-	(14,700,000)	-
Changes of consolidation perimeter, foreign currency exchange rate difference and transfers	(84,456)	500,829	(6,853,435)	1,111,145
Others (Note 13)	-	-	-	-
Total	**13,922,075**	**12,960,676**	**8,270,952**	**29,204,404**

In the movement 'Other' in 2016, an increase in the value of impairment is registered in approximately 20 million Euros which results from the recognition of an impairment in the amount of 14.7 million Euros on the credit that Martifer SGPS holds from the alienation of NUTRE, SGPS whose expectation is a reduction in the value to be received, since there are contractual obligations related to the judicial process of one of the subsidiaries of NUTRE, SGPS holds with Bunge. To this value, there is also the contribution of the registration of an impairment on the supplementary capital subscriptions of Martifer SGPS in Duelobrigatório, S.A. (valued at approximately 5 million Euros), because it is considered difficult to be returned.

The use of impairment of 'Other debtors' in 2017 refers essentially to the value related to the alienation of NUTRE, SGPS, due to the completion of the respective sale contract.

On 31 December 2017 and 2016, the aging of the balances of accounts receivable, before accumulated impairment losses, can be detailed as follows:

FY 2017			DUE			
	TOTAL	NOT 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
Saldo Final	**133,679,496**	**62,054,585**	**21,952,723**	**5,274,773**	**4,782,719**	**39,614,693**

FY 2016	TOTAL	NOT DUE	DUE			
			UNTIL 90 DAYS	ENTRE 90 E 180 DIAS	TOTAL	NOT DUE
Trade receivables	70,420,371	41,559,713	8,302,779	3,905,225	1,784,326	14,868,328
Notes receivables	2,592,288	2,592,288	-	-	-	-
Doubtful trade receivables	12,027,004	(762)	611,515	314,618	-	11,101,632
Other receivables	101,637,819	62,419,688	3,363,320	2,692,181	724,382	32,438,248
Saldo Final	**186,677,482**	**106,570,927**	**12,277,614**	**6,912,024**	**2,508,708**	**58,408,208**

The impairments recorded are mostly balances overdue for more than 360 days.

In 2017, there is a strong reduction in the value of the item 'Other debtors' as a result of the reclassification relating to the value of the supplementary capital subscriptions of capital that was previously registered under the heading 'Other debtors' that was added to the value of the financial holdings.

The average collection period of accounts receivable of the Group was in 2017 108 days, having decreased in relation to the previous year (220 days in 2016). This decrease was due not only to an improvement in the level of receipts from non-group Clients, but also due to the reclassification of the value of supplementary capital subscriptions previously mentioned.

The Board of Directors of the Group Is convinced that the value by which the balances of clients and other debtors 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 major 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 2017, 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 fairly reduced associated financial cost.

The item 'advance payments on purchases' is related to purchases made by West Sea to incorporate in the construction of vessels.

25. STATE AND OTHER PUBLIC ENTITIES/ INCOME TAX - ASSET

On 31 December 2017 and 2016, the balance of the item ‘State and other public entities’ is as follows:

	FY 2017	FY 2016
Income tax (Note 14)	**787,546**	**551,394**
Value added tax	2,922,034	3,210,427
VAT requested refunds	2,930,167	2,355,508
Other taxes	478,128	789,638
Current tax assets	**6,330,328**	**6,355,573**

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 2016, the item 'value added tax' included values to be recovered on the acquisition of wind turbines, in the 'Renewables' segment (approximately 2.3 million Euros). In 2017 the refund was requested but it has not yet been received so it is now in the item 'VAT refund applications'.

26. OTHER CURRENT ASSETS

On 31 December 2017 and 2016, the item 'Other current assets' can be analyzed as follows:

	FY 2017	FY 2016
Accrued income:		
Construction contracts		
Cost	13,325,648	19,043,532
Impairment losses	(2,281,037)	(2,296,136)
Carrying amount	**11,044,611**	**16,747,396**
Interest to be received	59,671	263,615
Other accrued income	2,584,777	6,006,799
	13,689,059	**23,017,810**
Prepayments:		
Insurances	609,558	557,620
Financial expenses	201,159	201,159
Rents	84,098	176,633
Other prepayments	633,022	1,188,376
Deferred Cost - Work in Progress	4,040,760	-
	5,568,597	**2,123,788**
Other (current) financial assets	963,482	678,811
	20,221,138	**25,820,407**

The gross value of the accrued income in 2017 had a very significant reduction especially in 'Metallic Constructions', in Portugal, mainly due to the reduction of the Project Djelfa and due to the fact that the project of expansion and remodeling of the terminal of Faro Airport was near completion.

The heading 'Other accrued income' is strongly related with the invoicing to be issued by the metallic constructions segment, in Portugal, both in 2017 and in 2016. In Portugal, this effect is due in particular to the invoicing to companies that consolidate by the equity method (approximately 2.6 million Euros to Martifer Amal S.A. (Mozambique).

On 31 December 2017, the heading 'Other multiannual expenses paid in advance' includes, essentially, the disbursements made by the Group associated with specialized services, which will be rendered/used in the course of the year 2018.

As mentioned in Note 1, 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; Valuation ("auto de medição") 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 mago, when only the income was specialized; being that in the case of costs, they do not present a comparative value to the previous year.

Thus, in relation to the described above, on 31 December 2017 and 2016, the information on construction contracts in progress is as follows:

	FY 2017	FY 2016
Total costs incurred with construction contracts in progress:	415,582,612	369,126,539
Costs incurred with construction contracts in progress in the year:	129,770,367	146,075,779
Total revenue incurred with construction contracts in progress	459,708,457	395,945,460
Revenue incurred with construction contracts in progress in the year:	142,282,600	155,928,422
Advanced payments received from customers of construction contracts in progress (Note 32)	9,007,611	4,976,786
Retentions performed by customers in construction contracts in progress (Note 24)	9,889,202	11,219,302
Guarantees provided to customers in relation to construction contracts in progress (Note 38)	24,139,641	21,243,847
Accrued income and accounts receivables related with construction contracts in progress	13,325,648	19,043,532
Deferred income and accounts payable related with construction contracts in progress (Note 36)	48,933,882	46,032,883
Deferred Cost related with construction contracts in progress (Note 26)	4,040,760	-

	FY 2017	FY 2016
Accrued Cost related with construction contracts in progress (Note 36)	6,502,325	-
Provision to Onerous Contracts related with construction contracts in progress (Note 33)	1,317,769	1,624,246

The guarantees granted to project owners, in the 'Metallic Constructions' segment, as referred to in Note 38 relate to projects in progress and to completed projects within warranty period, for which the average period is 5 years.

On 31 December 2017 and 2016, the main projects in progress of the Group that justify the balance of 'Accrued income - work to be invoiced' are as follows:

	FY 2017	FY 2016
Baltic Arena Gdansk (Martifer Polska)	2,281,037	2,022,837
Future Beer Factory (Martifer Angola)	2,190,519	2,388,330
Djelfa project (Martifer Construções e Martifer RO)	1,543,032	3,437,617
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	1,462,425
MMH - Unitized Curtain Wall (Martifer UK)	219,785	1,474,105
Railway Arc Bridge (Martifer RO)	-	892,383
SENVION - Scaer le Merdy (Martifer Construções)	-	609,514
Others	3,704,493	6,756,321
	13,325,648	**19,043,532**

The heading of 'Expenses to be recognized - work in progress' includes supplier invoices for services not yet executed or in progress and material that hasn't entered the manufacturing process yet.

Thus, on 31 December 2017 and 2016, the main work in progress of the Group that justifies the balance of 'Expenses to be recognized - work in progress' is as follows:

	FY 2017	FY 2016
East Wing of Geneva Airport (Martifer Construções)	1,131,559	
FPM41 Building (Martifer Construções)	760,397	-
Senvion - Project Molenbaix (Martifer Construções)	730,890	-
55 Gresham Street (Martifer Construções)	500,337	-
Effect of the restatement of the hyperinflationary economy in Angola (IAS 29)	5,174	-
Others	912,404	-
	4,040,760	-

27. CASH AND CASH EQUIVALENTS

The caption ‘Cash and bank deposits’ may be analysed as follows:

	FY 2017	FY 2016
Cash and cash equivalents:		
Bank deposits	46,293,259	53,043,411
Cash	53,339	44,283
	46,346,599	**53,087,694**

'Cash and bank deposits' include money held by the Group and short-term bank deposits, with original maturities not exceeding 3 months, for which the risk of value alteration is insignificant. On 31 December 2017 and 2016, there were no restrictions associated with the balance of the caption 'Cash and cbank deposits' considering the below on Angola.

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.

28. NON-CURRENT ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH THE ASSETS

Martifer SGPS decided, in September 2014, to focus the Group's activity in metallic constructions (metallic structures and aluminum and glass façades, infrastructures for oil & gas and the naval industry) and follow the active plan to sell the 55 %-share held in Martifer Solar. Being the sale highly likely, the assets and liabilities of Martifer Solar were classified as 'non-current assets held for sale' and ''liabilities associated with non-current assets held for sale', respectively, with the net result of Martifer Solar presented as 'result of discontinued activities'. In August 2016 Martifer Solar, S.A. and its subsidiaries were alienated to Voltalia Group, except for Martifer Solar Inc.and Martifer Silverado Fund LLC which started being held by Duelobrigatório, S.A. since July 2016; this company is 55% held by Martifer SGPS, and in relation to which there is a shared control with the shareholder that owns the remaining 45 %. Thus, in December 2017 there were no non-current assets held for sale.

The detail of the Results attributable to discontinued activities on 31 December 2017 and 2016 is as follows:

	FY 2017	FY 2016
Sales and services rendered	-	50,725,745
Other income	-	11,136,658
Cost of goods sold	-	(29,390,791)
Subcontractors	-	(5,266,575)
External supplies and services	-	(14,526,505)
Staff costs	-	(6,432,716)
Other operational gains and losses	-	(10,398,083)
	-	**(4,152,267)**
Amortizations	-	(1,245,755)
Provisions and impairment losses	-	(3,039,453)
Operating income	**-**	**(8,437,475)**
Financial income	-	1,244,437
Financial expenses	-	(2,850,688)
Gains / (losses) on associate companies and joint arrangements	-	38,249
Profit before tax	**-**	**(10,005,477)**
Income tax	-	316,906
Profit for the year	**-**	**(9,688,569)**
Attributable to:		
non-controlling interests	-	(9,587,743)
owners of Martifer	-	(100,827)

The amounts relating to the financial year 2016,refer to the consolidation of the results until the month prior to the sale operation to Voltalia Group (July 2016), as well as the impact on the transfer of the U.S. companies to Duelobrigatorio, S.A. and also the impact resulting from the sale of the Solar group. For this reason, the appropriated income until July that is attributable to equity holders of the parent company is compensated by the gain registered with the sale.

The detail of the cash flows of discontinued activities on 31 December 2017 and 2016 is as follows:

	FY 2017	FY 2016
Net cash generated by operating activities	-	(14,010,816)
Net cash generated by investing activities	-	5,150,739
Net cash generated by financing activities	-	3,220,911
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)	**-**	**(10,589,166)**
Changes in the consolidation perimeter and others	-	(1,215,500)
Effect of foreign exchange currencies	-	(285,937)
Cash and cash equivalents at the beginning of the period	**-**	**12,090,603**
Cash and cash equivalents at the end of the period	**-**	**-**

As occurs with the results, the cash flows related to these assets were also consolidated until July 2016, and include the impact on the receipt from the sale of the Solar Group.

29. EQUITY

Share capital

Martifer SGPS's share capital, fully subscribed and realized on 31 December 2017 and 2016, amounted to 50,000,000.00 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 2017 and 2016 economic periods there were no changes in the number of shares representing the Group's share capital.

During the 2017 economic period, Martifer SGPS didn't acquire, through the stock exchange, own shares. The Group holds 2,215,910 own shares, corresponding to 2.22 % of its share capital.

On 31 December 2017, the share capital of the company is 42.41 % held by I'M SGPS, S.A.. (mainly owned by Carlos Manuel Marques Martins and Jorge Alberto Marques Martins), 0.65 % 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 exhange), 2.22 % in own shares, while the remaining 17.22 % dispersed in the stock exchange.

Share premium

Share premiums 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 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 under the heading 'Other Reserves' and amounts to 7,766,907.00 Euros.

Own shares

The Group holds 2,215,910 own shares, corresponding to 2.22 % of its share capital. In accordance with the law it is required to maintain an unavailable reserve on the amount of the acquisition of own shares, included in 'Other reserves'.

The fair value reserve - hedge reserve

The fair value reserves - hedge reserves reflect the variations in fair value of derivative instruments to cover *cash flow* that are considered effective and are not likely to be distributed or be used to absorb losses.

Reserves of foreign exchange conversion

The reserves of currency exchanges 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 in the amount of 7,766,907.00 Euros, this section includes the results of previous years and an unavailable reserve in the amount of 2,868,519.00 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 2017, Martifer SGPS, S.A. has no distributable reserves available.

Non-controlling interests

The detail of the main non-controlling interests can be analyzed as follows:

	FY 2017	FY 2016
Opening balance	(30,169,515)	(28,377,206)
Profit for the year	(2,768,618)	(16,267,343)
Other changes in equity of subsidiaries	(305,823)	(481,923)
Application of the Equity Method	(183,990)	(18,419)
Changes in the consolidation perimeter	229,763	15,044,551
Transactions with non-controlling interests	54,753	-
Others	2,395,169	(69,176)
	(30,748,263)	**(30,169,515)**
From continued operations	(30,748,263)	(30,169,515)

Transactions with non-controlling interests on 31 December 2016 mainly reflect, in addition to the determined result, the impact of the alienation of the Solar group in August 2016 (with the exception of the U.S. companies that remained in the sphere of Group Martifer) and the impact of the change of the method of consolidation of the companies Martifer Solar, Inc. and Martifer Silverado Fund, LLC, as a consequence of the loss of control (Note 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 the 'other changes in equity' which also have a negative impact that results mainly in exchange devaluation of some geographies. In the heading 'Other' a positive impact of 2.5 M€ on the application of IAS 29 in the Angolan companies is included, because oit is a hyperinflationary economy (Note 1).

	% NON-CONTROLLING INTERESTS		FY 2017	FY 2016
	FY 2017	FY 2016		
Metallic Contructions				
Martifer – Construções Metálicas Angola, S.A.	40.94%	40.94%	2,149,344	2,139,684
Martifer Alumínios Angola, S.A.	25.00%	25.00%	593,613	576,060
Martifer Constructions, SAS	25.00%	25.00%	(1,249,343)	(1,196,621)
Martifer UK Limited	25.00%	25.00%	(1,265,276)	(1,711,642)
Martifer Polska Sp. Zo.o.	25.00%	25.00%	(2,360,410)	(2,361,131)
Martifer Konstrukcje Sp. z o.o.	25.00%	25.00%	(2,131,917)	(2,080,475)
Martifer - Construções Metalomecânicas, S.A.	25.00%	25.00%	(19,503,135)	(19,270,633)

	% NON-CONTROLLING INTERESTS		FY 2017	FY 2016
	FY 2017	FY 2016		
Martifer Metallic Constructions SGPS, S.A.	25.00%	25.00%	(777,289)	3,319,650
Martifer Constructii S.R.L.	24.50%	24.50%	(4,731,019)	(4,046,921)
Martifer Energia S.R.L.	25.00%	25.00%	(839,175)	(767,491)
Martifer Wind Energy Systems LLC	0.00%	25.00%	-	(2,812,661)
Saudi Martifer Constructions LLC	25.00%	25.00%	511,049	504,424
Naval Industry			-	-
Navalria – Docas, Construções e Reparações Navais, S.A.	25.00%	25.00%	(2,041,057)	(2,012,155)
West Sea-Estaleiros Navais,Lda	25.00%	25.00%	1,864,551	1,029,521
Renewables				-
Martifer Renováveis - Geração de Energia e Participações S.A.	45.00%	45.00%	99,386	457,683
Other non-controlling interests	-	-	(1,067,586)	(1,936,806)
			(30,748,263)	**(30,169,515)**

The non-controlling interests relate mainly to the main business segment, 'Metallic Constructions'; a segment that is 25% held by Vector Dialog - SGPS, SA (a company that does not belong to Group Martifer).

30. BORROWINGS

The borrowings obtained, with reference to the periods ended on 31 December 2017 and 2016 are as follows:

FY 2017	UNTIL 1 YEAR	BETWEEN 1 AND 3 YEARS	BETWEEN 3 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**

FY 2016	UNTIL 1 YEAR	BETWEEN 1 AND 3 YEARS	BETWEEN 3 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
Financial institutions borrowings:					
Bank loans	10,408,309	17,949,624	162,640,348	79,034,861	270,033,142
Bank overdrafts	667,028	-	-	-	667,028
Authorized overdrafts	3,576,824	-	-	-	3,576,824
Other borrowings:					
Other borrowings	850,127	75,011	535,992	310,188	1,771,318
	15,502,288	**18,024,635**	**163,176,340**	**79,345,049**	**276,048,311**

In 2017, a reduction of 19 % in funding compared to the previous year was registered, maintaining the downward trend that has been observed in recent years, as result of the implementation of the premises of the Group's Strategic Plan.

With this variation, the total value of loans recorded on 31 December 2017 was 222,733,171.00 Euros.

With a weight of 8 % on the total amount of loans, the short-term debt on 31 December 2017 was 17,826,240.00 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 loans

'Other loans' correspond to development support operations obtained by the Agency for Foreign Trade and Investment (AICEP) and the Institute for Support to Small and Medium-sized Companies and to Investment (IAPMEI).

The variation of loans between 2016 and 2017 is presented in the following way:

	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 2017 and 2016, the amounts relating to loans are in the following currencies:

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**

FY 2016	FINANCIAL INSTITUTIONS	OTHER BORROWINGS	TOTAL
Euro	258,815,893	1,771,318	260,587,211
New Leu	11,884,277	-	11,884,277
US dollar	3,576,824	-	3,576,824
	274,276,993	**1,771,318**	**276,048,311**

The average interest rates supported on loans are the following:

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%]

FY 2016	AVERAGE RATES	RANGE OF INTEREST RATES (%)
Financial institutions borrowings:		
Bank loans	1.52%	[0.78% a 4.48%]
Bank overdrafts	3.30%	[3.30%]
Authorized overdrafts	4.65%	[4.56% a 5.35%]
Other borrowings:		
Other borrowings	2.09%	[0.00% a 4.00%]

The interest rates supported on bank loans, by geography, are the following:

COUNTRY	INDEX	SPREAD
Angola	Luibor	[4.00]
Spain	Euribor	[3.50]
Portugal	Libor Euribor	[1.00 a 4.50]
Romania	Robor	[2.50 a 3.75]

The debt of Martifer is mainly subject to variable interest rates (99.6 %). In 2017 the interest rates maintained in negative terrain in the Euro Zone, 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 2020. 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 2017, 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
Navalria – Docas, Construções e Reparações Navais, S.A. [PT]	EUR	1,200,179	01-02-2018	5 Years	Quarterly	25,004	75,011
Martifer SGPS, S.A. [PT]	EUR	1,962,224	31-12-2020	-	Quarterly	-	1,962,224
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	8,111,801	31-12-2020	-	Quarterly	58,544	8,047,670
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	51,930,904	31-12-2020	-	Quarterly	-	51,930,904
Martifer SGPS, S.A. [PT]	EUR	20,770,307	31-12-2020	-	Quarterly	-	20,770,307
Martifer SGPS, S.A. [PT]	EUR	8,308,123	31-12-2020	-	Quarterly	280,231	8,027,892
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	1,524,207
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

COMPANY	CONTRACT CURRENCY	VALUE (EUROS)	DUE DATE	GRACE PERIOD OF CAPITAL	INSTALMENT PAYMENTS	FIRST INSTALMENT AMOUNT	LAST INSTALMENT AMOUNT
Martifer Renewables ETVE, S.A.U. [ES]	EUR	29,091,750	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 the interest capitalized during the period of validity. This agreement also provides for the repayment of debt throughout the contract with the sale of non-core assets as envisaged in the Strategic Plan of the company. In 2017 due to a financial renegotiationagreement some funding was amortized with a discount, contributing to a significant reduction in the Group's debt (see Note 12).

On 31 December 2017, the main *Project Finance* obtained by the Group are as follows:

COMPANY	CONTRACT CURRENCY	VALUE	CONTRA CT DATE	GRACE PERIOD OF CAPITAL	INSTALMENT PAYMENTS	FIRST INSTALMENT AMOUNT	LAST INSTALMENT AMOUNT
Eviva Nalbant, srl_RO	RON	17,848,139	13 Years	2 Years + 1 Half	Half-yearly	1,486,750	1,037,430

This value is presented under the heading 'Bank Loans'.

On 31 December 2017 the Group's sensitivity to changes in indexed interest rates can be analyzed as follows:

	ESTIMATED IMPACT 2017
Change in financial results due to a 0.5 p.p. alteration of the interest rate applied to the entire debt	1,113,666
Fixed-rate hedging	4,606
Sensitivity of the financial results due to interest rate changes	**1,109,060**

For this financing the guarantees identified in Note 38 were provided.

31. CREDITORS FOR FINANCIAL LEASINGS

The more significant lease contracts in force on 31 December 2017 are summarized 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
Fracções Autonomas 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
Wind Energy Converters	144 months	18,205,554	End of contract	364,111	Blank promissory note
Energy Converters	144 months	9,007,897	End of contract	180,158	Blank promissory note

On 31 December 2017 and 2016, the amount of rents and the current amount of rents associated with lease contracts was as follows:

	MINIMUM LEASE PAYMENTS		PRESENT VALUE OF MINIMUM LEASE PAYMENTS	
	FY 2017	FY 2016	FY 2017	FY 2016
No later than 1 year	158,142	191,621	-	25,289
Later than 1 year and not later than 5 years	4,733,067	3,340,065	3,846,690	2,501,743
Later than 5 years	9,492,633	11,089,760	9,029,763	10,374,710
	14,383,842	**14,621,446**	**12,876,453**	**12,901,742**
Future finance charges	(1,507,388)	(1,719,704)	-	-
Present value of minimum lease payments	**12,876,454**	**12,901,742**	**12,876,453**	**12,901,742**
Included in the financial statements as:				
Current borrowings	158,142	191,621	-	25,289
Non-current borrowings	12,718,311	12,710,121	12,876,453	12,876,453
	12,876,453	**12,901,742**	**12,876,453**	**12,901,742**

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 does not have any number, because, due to the fact that the debt was restructured, it was agreed that money of these contracts will only be paid off in 2019.

Additionally, on 31 December 2017 and 2016, the value of the rents associated with operational lease contracts is as follows:

	FY 2017	FY 2016
No later than 1 year	138,391	323,010
Later than 1 year and not later than 5 years	50,207	266,623
	188,598	**589,633**

During the year ended on 31 December 2017 648,960.00 Euros were recognized under the heading of 'Supplies and external services' related to the rents of operating lease contracts.

32. TRADE AND OTHER PAYABLES

The information regarding suppliers and other accounts payable for the periods ended on 31 December 2017 and 2016 may be analyzed as follows:

	NON CURRENT		CURRENT	
	FY 2017	FY 2016	FY 2017	FY 2016
Trade payables	**3,700,998**	**11,222,036**	**47,594,515**	**59,908,138**
Other Creditors:				
Fixed assets suppliers	38,441	-	443,799	284,506
Related companies and other shareholders (Note 40)	7,843,944	7,021	275,435	983,428
Advanced payments received from customers	-	-	10,277,056	8,024,226
Other creditors	(12,966)	1,500	1,662,021	2,370,390
Other payables	**7,869,419**	**8,521**	**12,658,311**	**11,662,550**
Total	**11,570,417**	**11,230,557**	**60,252,826**	**71,570,688**

The value of current trade payables of 2017 registers a reduction of 21 % compared to the value registered in the previous year.

The value of non-current trade payables on 31 December 2016 relates, essentially, with a partnership celebrated in the past for the development of real estate projects in Poland and the regularization of the balance shall be made in accordance with the disposal of such projects, not having, therefore, a determined expiration date. The variation observed is mainly due to the fact that the company M-City Gliwice Sp. Zo.o started being consolidated by the equity method, and this was the company which held the balance of suppliers affected to real estate projects.

The variation of the item ‘Related companies and other shareholders' compared to the number on 31 December 2016 is related to the change in the consolidation method of company M-City Gliwice Sp. Zo.o, which started being consolidated by the equity method, so its balances with other gGoup companies stopped being eliminated in the consolidation process.

The heading 'Advance payments received from customers' includes 9,007,611.00 Euros (2016: 4,976,786.00 Euros) related to construction contracts (Note 26).

On 31 December 2017 and 2016, this caption includes amounts due to Suppliers arising from the Group’s operational activity and from the acquisition of tangible and intangible fixed assets. The Board of Directors believes that the fair value of these balances does not differ significantly from their book value and that the effect of upgrading those amounts is not material, given that the vast majority of non-current balances relate to real estate operation in Poland; and there are open values in the heading 'Other non-current debtors' referring to the same operation, so the analysis must be made taking into account all the balances.

On 31 December 2017 and 2016, the ageing of accounts payable in captions ’Trade and Other payables’ is as follows:

FY 2017			PAST DUE			
	TOTAL	NOT 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**
FY 2016			PAST DUE			
	TOTAL	NOT DUE	UNTIL 90 DAYS	ENTRE 90 E 180 DIAS	TOTAL	NOT DUE
Trade payables	71,130,174	28,982,828	17,962,204	5,933,617	7,881,317	10,370,212
Other payables	11,671,071	2,139,333	1,451,310	1,801,344	92,569	6,186,516
Total	**82,801,244**	**31,122,161**	**19,413,514**	**7,734,961**	**7,973,886**	**16,556,728**

The average term of payment of purchases and services obtained by the Group is around 158 days reflecting a strong improvement compared to the previous year.

Similar to what happens with clients (Note 24), the retentions made to suppliers (4,119,966.00 Euros in 2017) are included under the heading 'Trade payables', exception for those in which the bank guarantee is issued by the supplier and not by Martifer, these being considered as 'not overdue'.

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 ceilings contracted with these entities.

On 31 December 2017 and 2016, the balances with 'Associate companies and other related entities' are essentially related to the loans obtained from joint ventures and associates, which bear interest at Euribor 3 months plus a *spread* of 3.5 %.

In addition to the financial liabilities referred to in this Note and in Notes 30 and 31 above, the Group has no other financial liabilities.

33. PROVISIONS

The information regarding provisions for the periods ended on 31 December 2017 and 2016 may be analyzed as follows:

	FY 2017	FY 2016
Quality guarantees	1,632,764	2,112,104
Legal claims in progress	2,697,057	923,314
Onerous Contracts	1,317,769	1,624,246
Contractual obligations	8,548,018	5,414,581
Provisions arising from the use of the equity method	16,374,830	9,251,631
	30,570,438	**19,325,876**

The movement occurred under the heading 'Provisions' in the year ended on 31 December 2017 is as follows:

	OPENING BALANCE	ADDITIONS (Note 11)	DEDUCTIONS (Note 11)	APPLICATIONS	CHANGE OF CONSOLIDATION PERIMETER, EXCHANGE RATE DIFFERENCES, TRANSFERS	CLOSING BALANCE
Quality guarantees (Note 11)	2,112,104	30,597	(453,177)	-	(56,760)	1,632,764
Legal claims in progress (Note 11)	923,314	1,805,115	-	-	(31,373)	2,697,056
Onerous contracts (Note 11)	1,624,246	453,521	(946,224)	-	186,226	1,317,769
Contractual obligations (Note 11)	5,414,580	3,788,848	(1,215,827)	(938,012)	1,498,427	8,548,018
Provisions arising from the use of the equity method	19,325,875	-	-	-	7,123,199	16,374,830
	19,325,876	**6,078,081**	**(2,615,228)**	**(938,012)**	**8,719,719**	**30,570,438**

The financial investments which are registered by the Equity method and for which provisions were constituted, on 31 December 2017 and 2016, is as follows:

	% 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)

	% CAPITAL HELD	EQUITY	NET PROFIT	FY 2016
	FY 2016	FY 2016	FY 2016	
Liszki Green Park, Sp. Zo.o	45.00%	(3,195,366)	(32,172)	(1,437,915)
M ,City Szczecin	50.00%	(611,008)	(393,191)	(305,504)
M City Radom Sp. Zo.o	50.00%	(1,838,633)	(122,625)	(919,317)
M City Bialystok Sp. Zo.o	50.00%	(5,488,970)	(3,869,770)	(2,744,485)
Promoquatro – Investimentos Imobiliários, Lda	50.00%	(584,152)	2,931	(292,076)
Ventinveste, S.A.	48.50%	(6,576,513)	(1,105,308)	(3,166,757)
Parque Eólico da Penha da Gardunha, Lda	50.00%	(771,155)	(55,440)	(385,578)
				(9,251,631)

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 historic costs incurred.

In 2017 there was an increase of 1.8 million Euros in 'Judicial proceedings in progress' resulting from the Alstom process, since the ruling unfavorable 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.

In the year 2016 the provisions for onerous contracts relate essentially to the propjects of the metallic constructions segment in Portugal. In 2017, the main contribution is the Metallic Constructions segment in Romania. The detail for each project can be analyzed below:

	FY 2017	FY 2016
Pod peste raul Dombovia (Martifer Romenia)	500,809	-
Others	816,960	1,624,246
	1,317,769	**1,624,246**

One of the main contributions for the increase of the item 'contractual obligations' in the year 2017 was the recognition of a provision of approximately 2.5 million Euros, due to 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 in which it may have to compensate third parties in the future.

The amount in column of transfers of 'contractual obligations' is mainly related with the constitution of a provision of 1.5 million Euros to deal with any possible expenses with the closing of Duelobrigatório and of all of its subsidiaries (Note 13).

The value of 'contractual obligations' on 31 December 2017 includes approximately 2.8 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 special regime.

As referred to in Note 1, a provision for investments in associates whose capital is negative (based on the percentage of capital held) is constituted against Gains/ Losses in associate companies and joint ventures (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.

34. CONTINGENT ASSETS AND LIABILITIES

On 31 December 2017, there were the following contingent liabilities:

a) 1. On 29 October 2009, Martifer Polska, in consortium with Ocekon Engineering sro (Slovakia) celebrated with the company Energomontaz - Poludnie S.A., an agreement for the project, whose object was to manufacture, execute, deliver and mount the steel roof of the Baltic Arena Stadium, in Gdańsk, in Poland, 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 has been suspended due to insolvency proceedings of Energomontaz - Poludnie S.A..

   2. On 17 January 2012, Energomontaz filed a lawsuit against Martifer and against Ocekon Engineering sro in the total amount of 5.7 million Euros. The hearings are underway, and witnesses were questioned in 2015. In March 2017, the Court deemed null the process against Ocekon Engineering sro, since it had been eliminated from the commercial register. More hearings were scheduled for the year 2017. The process is still running, and hearings were scheduled for the year 2018.

   3. The company Energomontaz meanwhile entered into bankruptcy proceedings. In April 2013 Martifer submitted a list of demands amounting to 16.9 million Euros to the insolvency administrator. Martifer 's credit was not recognized by the insolvency administrator, so Martifer does not appear in the list of creditors of the insolvent mass.

   Group Martifer recognized 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.

35. STATE AND OTHER PUBLIC ENTITIES/ INCOME TAX - LIABILITIES

On 31 December 2017 and 2016, the balance of the caption 'State and other public entities' is as follows:

	FY 2017	FY 2016
Income Tax (Note 14)	**656,730**	**861,330**
Value added tax	1,525,193	1,725,230
Social security contributions	682,761	689,857
Withholding tax	373,476	204,426
Other taxes	77,960	646,728
Current tax liabilities	**2,659,390**	**3,266,242**

36. OTHER CURRENT LIABILITIES

The information regarding other current liabilities for the periods ended on 31 December 2017 and 2016 is as follows:

	FY 2017	FY 2016
Accrued expenses		
Accrued Expenses - Work in progress	**6,502,325**	
Holiday pay and bonuses	3,234,944	3,357,129
Interest borne but not yet overdue	871,430	874,408
Production performed by third parties not yet invoiced	59,280	68,797
Other accrued expenses	2,303,202	2,124,402
	12,971,181	**6,424,736**
Deferred income		
Production invoiced and not yet performed (related to construction contracts)	48,933,882	46,032,883
Subsidies / Government grants	306,292	387,293
Other deferred income	6,793,380	6,364,838
	56,033,554	**52,785,014**
	69,004,735	**59,209,750**

The 'Other accrued expenses' on 31 December 2017,correspond to Supplies and external services rendered in 2017 and not yet invoiced.

The increase of the heading 'advance invoicing' is mainly associated with the Naval Industry segment in Portugal.

The heading 'Other deferred income' in 2017, as in 2016, resulting primarily from the recognition of deferred income with allocation of the green certificates in Eviva Nalbant S.R.L.

On 31 December 2017 and 2016, the Group's major works in progress that justify the balance of 'deferred income - advance invoicing' are as follows:

	FY 2017	FY 2016
NPOs (West Sea)	21,904,885	23,912,498
Polar Express (West Sea)	13,769,284	1,198,435
Al Faisaliah Redevelopment Project (Martifer Arábia Saudita)	1,453,490	-
Douro Splendor (West Sea)	1,330,037	-

	FY 2017	FY 2016
Draga Dragus (West Sea)	1,243,253	-
Emerald Radiance (West Sea)	1,154,475	1,162,000
Priority Serenity (West Sea)	723,392	1,586,979
FPM41 Building (Martifer Construções)	685,324	-
Kafd Parcel (Martifer Alumínios)	630,194	1,233,015
Viking Helgrim (West Sea)	606,569	-
Barge R (West Sea)	553,963	-
Priority Elegance (West Sea)	513,550	569,284
IMOB (Martifer Angola)	233,605	1,481,986
Zap Studios - Metallic Structure (Martifer Angola)	47,332	758,039
BATTERSEA 3320 (Martifer UK)	13,996	923,877
Dammam University Multipurpose Hall (Martifer Arábia Saudita)	-	3,750,311
Sodiba Factory (Martifer Construções)	-	946,180
Royal Wharf (Martifer UK)	-	775,778
Âncora Project (Martifer Construções)	-	735,677
Riyadh Metro - Bridge Fahd Road Project (Martifer Arábia Saudita)	-	656,298
Banco Popular (Martifer Espanha)	-	579,669
Hotel Tivoli Estoril Residence (Martifer Alumínios)	-	528,901
GMA - Grandes Moagens de Angola (Martifer Angola)	-	500,567
Effect of the restatement of the hyperinflationary economy in Angola (IAS 29)	316,061	-
Others	3,754,473	4,733,389
	48,933,882	**46,032,883**

The impact of the recognition of the Angolan companies as a hyperinflationary economy was 0.3 million Euros (Note 1).

As mentioned in Note 1, 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; Valuation ("auto de medição") 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 income accounted reflect the physical evolution of the project and that there were costs associated with these construction contracts that have to be specialized; something that did not happen until a year ago where only the income was specialized. As such, the costs do not have a comparative value in the previous year.

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 2017 and 2016, the major projects in progress of the Group that justify the balance of 'Accrued expenses - Work in Progress' are as follows:

	FY 2017	FY 2016
Future Beer Factory (Martifer Angola)	601,353	-
Viaduc HACHEF_ Marrocos (Martifer Construções)	608,450	-
Sodiba Factory (Martifer Construções)	1,439,954	-
MMH - Unitized Curtain Wall (Martifer UK)	1,168,434	-
Others	2,684,134	-
	3,818,191	**-**

37. 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 2017 and 2016, the following derivative contracts were established:

31 December 2017

DERIVATIVE	COMPANY	COUNTERPART	NOCIONAL	TYPE	CLOSING DATE	FAIR VALUE
	Martifer Metallic Constructions SGPS SA	FC Stone	-	Regular margin calls		3,221
						3,221

31 December 2016

DERIVATIVE	COMPANY	COUNTERPART	NOCIONAL	TYPE	CLOSING DATE	FAIR VALUE
	Martifer Metallic Constructions SGPS SA	FC Stone	-	Regular margin calls		3,221
						3,221

During the year of 2017 no derivative instruments were contracted. The value that is in FC Stone was kept in case a Hedging operation is done.

38. COMMITMENTS

Financial guarantees

On 31 December 2017 and 2016, 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 2017	FY 2016
Euro	30,909,630	31,220,206
Zlotys	-	22,674
New Leu	34,933	399,123
US dollar (*)	11,763,897	14,167,863
Moroccan Dirham	80,127	84,354
Pound Sterling	-	1,167,979
	42,788,586	**47,062,198**

(*) Bank guarantees for proper execution issued in Angola and in Portugal, mainly to guarantee works in Saudi Arabia.

The detail per Group company is as follows:

	FY 2017	FY 2016
Martifer Construções Metalomecânicas SA	25,023,243	18,676,046
Martifer Metallic Constructions SGPS	4,534,935	6,168,327
West Sea Lda	4,356,306	9,223,000
Martifer Construcciones Metálicas Espanha	502,088	612,049
Martifer Constructii	277,512	726,129
Martifer Construções SK	-	721,971
Martifer Konstrukcje	-	22,674
EUROCAB FV 1 SL	29,770	29,770
EUROCAB FV 8 SL	11,227	11,227

	FY 2017	FY 2016
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	-	15,000
Martifer Construções Metálicas Angola S.A.	7,986,140	10,788,641
	42,788,586	**47,062,198**

In relation to the bank guarantees issued to clients, there are guarantees of three distinct natures - advance payment, proper execution and tender:

- The advance payment guarantee aim to guarantee that the value given by the Client 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 client 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 are canceled when it 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 capable to execute the work in the future and to give the guarantee of proper execution that is necessary in the event that the tender is awarded.

The amount of active bank guarantees on 31 December 2017 is 43 million Euros, having decreased 9 % compared to the year 2016. To a large extent, the activity reduction of Martifer Construções Metálicas Angola S.A. as well as the reduction of guarantees in the 'Naval Industry' segment contributed to this decrease.

On 31 December 2017 and 2016, there are no commitments with documentary credits on import.

On 31 December 2017 and 2016, there aren't any active credit insurances.

Disbursements related to the commitments mentioned above are not expected.

Real Securities

On 31 December 2017 the real garantees given by the Company may be summarized as follows:

COMPANY	GUARANTEE	ASSET VALUE	DEBT AMOUNT
Martifer Metallic Constructions SGPS	Share pledge of Martifer Construções SA 20 % (nr. shares 1,500,000)	5,841,367	16,310,458
Martifer Construções SA	5M€ Generic Mortgage of building Vale Tripeiro, lot 10 - I/J/K/L/M/N/O (Benavente)	2,746,390	5,008,967
Martifer Construções SA	1st degree mortgage of industrial building Cutting Unit (Monoblocos). 1st degree mortgage of administrative building, 2nd degree mortgage of industrial building Tower's plant (article 1914)	1,130,345	3,299,532
Martifer Construções SA		5,395,522	3,299,468
Navalria SA			1,624,246
Martifer SGPS			1,962,224
Martifer Construções SA	Mortgage of industrial building Martifer Construções (article 2079)	912,671	6,267,772
Martifer Construções SA	1st degree share pledge of 25% of Martifer Renewables SGPS (nr. Shares 25,000,000)	25,199,393	3,048,645
Martifer Construções SA			1,016,126
Promoquatro Lda			2,035,204
Martifer Energy Systems SGPS			3,048,379
Martifer Construções SA	Mortgage of pilot building	61,755	5,112,136
	Mortgage of Land and Warehouse in Albergaria	1,415,300	13,650,935

COMPANY	GUARANTEE	ASSET VALUE	DEBT AMOUNT
Martifer SGPS	Generic Mortgage (7.5M€) of industrial building Towers' plant (article 1914).	7,296,413	
Martifer SGPS	1st degree share pledge of Martifer Renewables SGPS 65 % (nr. shares 65,000,000)	65,518,422	
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	90,300,980
	Martifer OF warehouse	52,965	
	Multipark Paços de Ferreira	361,646	
	Other Lands MGI	326,097	
	1st degree share pledge of Martifer Renewables SGPS (nr. shares 10,000,000)	10,079,757	
	Various Mercantil equipment pledge	209,025	513,233
	Equipment Mercantil pledge	60,208	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.,	3,898,597	25,934,888
	Share pledge of 50 % of Martifer Renovables ETVE shares	5,019,591	
MARTIFER Romenia SRL	Mortgage of the factory	4,021,186	558,716
	Mortgage of farm land and all equipment/construction included in the project/farm	30,339,811	
EVIVA NALBANT	Share pledge of 100% of Eviva Nalbant shares	-6,631,557	9,887,532
	Pledge over all movable assets (insurance, bank accounts, accounts receivable, intelectual property, etc.)	1,021,561	
		173,662,370	**192,992,614**

1) This company had negative Equity attributable to the Group on 31 December 2017

During the 2017 financial year, no additional real guarantees were constituted. The evolution registered results, thus, from the alienation of some tangible fixed assets within the scope of the Strategic Plan for the disposal of non-core assets.

39. SUBSIDIES

The detail of the investment subsidies allocated to the Group with impact in the year ended on 31 December 2017 is as follows:

	INVESTMENT AMOUNT	SUBSIDIES GRANTED	DEFERRED INCOME (NOTE 36)	AMOUNT RECORDED IN INCOME STATEMENT (NOTE 5)
Buildings and other constructions	5,797,465	4,203,885	91,103	-
Basic equipment	7,832,920	2,373,768	215,189	81,001
Office equipment	89,387	89,387	-	-
Tools and utensils	61,233	53,022	-	-
Closing balance 31 December 2017	**13,781,005**	**6,720,062**	**306,292**	**81,001**

The detail of operating subsidies registered in the P&L Statement for the year ended on 31 December 2017, under the heading other operating income/(expenses) is as follows:

COMPANY	DESIGNATION	AMOUNT RECORDED IN INCOME STATEMENT (NOTE 5)
Martifer Construções	EOEP	37,565
West Sea	IEFP	6,960
		44,525

40. 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 associate companies and joint ventures, as well as with other shareholders and companies related with them, amounted to the following amounts:

	COSTS		REVENUES		ACCOUNTS RECEIVABLE (NOTE 24)		ACCOUNTS PAYABLE (NOTE 32)	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Associate companies	8,202,161	4,510,609	23,430,371	4,113,399	31,438,944	37,933,117	16,353,417	975,001
Joint Ventures	8,433,736	37,060,00	5,842,023	1,615,740	4,573,798	14,890,174	8,386,679	267,960
Other related parties	193,754	3,109,558	5,519,365	15,530,056	2,708,459	6,318,046	246,208	6,949,474
	16,829,651	**7,657,227**	**34,791,759**	**21,259,195**	**38,721,201**	**59,141,337**	**24,986,304**	**8,192,435**

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 2017 and 2016 no impairment losses were recognized on accounts receivable from related parties.

The line "Other Entities" essentially concerns the companies of the Group I'M SGPS, SA and of the Group Mota-Engil SGPS, S.A., being that the vast majority of balances and transactions have their origin in construction contracts.

b) Remuneration of the Board of Directors and of other key managers

The remuneration granted to members of the Administration and other key managers during the years ended on 31 December 2017 and 2016 amounted to 1,007,046 Euros and 594,732.00 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 summarized as follows (values in Euro):

	FY 2017	FY 2016
Fixed remuneration	498,458	486,417
Variable remuneration	508,588	108,315
	1,007,046	**594,732**

The remuneration policy applicable to Martifer's Board of Directors and supervisory bodies, approved in accordance 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.

In addition, the Directors of Martifer SGPS are:

i. Carlos Manuel Marques Martins
ii. Jorge Alberto Marques Martins
iii. Pedro Nuno Cardoso Abreu Moreira
iv. Arnaldo José Nunes da Costa Figueiredo
v. Jorge Bento Ribeiro Barbosa Farinha
vi. Luis Valadares Tavares

41. 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.

The general price index was calculated on the basis of the information on inflation made available by the IMF.

The effect of the restatement in the consolidated statement of results for the financial year 2017 can be summarized as follows:

	FY 2017
Restatement of expenses and income	(471,957)
Monetary result	(1,062,251)
Impact on net income for the year	**(1,534,208)**

The effect of the restatement in the consolidated statement of financial position at 31 December 2017 can be summarised as follows:

	FY 2017
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 Iincome 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**

As 2017 was the first year of application of IAS 29, it is necessary to disclose the effect of the restatement in the consolidated statement of financial position on 1 January 2017, which is the following:

	FY 2017
Intangible assets	538,866
Tangible fixed assets	4,789,136
Inventory	88,302
Deferrals	6,096
Impact on Assets	**5,422,401**
Reserves	3,652,382
Impact on Equity	**3,652,383**
Deferred tax liabilities	1,565,307
Deferrals	204,712
Impact on Liabilities	**1,770,019**

42. CASH RECEIVABLES/CASH PAYMENTS RELATED TO FINANCIAL ASSETS

Cash receivables and cash payments related to financial assets for the periods ended on 31 December 2017 and 2016 may be analysed as follows:

	FY 2017	FY 2016
Cash Receivables:		
Sale of Eviva Gizalki Sp. Zo.o	-	2 988 795
Sale of 45 % of the Duelobrigatório	-	22 500
Sale of Martifer Solar S.A.	-	4 950 000
Sale of 2,67 % of Greenvouga	-	3 690 349
Sale of Martifer Slovakia S.R.O.	200 000	-
Sale of Premium Management Consulting, S.R.L.	-	-
Sale of 50 % da M-City Gliwice Sp. Zo.o	-	-
Sale of 9,091 % da Muki Solar	2 500	-
Receipts:		
from continued operations	202 500	6 701 645
from discontinued operations	-	4 950 000
Cash Payments:		
Constitution of CNA Chantier Naval d'Arzew	-	988 589
Acquisition of 50 % of Warta	-	607 200
Acquisition of 9,091 % of the Muki Solar	-	440 000
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 % da Amal Construções Metálicas Moçambique, S.A.	10 000	-
Cash Payments:		
from continued operations	35 225	2 035 789
from discontinued operations	-	-

43. FINANCIAL INSTRUMENTS

The financial instruments, in accordance with the accounting policyies described in Note 1 (vii), were classified as follows:

€	FY 2017	FY 2016
FINANTIAL ASSETS		
Availabilities		
Cash and cash equivalents	46,346,599	53,087,694
	46,346,599	**53,087,694**
Loans and receivables		
Non-current customers and other debtors	24,559,968	32,761,393
Current Customers	67,437,814	71,092,276
Other debtors current	19,488,687	40,658,733
Prepayments	5,429,583	0
State and other public entities (without income tax)	6,330,328	6,355,573
	123,246,380	**150,867,975**

€	FY 2017	FY 2016
Available-for-sale financial assets		
Non-Current Financial Application	5,935,139	5,811,911
Others	26,280	197,883
	5,961,419	**6,009,794**
Derivative Financial Instruments		
Derivatives	3,221	3,221
	3,221	**3,221**
Carrying amount of Financial Assets	**175,557,619**	**209,968,684**

€	FY 2017	FY 2016
FINANCIAL LIABILITIES		
Loans and accounts payable		
Non-Current Loans	204,906,931	260,546,024
Non-current financial lease creditors	12,876,453	12,876,453
Non-current suppliers and creditors	11,570,417	11,230,557
Current Loans	17,826,240	15,502,287
Current Lending Lenders	-	25,289
Current Suppliers	47,594,515	59,908,138
Other creditors current	12,658,311	11,662,550
State and other public entities (without income tax)	2,659,390	3,266,242
	310,092,257	**375,017,540**
Carrying amount of financial liabilities	**310,092,257**	**375,017,540**

44. 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.

45. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 3rd April 2018. In addition, the accompanying financial statements on 31 December 2017 are pending approval by the General Shareholders Meeting. However, the Group's Board of Directors believes that these will be approved without significant changes.

46. 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, 3rd April 2018

The Chief Accountant

João Alexandre Queiroz Oliveira

The Board of Directors

Carlos Manuel Marques Martins
(President)

Jorge Alberto Marques Martins
(Vice Chairman)

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

Arnaldo José Nunes da Costa Figueiredo
(Member of the Board of Directors)

Jorge Bento Ribeiro Barbosa Farinha
(Member of the Board of Directors)

Luís Valadares Tavares
(Member of the Board of Directors)

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INDIVIDUAL INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	NOTES	FY 2017	FY 2016
Sales and services rendered	2	839.186	970.350
Supplies and external services	3	(296.935)	(169.882)
Staff costs	4	(583.539)	(576.324)
Impairment of receivables (losses/reversals)	5	-	(14.700.000)
Provisions (increases/decreases)	5	(4.351.890)	596.212
Other incomes	6	169.109	231.075
Other expenses	6	(82.907)	(32.706)
Earnings before depreciation, financial expenses and taxes		**(4.306.976)**	**(13.681.275)**
Amortization and depreciation costs	7 e 8	(867)	(1.955)
Impairment of non-depreciable / amortizable investments (losses/reversals)	5	10.510.073	(16.955.723)
Operational earnings (before financial expenses and taxes)		**6.202.230**	**(30.638.953)**
Interest and similar revenue	9	11.063.287	978.612
Interest and similar expenses	9	(2.229.171)	(2.853.358)
Gains/losses on associate companies and joint arrangements	5 e 12	-	(560.293)
Earnings before taxes		**15.036.346**	**(33.073.992)**
Income tax	10	1.125.910	1.418.800
Net profit for the year		**16.162.256**	**(31.655.192)**

Earnings per share			
Basic	**11**	**0,1653**	**(0,3237)**
Diluted	**11**	**0,1653**	**(0,3237)**

The accompanying notes are part of these financial statements

INDIVIDUAL STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	FY 2017	FY 2016
Net profit for the year	**16.162.256**	**(31.655.192)**
Fair value of cash flow hedges (derivatives), net of tax	-	-
Income recognised directly in equity	-	-
Total comprehensive income for the year	**16.162.256**	**(31.655.192)**

The accompanying notes are part of these financial statements

INDIVIDUAL STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2017 AND 2016

	NOTES	FY 2017	FY 2016
ASSETS			
Non-current assets			
Tangible fixed assets	8	77	944
Financial investments – other methods	12	162.677.617	153.012.100
Group companies	13	52.500	22.081.030
Other financial assets		1.597	991
Deferred tax assets	10	2.065.066	2.065.066
		164.796.857	**177.160.131**
Current assets			
Trade receivables	14	482.137	937.715
Advances to trade creditors	14	64.672	25.189
State and other public entities	15	11.000	9.125
Income tax	15	597.281	570.241
Group companies	13	15.475.183	4.537.779
Other accounts receivable	14	1.926.719	7.368.425
Deferred expenses	16	93.240	3.550
Cash and cash equivalents	17	85.741	98.657
		18.735.973	**13.550.681**
TOTAL ASSETS		**183.532.830**	**190.710.812**
EQUITY			
Issued capital	18	50.000.000	50.000.000
Treasury stock	18	(2.868.519)	(2.868.519)
Share premiums	18	-	186.500.000
Legal reserves	18	7.766.906	7.766.906
Other reserves	18	2.868.519	2.868.519
Retained earnings	18	(28.599.368)	(183.444.176)
Net profit for the year	18	16.162.256	(31.655.192)
TOTAL EQUITY		**45.329.794**	**29.167.538**
LIABILITIES			
Non-current liabilities			
Provisions	19	4.374.178	22.288
Borrowings	20	92.263.205	128.953.683
		96.637.383	**128.975.971**
Non-current liabilities			
Trade payables	21	574.078	415.121
State and other public entities	15	72.775	67.247
Income tax	15	432.074	367.827
Group companies	13	40.166.973	31.238.760
Other accounts payable	21	319.753	478.348
		41.565.653	**32.567.303**
TOTAL LIABILITIES		**138.203.036**	**161.543.274**
TOTAL EQUITY AND LIABILITIES		**183.532.830**	**190.710.812**

The accompanying notes are part of these financial statements

INDIVIDUAL STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	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 2016		**50.000.000**	**(2.868.519)**	**186.500.000**	**7.696.844**	**2.868.519**	**(184.775.355)**	**1.401.241**	**60.822.730**
Appropriation of the profit of 2015		-	-	-	70.062	-	1.331.179	(1.401.241)	-
Other changes recognised in equity		-	-	-	-	-	-	-	-
Net profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**(31.655.192)**	**(31.655.192)**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**-**	**(31.655.192)**	**(31.655.192)**
Other changes		-	-	-	-	-	-	-	-
BALANCE AT THE END OF 2016		**50.000.000**	**(2.868.519)**	**186.500.000**	**7.766.906**	**2.868.519**	**(183.444.176)**	**(31.655.192)**	**29.167.538**
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		-	-	(186.500.000)	-	-	186.500.000	-	-
Net profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**16.162.256**	**16.162.256**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**-**	**16.162.256**	**16.162.256**
Other changes		-	-	-	-	-	-	-	-
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**

The accompanying notes are part of these financial statements

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INDIVIDUAL CASH FLOW STATEMENTS FOR THE PERIODS ENDED DECEMBER 31, 2017 AND 2016

	NOTES	FY 2017	FY 2016
OPERATING ACTIVITIES			
Receipts from customers		1.108.313	2.134.801
Payments to suppliers		(458.777)	(722.695)
Payments to employees		(572.094)	(532.470)
Cash generated from operations		**77.442**	**879.636**
Income tax paid/received		59.798	(320.631)
Other receipts/payments relating to operating activities		6.455.816	1.347.120
Net cash generated by operating activities (1)		**6.593.056**	**1.906.125**
INVESTING ACTIVITIES			
Payments arising from:			
Financial assets		(41.227.751)	(14.102.497)
Other assets		(606)	(606)
		(41.228.357)	**(14.103.103)**
Receipts arising from:			
Tangible fixed assets		50	300
Financial assets		53.489.542	14.267.708
Interest and similar income		514.290	682.108
Dividends		1.050.000	-
		55.053.882	**14.950.116**
Net cash generated by investing activities (2)		**13.825.525**	**847.013**
FINANCING ACTIVITIES			
Receipts arising from:			
Borrowings		33.013.559	26.339.927
		33.013.559	**26.339.927**
Payments arising from:			
Borrowings		(53.361.208)	(28.950.281)
Interest and similar costs		(83.398)	(335.334)
		(53.444.606)	**(29.285.615)**
Net cash generated by financing activities (3)		**(20.431.047)**	**(2.945.688)**
Net increase in cash and cash equivalents (1 + 2 + 3)		**(12.916)**	**(192.298)**
Effect of foreign exchange currencies			
Cash and cash equivalents at the beginning of the year		**98.657**	**290.955**
Cash and cash equivalents at the end of the year		**85.741**	**98.657**

The accompanying notes are part of these financial statements

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INTRODUCTORY NOTE

Martifer - SGPS, S.A. Martifer SGPS, S.A. ("Company") is a limited company, with its registered office at Zona Industrial, Apartado 17, Oliveira de Frades - Portugal, incorporated on 29 October 2004 and having as its main activities the management of shareholdings held and the rendering of support services to the 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, in terms of 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, from 13 July, the individual 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. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

These accompanying consolidated financial statements relate to the individual 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 2017. These are the International Financial Reporting Standards, issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") or by the previous Standing Interpretations Committee ("SIC"), that have been endorsed by the European Union.

These consolidated financial statements have been prepared from the books and accounting records of the companies and have been prepared under the historical cost convention, except for the revaluation of certain non-current assets and certain financial instruments, which are stated at fair value.

The accounting policies and mensuration criteria adopted by the Company in the 2017 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 2017, the adoption of which has not had a significant impact on the Company's comprehensive income or financial position.

Effective amendments to standards as at 1 January 2017

	EFFECTIVE DATE
IAS 7 - Cash flow statement	01-01-2017
IAS 12 - Income taxes	01-01-2017

Amendment to IAS 7 - 'Revision of disclosures' (to be applied for annual periods beginning on or after 1 January 2017). This amendment introduces an additional disclosure about changes in funding liabilities, disaggregated between transactions that gave rise to cash flows and those that do not, and how this information reconciles with the cash flows of the financing activities of the Cash Flow Satement.

Amendment to IAS 12 - 'Income tax - Recognition of deferred tax assets on potential losses' (to be applied for periods beginning on or after 1 January 2017). This amendment clarifies how to account deferred tax assets related to assets measured at fair value, such as estimating future taxable income when there are deductible temporary differences and how to assess the recoverability of deferred tax assets when there are restrictions in the tax law.

The adoption of these standards did not cause significant changes in the individual financial statements presented.

Standards (new and amendments) and interpretations that will become effective, on or after 1 January 2018, already endorsed by the EU

	EFFECTIVE DATE
IFRS 9 - Financial instruments	01-01-2018
IFRS 15 - Revenue from contracts with customers	01-01-2018
IFRS 16 - Finance leases	01-01-2019
IFRS 4 - Insurance contracts (applying IFRS 4 with IFRS 9)	01-01-2018
Amendments to IFRS 15 - Revenue from contracts with customers	01-01-2018

IFRS 9 (new) - 'Financial Instruments' replaces the requirements of IAS 39 for: (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.

IFRS 15 (new) - 'Customer Contract Revenue' applies only to contracts for the delivery of products or rendering of services, 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".

IFRS 16 (new) - 'Leases' replaces IAS 17, with a significant impact on accounting by lessees who are now required to recognize a lease liability reflecting future lease payments and a 'right of use' asset for all lease agreements, except for certain short-term leases and low-value assets. The definition of a lease has also been changed, based on the "right to control the use of an identified asset".

The change in IFRS 4 - 'Insurance contracts (application of IFRS 4 and IFRS 9)' entitles the entities that negotiate insurance contracts to recognize in Other comprehensive income, instead of recognizing 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 to 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.

Amendments to IFRS 15 'Customer Contract Revenue' refer to the following additional indications for determining the performance obligations of a contract, when recognizing the return on an intellectual property license, for the revision of the indicators for the classification of the main versus agent relationship, and the new schemes envisaged to simplify the transition.

The Management believes that the future adoption of these standards will not cause significant changes in its individual financial statements.

Standards (new and amendments) and interpretations that will become effective, on or after 1 January 2018, not yet endorsed by the EU

	EFFECTIVE DATE
Annual improvements to IFRS's 2014 - 2016	01-01-2017 / 01-01-2018
IAS 40 - Investment property	01-01-2018
IFRS 2 - Share-based payments	01-01-2018
IFRS 9 - Financial instruments	01-01-2019
IAS 28 - Investiments on associate companies and joint arrangements	01-01-2019
Annual improvements to IFRS's 2015 - 2017	01-01-2019
IFRS 17 - Insurance contracts	01-01-2021

Improvement to standards 2014 - 2016: this cycle of improvements affects the following regulations: IFRS 1, IFRS 12 and IAS 28.

The amendment in IAS 40 - 'transfer of investment property' is still subject to the process of endorsement by the European Union. 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 amendment to IFRS 2 - 'Classification and measurement of share-based payment transactions' is still subject to the process of endorsement by the European Union. 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 cash- settled classification equity-settled. In addition, it introduces an exception to the principles of IFRS 2, which requires that an action-based payment plan be treated as if it were fully equity-settled when the employer is required to withhold amount from the employee and to pay that amount to the tax authority.

The change in IFRS 9 - 'Prepayment elements with negative compensation' is still subject to the process of endorsement by the European Union. This amendment introduces the possibility of classifying financial assets with prepayment conditions with negative compensation at amortized cost, provided that specific conditions are verified, instead of being classified at fair value through profit or loss.

The amendment to IAS 28 - 'Long-term investments in associates and joint ventures' is still subject to the process of endorsement by the European Union. This amendment clarifies that 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, subject to the estimated impairment loss model, before any impairment test for the investment as a whole.

Improvement of standards 2015-2017: this cycle of improvements is still subject to the process of endorsement by the European Union. This cycle of improvements affects the following regulations: IAS 23, IAS 12, IFRS 3 and IFRS 11.

IFRS 17 (new) - 'Insurance contracts' replaces IFRS 4 and is applicable 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 at 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.

Management is analyzing the impact, if any, on the individual financial statements.

Interpretations

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

In the preparation of the consolidated financial statements, in accordance with IAS/IFRS, the Company'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 reporting periods (Note 1 xvi). All 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.

The accompanying consolidated financial statements were prepared for appreciation and approval on the Annual Shareholders General Meeting. The Board of Directors has approved them for issuance, on 3 April 2018 and believes that these will be approved without any changes.

MAIN ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

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

i) Financial investments

The equity holdings in Group and associated companies are registered at acquisition cost. An evaluation of the investments in Group and associated companies is performed when there are signs that the asset may be impaired. In that case, the impairment losses that may arise are registered as expense.

Subsidiaries are all the entities (including entities with special purposes) in which Martifer SGPS has the power to decide on financial or operational policies, to which the control, direct or indirect, of more than half of voting rights is usually associated.

Associates are entities on which Martifer 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:

Transportation equipment	4 years
Office equipment	3 to 5 years

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

iii) Financial assets and liabilities

Financial assets and liabilities are recognized 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 and re-appreciated on a quarterly basis.

- 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 for the purpose of selling it 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 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 which 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 classified as non-current, unless the Board of Directors has the intention to sell the investment within 12 months of the balance sheet date.

Held-to-maturity investments are classified as non-current investments, except if they are going to be realized within twelve months of the balance sheet date; Investments recorded at fair value through profit or loss are classified as current investments.

All purchases and sales of financial instruments are recognized on the trade date, irrespective of the date of the financial settlement.

These financial assets are initially measured at cost, which is considered the paid amount, and include transaction costs in the case of available-for-sale investments.

After the initial recognition, financial assets valued at fair value through profit or loss and the available-for-sale investments are re-valued at their fair values with reference to their market value at the balance sheet date (measured by their quoted price or through an independent valuation), without deducting any transaction costs that may be incurred until their sale. Financial assets not quoted and in respect of which it is not possible to reliably estimate their fair value, are maintained at acquisition cost less impairment losses.

Gains and losses resulting from a change in the fair value of the 'available-for-sale financial assets' are recognized directly in equity, under the caption 'Fair value reserves' until the investment is sold, received or in any other way alienated, or until the fair value of the investment falls below the acquisition cost and this corresponds to an imparity, moment at which the accumulated gain or loss is recognized in the income statement.

Gains and losses resulting from changes in the fair value of ‘Financial assets at fair value through profit or loss’ are recognized in the income statement, under the caption ‘Gains/losses in financial assets’.

‘Held-to-maturity investments’ are recorded at their amortized cost using the effective interest rate method, net of capital repayments and interest received.

Investments in subsidiaries and associated companies, as laid down by IAS 27, are valued at acquisition cost net of impairment losses.

b) Trade and other receivables

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

c) Borrowings

Borrowings are recorded as liabilities at the nominal value received, net of up-front fees and commissions relating to the issuance of these instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the income statement on an accruals basis.

d) Trade 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 their contractual substance. The Company classifies as equity instruments those ehose contracts evidence a residual interest of the Group in a group of assets after deducting a group of liabilities.

f) Derivatives

The Company uses derivative instruments solely to manage its exposure to financial risks by hedging these, and not with a trading objective. The use of derivative instruments has been approved by the Company’s Board of Directors.

The derivative instruments used by the Company, classified as cash-flows hedges, are exclusively related to the hedging of interest rates on loans obtained. The loan amount, interest maturity and loan reimbursement plans inherent to the hedging instrument are in all respects similar to the established conditions for the contracted loans, resulting in perfect hedges.

Interest rate derivatives (Cash-flow hedges) are initially recorded at cost, if any, and subsequently revalued at their fair value. The portion of the changes in the fair value of derivatives effectively covered are referred in the statement of comprehensive income in the caption ‘Fair value reserves - Derivatives’, being transferred to the income statement in the same period that the hedge instrument affects the income statement. The gain or loss relating to the ineffective portion is recognized immediately in the income statement, when determined.

Hedge accounting is discontinued when the hedging instrument expires 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.

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) Revenue recognition and 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.

Dividends from investments are recognized 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.

vi) 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 rate 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 at the balance sheet date, are recognized at their gross amount as gains and losses in the income statement.

vii) 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 recognized 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 measured at the tax rates and based on the tax legislation in force or expected to apply in the period in which the differences reverse.

Deferred tax assets are only recognized to the extent that there is a reasonable probability that taxable profits will be available against which to offset them. The carrying amount of deferred tax assets is reviewed at each balance sheet date and they are derecognized whenever it is probable athat they will be used in the future.

The deferred tax amount that results from transactions or events recognized directly in equity is registered directly in equity as well, not affecting the net income for the period.

viii) Interest charges on borrowings

Borrowing costs incurred with borrowings are recorded in the income statement on the accrual basis.

ix) Provisions

Provisions are recognized 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 at each balance date 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.

x) 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 recognized and recorded in the caption 'Provisions and impairment losses'. The recoverable amount is the highest between of the two: net selling 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The reversal of impairment losses recorded in previous years is recognized 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 recognized in the income statement as an operational result. However, the reversal of an impairment loss is only recognised up to the amount that would be recorded (using the historical cost, or the revalued amount, net of amortization and depreciation), if the impairment loss had not been recorded in previous years.

xi) 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. Bonus payments are recorded in the period to which they relate.

xii) Statement of financial positions presentation

Assets to be realized and liabilities to be settled twelve months after the 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.

xiii) 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.

xiv) Cash Flow Statement

The cash flow statement is prepared, using the direct method, in accordance with IAS 7. The Company classifies as 'Cash and cash equivalents' treasury operations which mature in less than three months, readily convertible to a known amount of cash, and which are subject to insignificant value changes.

The cash flow statement is classified by operating, investment and financing activities. Operating activities include cash receipts from clients, cash payments to suppliers, cash payments to and on behalf of employees and other relating to operating activities. The cash flows included in investing activities include, inter alia, 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.

xv) Subsequent events

Events occurring after the balance sheet date that provide additional information about conditions existing at the balance sheet date (adjusting events), are recognized 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.

xvi) 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 2017 and 2016 include:

- impairment analysis of financial assets;
- recording of provisions and impairment losses;
- the fair value of derivative financial instruments;
- recognition of deferred tax assets regarding reportable tax losses.

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 foreseeable at the date, 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.

xvii) Financial risk management

Uncertainty, a characteristic of the financial markets, translates into a number of risks to which the activities of Martifer Group are exposed, namely currency risk, interest rate risk, liquidity risk and credit risk.

a) Currency 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.

The exchange rate risk management policy followed by the Company 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, 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 matching of the cash flows locally and the consequent annulment of exchange risk of an economic nature.

In 2017, the cycle of scarcity of tradable currencies in Angola remained the same, as a result of the maintenance of oil prices at very low levels associated with the climate of political uncertainty in the country. This high scarcity of tradable currencies had serious consequences in the devaluation of the Abgolan currency (Kwanza), which forced Martifer Group to make due payments to local suppliers, in order to obtain a natural exchange coverage through local commercial transactions.

During the year 2017, the negotiations on the model of exit of the United Kingdom from the EU were initiated, in consequence of the outcome of the referendum which led to Brexit. A climate of uncertainty regarding the evolution of the British economy was maintained and consequently also regarding the Pound after the effective exit of the United Kingdom. The Group has managed to circumvent the risk of exposure to these currencies, taking advantage of the fact that many of the supplies are being contracted in these currencies.

b) 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 Company is indexed to short-term reference rates, reviewed on a period of less than one year (especially the 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 % 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 2017, the reference interest rates in the Euro zone remained at very low levels in line with what has already happened in recent years. With the recovery of the European economy, a possible rise in interest rates in the Euro zone for the next few years was expected, following what is the expected evolution of interest rates in the US. However, at the beginning of 2018, the ECB President Mario Draghi announced that the ECB should not increase the interest rates in 2018, and the possible increase until 2020 is expected to be smooth. Thus, in accordance with the projections of the European Central Bank, published in March 2018 ("March 2018 ECB staff macroeconomic projections for the euro area"), the interest rates for short-term shall remain negative until 2019, maintaining the levels near zero until 2020; there already are, however, estimates of growth of the medium and the long-term rates.

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, honoring all commitments made with third parties through of an 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 their responsibilities, as the 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 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.

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 Clients 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 fairly contained, particularly for companies that operate in sectors strongly affected by the preceding crisis.

The Company is subject to the credit risk related to the operational activity - Clients and Other Debtors and other accounts receivable.

Aware of this reality, the Company seeks to assess the credit risk of all its Clients 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 Company 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 main balances related to credit risk can be seen in Notes 13 and 14.

2. SALES AND SERVICES RENDERED

The sales and services rendered for the periods ended on 31 December 2017 and 2016 refer, essentially, to management fees charged to Group companies:

	FY 2017	FY 2016
Services rendered - Note 24	839.186	970.350
	839.186	**970.350**

3. SUPPLIES AND EXTERNAL SERVICES

The breakdown of supplies and external services for the periods ended on 31 December 2017 and 2016 is as follows:

	FY 2017	FY 2016
Specialized services	198.641	64.455
Advertising	4.920	1.299
Fees	42.151	45.386
Maintenance and repairs	13	-
Tools and devices	-	11
Books and technical documentation	-	29
Office material	116	342
Other materials	6	3
Fuel	98	97
Travelling expenses	8.889	26.714
Communications	2.642	5.443
Insurance	36.282	22.515
Legal and notarial fees	1.233	1.766
Travel and accommodation	1.891	1.767
Cleaning, health and safety	8	-
Others	45	55
	296.935	**169.882**

The item "Supplies and External Services" decreased in 2017, mainly related to the item "Specialized works", which mainly includes the rendering of legal services with the supplier Rüd Winkler Parner AG.

4. STAFF COSTS

The Staff costs for the periods ended on 31 December 2017 and 2016 can be analysed as follows:

	FY 2017	FY 2016
Remuneration	493.825	498.996
Social charges		
Social contributions and others	82.741	62.579
Others	6.973	14.749
	583.539	**576.324**

During 2017 and 2016, the company's average staff number was as follows:

	FY 2017	FY 2016
Funtional division		
Directors	3	3
Employees	1	1
	4	**4**

5. PROVISIONS AND IMPAIRMENT LOSSES

Provisions and impairment loss for the periods ended on 31 December 2017 and 2016 are as follows:

	FY 2017	FY 2016
Impairment losses in financial assets - Note 12	10.510.073	(16.955.723)
Impairment losses in receivables - Note 14	-	(14.700.000)
Provisions	(4.351.890)	596.212
	6.158.183	**(31.059.511)**

At the end of 2017, impairment losses and reversals in financial assets were recorded in the amount of 1,859,207 Euros and 12,369,280 Euros, respectively, following the impairment tests carried out on those assets. Provisions recorded are also related to financial assets 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 refering 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 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**

31 DECEMBER 2016	OPENING BALANCE	INCREASES	REVERSIONS	UTILIZATION	CLOSING BALANCE
Impairment losses in financial assets - Note 12	244.843.600	17.756.481	800.758	-	261.799.323
Impairment losses in receivables - Note 14	826.362	14.700.000	-	826.362	14.700.000
Provisions	618.500	-	596.212	-	22.288
	246.288.462	**32.456.481**	**1.396.970**	**826.362**	**276.521.611**

6. OTHER OPERATIONAL INCOME AND EXPENSES

The operational results of the years ended on 31 December 2017 and 2016 can be analysed as follows:

OTHER INCOMES	FY 2017	FY 2016
Social services	962	688
Suplementary incomes	7.500	136.634
Foreign exchange gains	19.821	3.827
Sales of tangible fixed assets	41	244
Other incomes and gains	259	-
Refund of taxes	140.526	89.682
	169.109	**231.075**

OTHER EXPENSES	FY 2017	FY 2016
Direct taxes	-	11.419
Indirect taxes	45.000	-
Taxes	7.364	6.972
Corrections for previous periods	1.500	-
Donations	-	90
Contributions	12.590	12.590
Others non-specified	599	-
Foreign exchange losses	15.854	1.635
	82.907	**32.706**

7. INTANGIBLE ASSETS

The information on the gross values of the intangible asset, with reference to the years ended on 31 December 2017 and 2016, can be analyzed as follows:

	OPENING BALANCE	INCREASES	SALES AND WRITE-OFFS	TRANSFERS	CLOSING BALANCE
31 DECEMBER 2017					
Software and other rights	1.349	-	-	-	1.349
Other intangible assets	42.265	-	-	-	42.265
	43.614	**-**	**-**	**-**	**43.614**
31 DECEMBER 2016					
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 the intangible assets, with reference to the years ended on 31 December 2017 and 2016, can be analysed as follows:

	OPENING BALANCE	INCREASES	SALES AND WRITE-OFFS	TRANSFERS	CLOSING BALANCE
31 DECEMBER 2017					
Software and other rights	1.349		-	-	1.349
Other intangible assets	42.265	-	-	-	42.265
	43.614	**-**	**-**	**-**	**43.614**
31 DECEMBER 2016					
Software and other rights	1.349	-	-	-	1.349
Other intangible assets	42.161	104	-	-	42.265
	43.510	**104**	**-**	**-**	**43.614**

The net value of the intangible asset, with reference to the years ended on 31 December 2017 and 2016, is 0 Euro.

8. TANGIBLE FIXED ASSETS

Information on the gross values of transportation and administrative equipment for the years ended on 31 December 2017 and 2016 can be analysed as follows:

	OPENING BALANCE	INCREASES	SALES AND WRITE-OFFS	TRANSFERS	CLOSING BALANCE
31 DECEMBER 2017					
Office equipment	30.461	-	785	-	29.676
	30.461	**-**	**785**	**-**	**29.676**
31 DECEMBER 2016					
Office equipment	34.627	-	4.166	-	30.461
	34.627	**-**	**4.166**	**-**	**30.461**

The information on depreciation amounts and accumulated impairment losses of transportation and administrative equipment for the years ended in 2017 and 2016 can be analysed as follows:

	OPENING BALANCE	INCREASES	SALES AND WRITE-OFFS	TRANSFERS	CLOSING BALANCE
31 DECEMBER 2017					
Office equipment	29.517	867	785	-	29.599
	29.517	**867**	**785**	**-**	**29.599**
31 DECEMBER 2016					
Office equipment	31.832	1.851	4.166	-	29.517
	31.832	**1.851**	**4.166**	**-**	**29.517**

The net amount of fixed tangible assets for the years ended on 31 December 2017 and 2016 is 77 Euros and 944 Euros, respectively.

9. FINANCIAL RESULTS

The financial results for the periods ended on 31 December 2017 and 2016 may be analysed as follows:

	FY 2017	FY 2016
Interest and similar revenue		
Borrowings and accounts receivable (including bank deposits)		
Interest earned	439.249	970.783
Financial assets disposals	306	-
Other revenue and financial gains	5.909	7.829
Dividends obtained form other financial assets	1.050.000	-
Other incomes	9.567.823	-
	11.063.287	**978.612**

	FY 2017	FY 2016
Interest and similar expenses		
Borrowings and accounts payable		
Interest charges on bank loans	2.209.167	2.837.183
Other expenses and financial losses relating to other financial liabilities		
Other expenses and financial losses	20.004	16.175
	2.229.171	**2.853.358**

The item "Other similar income" refers to an extraordinary gain obtained with a financial renegotiation agreement (debt amortization with a discount).

The amount of other expenses and financial losses results, essentially, from the fees incurred in authorized overdrafts.

10. INCOME TAX

The breakdown of assets giving rise to deferred tax in the periods ended on 31 December 2017 and 2016 may be analysed as follows:

	FY 2017	FY 2016
Tax losses carried forward	2.027.137	2.027.137
Fair value of derivatives	37.929	37.929
Deferred tax assets	**2.065.066**	**2.065.066**

According to tax returns and estimates of corporate income tax, deferred tax assets related to tax losses in December 2017 and 2016, 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 2017			
Generated in 2014	9.009.498	2.027.137	2026
	9.009.498	**2.027.137**	
31 DECEMBER 2016			
Generated in 2014	9.009.498	2.027.137	2026
	9.009.498	**2.027.137**	

On 31 December 2017 there were reported tax losses, calculated by the companies taxed under the Special Regime for Taxation of Corporate Groups (RETGS), in which the Company is the dominant company before and during the application of RETGS, amounting to 87,952,630 Euros (84,659,259 Euros on 31 December 2016), whose potential deferred tax assets amounted to 19,789,341 Euros (19,048,333 Euros on 31 December 2016). In a perspective of prudence, deferred tax assets were registered, related with tax losses in Portugal to use in the future, only in the amount of 2,027,137 Euros. The breakdown of total reportable tax losses and potential tax credits can be analysed as follows:

	31 DECEMBER 2017			31 DECEMBER 2016		
	TAX LOSSES CARRIED FORWARD	TAX CREDIT	TIME LIMIT	TAX LOSSES CARRIED FORWARD	TAX CREDIT	TIME LIMIT
Generated in 2013	23.299.590	5.242.408	2018	37.128.239	8.353.854	2018
Generated in 2014	37.968.459	8.542.903	2026	37.968.459	8.542.903	2026
Generated in 2015	5.489.330	1.235.099	2027	5.489.330	1.235.099	2027
Generated in 2016	21.195.251	4.768.931	2028	4.073.231	916.477	2028
Generated in 2017	-	-	2022	-	-	-
	87.952.630	**19.789.341**		**84.659.259**	**19.048.333**	

The reconciliation of tax for the year and current tax can be analyzed as follows:

	FY 2017	FY 2016
Current tax	**(1.175.482)**	**(749.685)**
Deferred taxes relating to the reversal of timing differences	-	-
Excess/Insufficiency of income tax estimate	49.572	(669.115)
Tax charge for the period	**49.572**	**(669.115)**
Effective tax rate	-	-
Income tax	**1.125.910**	**1.418.800**

On 31 December 2017 and 2016, the reconciliation between the normal and effective rate is as follows:

	FY 2017	FY 2016
Earnings before taxes	**15.036.346**	**(33.073.992)**
Nominal income tax on results (nominal rate 21%)	3.157.633	(6.945.538)
Costs not deductible for tax purposes:		
Elimination of economics double taxation of profits and distributed reserves	(220.500)	-
Impairment losses	(2.207.115)	3.728.861
Restituition of not deductible taxes and over taxation estimates	(29.511)	(18.833)
Accounting losses	-	117.662
Limitation on the deductibility of net financing expenses	-	182.134
IRC and other taxes which directly or indirectly are applicable to taxable profits	-	2.531
Provisions not accepted	913.897	3.087.000
Others	4.302	1.623
Accounting gains	-	(26)
Reversion of provisions	(3.087.000)	(466.900)
Tax benefits	(1.322)	(1.322)
Tax losses arising in this period in respect of which no deferred tax assets were recognised	1.469.616	312.808
Excess/Insufficiency of income tax estimate	49.572	(669.115)
Autonomous taxation	378	681
Consolidated tax net effect	(1.175.860)	(750.366)
Effective income tax	**(1.125.910)**	**(1.418.800)**
Net profit for the year	**16.162.256**	**(31.655.192)**

In 2017, 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 part of the taxable profit of more than 1,500,000 euros subject to and not exempt from Corporate Income Tax, the following rates of state levies apply: 3 % on the amount over 1,500,000 Euros and less than 7,500,000 Euros; 5 % on the amount over 7,500,000 euros and up to 35,000,000 euros; and 7 % that is charged on the part of the 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 opted for 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 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 under way, in which case, depending on the circumstances, the time limits may be extended or suspended. Consequently, the tax declarations for the years 2014 through to 2017 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 2017.

11. 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 realized, representing a share capital of 50,000,000.00 Euro.

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 2017 and 2016, 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 2017	FY 2016
Net profit for the year (I)	16.162.256	(31.655.192)
Weighted average number of shares outstanding (II)	97.784.090	97.784.090
Basic and diluted earnings per share (I) / (II)	**0,1653**	**(0,3237)**

12. FINANCIAL INVESTMENTS – OTHER METHODS

On 31st December 2017 and 2016, the breakdown of financial investments in subsidiaries and associated companies was as follows:

	% HELD	ACQUISITION VALUE	SUPPLEMENTARY CAPITAL	IMPAIRMENT LOSSES	TOTAL
31 DECEMBER 2017					
Âncora Wind - Energia Eólica	-	-	-	-	-
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**
31 DECEMBER 2016					
Âncora Wind - Energia Eólica	1%	1	-	-	1
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	98.533	-	120.333
Martifer Metallic Constructions SGPS *	75%	12.273.756	123.089.899	77.403.565	57.960.090
Martifer Renewables SGPS *	100%	99.765.968	145.462.327	152.101.313	93.126.982
Martifer Romania SRL	98%	1.265	-	-	1.265
Martifer Solar SGPS	100%	26.280.763	-	24.502.334	1.778.429
Patris Investimentos SGPS	3%	25.000	-	-	25.000
Ventinveste	6%	3.000	805.000	808.000	-
		138.399.100	**276.412.323**	**261.799.323**	**153.012.100**

	EQUITY	NET PROFIT FOR THE YEAR
Martifer Renewables SGPS *	101.898.876	7.462.525
Eviva Hidro	(153.976)	(125.293)
Martifer Metallic Constructions SGPS *	(20.381.035)	(8.163.737)
Martifer Gmbh	1.076	(8.849)
Ventinveste	17.671.208	40.109.087
Martifer Solar SGPS	(1.040.325)	(2.818.753)
Martifer Romania SRL	412.872	(2.667.977)
Duelobrigatório*	(5.820.293)	(12.528.754)
	92.588.403	**21.258.249**

* 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, in Martifer Gmbh 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 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 flow 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)	MARGIN INCREASE EBITDA / TURNOVER 0.5 P.P. (2)	MARGIN DECREASE EBITDA / TURNOVER 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%
Netbook value (in thousand of Euros)	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	Without impairment	Without impairment	Impairment	Without impairment	Imparidade

(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, SA and Duelobrigatório, S.A., the Group considers as a valid indicator the value of consolidated and individual Equity, and as a result, impairment losses of 145,546,639 Euros and 8,178,661 Euros were recognised, respectively. Compared to the impairments calculated in 2016, as a result of the impairments calculated in 2017, impairment reversals of 6,554,674 Euros were recorded in the year in relation to the stake in Martifer Renewables, SGPS, SA and a provision (given that Equity is negative) of 3,201,161 Euros in relation to the stake in Duelobrigatório, S.A.. 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, 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. In the case of Duelobrigatório SA in 2017, this company only held the assets in the United States that were the object of carve out in the scope of the process of sale of Martifer Solar, S.A. to Voltalia group in 2016.
- Para a Martifer Gmbh e Martifer Solar, SGPS, S.A., the Group considers as a valid indicator the value of individual Equity (both companies do not hold any financial participation in other companies). As a result, impairments and provisions of respectively 191,182 Euros and 27,321,088 Euros have been recorded. Compared to the impairments calculated in 2016, as a result of the impairments calculated in 2017, impairment reversals of 191,182 Euros were recorded in the year in relation to the stake in Martifer Gmbh and an increase of impairment/ provision of 2,818,754 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 2017 and 2016, the open positions related to supply contracts and other active financial operations are as follows:

	31 DECEMBER 2017			31 DECEBER 2016		
	NON-CURRENT	CURRENT	TOTAL	NON-CURRENT	CURRENT	TOTAL
Duelobrigatório	-	87.668	87.668	-	244.065	244.065
Martifer Construções	-	185.481	185.481	-	203.108	203.108
Martifer Gmbh	52.500	-	52.500	38.500	6.344	44.844
Martifer Metallic Constructions SGPS	-	13.779.960	13.779.960	-	3.001.238	3.001.238
Martifer Renewables	-	7.664	7.664	-	131.086	131.086
Martifer Renewables SGPS	-	31.491	31.491	-	137	137
Martifer Solar SGPS	-	-	-	-	97.212	97.212
Navalria	-	19.558	19.558	-	28.051	28.051
Nutre SGPS	-	-	-	-	71.409	71.409
Sociedade de Madeiras do Vouga	-	362	362	-	-	-
Ventinveste	-	-	-	22.042.530	-	22.042.530
West Sea - Estaleiros Navais	-	1.362.999	1.362.999	-	755.129	755.129
	52.500	**15.475.183**	**15.527.683**	**22.081.030**	**4.537.779**	**26.618.809**

These loans bear interest at the 3-month Euribor rate + 3.50 %.

Of the amount referred to under "Other financial operations", 1,607,555 Euros relate to the tax estimated by the controlled companies that form part of the RETGS tax group (Martifer Construções: 185.481 Euros, Martifer Renewables: 7.664 Euros, Martifer Renewables SGPS: 31.491 Euros, Navalria: 19.558 Euros, Sociedade de Madeiras do Vouga: 362 Eurose West Sea – Estaleiros Navais: 1.362.999 Euros). The remaining amount is related to other short-term treasury operations.

The liabilities presented by the company, with Group companies, on 31 December 2017 and 2016, are as follows:

	FY 2017	FY 2016
Martifer Construções	2.396.702	2.399.045
Martifer Metallic Constructions SGPS	51.714	12.662
Martifer Renewables	231	4.543
Martifer Renewables SGPS	37.600.005	28.733.889
Martifer Solar SGPS	2.104	4.500
Navalria	67.899	71.817
Sociedade de Madeiras do Vouga	13.120	10.838
West Sea - Estaleiros Navais	35.198	1.466
	40.166.973	**31.238.760**

On 31 December 2017, the amount presented in Group companies (liabilities) essentially refers to the liabilities that the Company has with the subsidiaries arising from RETGS and to treasury operations granted by Martifer Renewables SGPS, SA. These treasury operations bear interest at Euribor 3 months + 3.50 %.

The higher values of the RETGS refer to the transfer of the tax losses that had been constituted in the subsidiaries and which, according to the management's expectations, they will be recovered within the Group.

14. TRADE RECEIVABLES AND OTHER ACCOUNTS RECEIVABLE

On 31 December 2017 and 2016, these items are broken down as follows:

	FY 2017	FY 2016
Trade receivables		
Trade receivables	482.137	937.715
	482.137	**937.715**
Other accounts receivable		
Other debtors	1.926.719	22.068.425
Other detbtors - Impairment losses (note 5)	-	(14.700.000)
	1.926.719	**7.368.425**
	2.408.856	**8.306.140**

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 unfavorable, 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.

On 31 December 2017 and 2016, the ageing of balances in these captions was as follows:

			DUE			
31 DECEMBER 2017	TOTAL	NOT 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 accounts receivable	1.926.719	4.288	-	-	-	1.922.431
	2.408.856	**255.951**	**54.053**	**-**	**18.053**	**2.080.799**

			DUE			
31 DECEMBER 2016	TOTAL	NOT DUE	UNTIL 90 DAYS	90 TO 180 DAYS	180 TO 360 DAYS	MORE THAN 360 DAYS
Trade receivables	937.715	244.309	212.161	576	(2.018)	482.687
Other accounts receivable	7.368.425	38.651	964.482	-	5.776	6.359.516
	8.306.140	**282.960**	**1.176.643**	**576**	**3.758**	**6.842.203**

The Company considers that there is no deterioration of credit rating of the counterparty (including subsidiaries and associate companies) meaning that the old balances are not at risk of uncollectibility.

The amount related to advances to suppliers on 31 December 2017 and 2016 was 64,672 Euros and 25,189 Euros, respectively.

15. STATE AND OTHER PUBLIC ENTITIES

On 31 December 2017 and 2016, the balance of the caption 'State and other public entities' is as follows:

	FY 2017	FY 2016
Assets		
Income tax	597.281	570.241
Withholding taxes	11.000	9.125
	608.281	**579.366**
Liabilities		
Income tax	432.074	367.827
Withholding taxes	24.050	24.556
Value added taxes	40.952	34.985
Social Security contributions	7.773	7.706
	504.849	**435.074**

16. DEFERRED EXPENSES

The caption 'Deferrals' may be analysed as follows:

	FY 2017	FY 2016
Insurance	1.262	3.550
Other expenses to recognize	91.978	-
	93.240	**3.550**

On 31 December 2017, there are in 'Other expenses to recognize' 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:

	FY 2017	FY 2016
Cash	800	800
Bank deposits	84.941	97.857
	85.741	**98.657**

'Cash and cash equivalents' include short-term bank deposits, with original maturities not exceeding 3 months, for which the risk of value alteration is insignificant. On 31 December 2017 and 2016, there were no restrictions associated with the balance of the caption 'Cash and cash equivalents'.

18. EQUITY

Share capital

Martifer SGPS's share capital, fully subscribed and realized on 31 December 2017, 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 2017 and 2016 economic periods there were no changes in the number of shares representing the Company's share capital.

Treasury stock

During the 2017 economic period, Martifer SGPS didn't acquire, through the stock exchange, own shares. The Group holds 2,215,910 own shares, corresponding to 2.22 % of its share capital. In accordance with Portuguese commercial legislation in force, the company is required to keep unavailable a reserve corresponding to the own shares amount. This is included the caption 'other reserves'.

On 31 December 2017, the share 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 own shares and 0.65 % by board members, with the remaining 17.22 % dispersed on the Stock Exchange.

Share premium

Share premiums 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 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.

Other reserves

On 31 December 2017, this caption included a reserve that is not available, amounting to 2,868,519 Euros (2016: 2,868,519 Euros), related to the own shares 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 2017, Martifer SGPS, S.A. has no distributable reserves available.

19. PROVISIONS

On 31 December 2017 and 2016, the balance of "Provisions" was 4,374,178 Euros and 22,288 Euros, respectively.

	FY 2017	FY 2016
Duelobrigatório	3.201.161	-
Eviva Hidro	22.288	22.288
Martifer Gmbh	110.404	-
Martifer Solar SGPS	1.040.325	-
	4.374.178	**22.288**

20. BORROWINGS

The borrowings obtained, with reference to the periods ended on 31 December 2017 and 2016 are as follows:

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**	**-**

31 DECEMBER 2016	TOTAL	DUE			
		UNTIL 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	MORE THAN 5 YEARS
Financial institutions borrowings					
Bank loans	128.953.683	-	-	128.953.683	-
	128.953.683	**-**	**-**	**128.953.683**	**-**

The average interest rate on Martifer SGPS loans in December 2017 was 1.227 % (in 2016 it was 0.78 %).

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 amortization of the debt resulting from banking agreements.

21. TRADE PAYABLES AND OTHER ACCOUNTS PAYABLES

The information regarding trade and other accounts payable for the periods ended on 31 December 2017 and 2016 may be analysed as follows:

	FY 2017	FY 2016
Trade payables	574.078	415.121
	574.078	**415.121**
Other accounts payables		
Cost accruals	318.006	322.502
Other accruals	-	13.299
Other creditors	1.748	142.547
	319.754	**478.348**
	893.832	**893.469**

On 31 December 2017 and 2016, this caption includes amounts due to trade payables arising from the Company's operational activity and from the acquisition of tangible and intangible fixed assets.

The Board of Directors believes that the fair value of these balances does not differ significantly from their carrying value and the impact of updating these amounts is not material.

On 31 December 2017 and 2016, the ageing of accounts payable in captions 'Trade payables' and 'Other payables' is as follows:

			DUE			
31 DECEMBER 2017	TOTAL	NOT 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 accounts payables	1.748	1.748	-	-	-	-
	575.826	**63.695**	**68.000**	**55.641**	**10.305**	**378.185**

			DUE			
31 DE DEZEMBRO DE 2016	TOTAL	NOT DUE	UNTIL 90 DAYS	90 TO 180 DAYS	180 TO 360 DAYS	MORE THAN 360 DAYS
Trade payables	415.121	29.045	4.697	728	-	380.651
Other accounts payables	142.547	-	-	-	-	142.547
	557.668	**29.045**	**4.697**	**728**	**-**	**523.198**

The accounts payable due for more than 180 days refers to amounts to be paid to suppliers with which the Group maintains regular commercial relations.

22. COMMITMENTS

Pledges or Mortgages

On 31 December 2017 the collateral given by the Company may be summarized as follows:

<table>
<tr><th>COMPANY</th><th>GUARANTEE</th><th>ASSET VALUE</th><th>DEBT AMOUNT</th></tr>
<tr><td rowspan="3">Martifer SGPS</td><td>1st degree mortgage of industrial building Cutting Unit (Monoblocos)</td><td rowspan="3">-</td><td rowspan="3">1.962.224</td></tr>
<tr><td>1st degree mortgage of administrative building</td></tr>
<tr><td>2nd degree mortgage of industrial building Tower's plant (article 1914)</td></tr>
<tr><td>Martifer SGPS</td><td>Generic Mortgage (7.5M euros) of industrial building towers plant (article 1914)</td><td>7.296.413</td><td rowspan="8">90.300.980</td></tr>
<tr><td>Martifer SGPS</td><td>1st degree share pledge of Martifer Renewables SGPS - 65 % (number of shares 65.000.000)</td><td>65.518.422</td></tr>
<tr><td>Martifer SGPS</td><td>Mortgage of building in Oliveira de Frades (article P-2003) Unit OIF MTC</td><td>522.043</td></tr>
<tr><td>Martifer SGPS</td><td>Pledge of 8 Wind Turbines Suzlon S88 - 2.1MW Hub Height 79m</td><td>9.969.760</td></tr>
<tr><td rowspan="6">Martifer SGPS</td><td>Mortgage of OF Warehouse</td><td>52.965</td></tr>
<tr><td>Mortgage of Multipark Paços de Ferreira</td><td>361.646</td></tr>
<tr><td>Mortgage of other lands MGI</td><td>326.097</td></tr>
<tr><td>1st degree share pledge of Martifer Renewables SGPS (number of shares 10.000.000)</td><td>10.079.757</td></tr>
<tr><td>Various mercantil equipment pledge</td><td>209.025</td><td>513.233</td></tr>
<tr><td>Equipment mercantil pledge</td><td>60.208</td><td>113.172</td></tr>
<tr><td></td><td></td><td>94.396.336</td><td>92.889.609</td></tr>
</table>

On 31 December 2017 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 summarized as follows:

	FY 2017	FY 2016
Fixed remuneration	235.669	225.067
Variable remuneration	-	-
	235.669	**225.067**

The remuneration attributed to the Supervisory Board in 2017 amounted to 9,600 Euros (2016: 9,600 Euros) and the remuneration paid to the Chartered Accountant amounted to 48,200 Euros (2016: 53.200 Euros).

The remuneration policy applicable to Martifer' s management and supervisory bodies, approved in terms of 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:

	COSTS		REVENUES		ACCOUNTS RECEIVABLE		ACCOUNTS PAYABLE	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Shareholders	-	-	-	-	930.000	1.004.579	-	-
Group and associated companies	901.134	1.635.566	2.341.771	2.073.300	169.888.135	301.941.623	40.641.017	31.597.442
	901.134	**1.635.566**	**2.341.771**	**2.073.300**	**170.818.135**	**302.946.202**	**40.641.017**	**31.597.442**

Accounts receivable include supplementary capital amounts registered in financial investments (see Note 12).

25. CASH RECEIVABLES / CASH PAYMENTS RELATED TO FINANCIAL ASSETS

Receipts and payments of financial assets for the years ended on 31 December 2017 and 2016 refer primarily to supplementary contributions (see Note 12).

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 3 April 2018. In addition, the accompanying financial statements as of December 31, 2017 are pending approval by the General Shareholders Meeting. However, the Company's Board of Directors understands that these will be approved without significant changes.

28. 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, 3rd April 2018

The Chief Accountant	The Board of Directors
João Alexandre Queiroz Oliveira	Carlos Manuel Marques Martins (Chairman)
	Jorge Alberto Marques Martins (Vice Chairman)
	Pedro Nuno Cardoso Abreu Moreira (Member of the Board of Directors)
	Arnaldo José Nunes da Costa Figueiredo (Member of the Board of Directors)
	Jorge Bento Ribeiro Barbosa Farinha (Member of the Board of Directors)
	Luís Valadares Tavares (Member of the Board of Directors)

CORPORATE GOVERNANCE REPORT

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This translation into English of the Portuguese document was made only for the convenience of non-Portuguese speaking shareholders. For all intents and purposes, the Portuguese version shall prevail.

CORPORATE GOVERNANCE REPORT

PART I

INFORMATION ON SHAREHOLDER STRUCTURE ORGANIZATION 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., Public 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 itemized 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 neither 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 normal regulations applicable.

3. Own shares

During 2017, no transactions involving own shares occurred. Consequently, on 31 December 2017 the Company held, as it did in 2016 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 provisions 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 2017 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 to the Company was celebrated on 28 May 2007 between the I'M SGPS, S.A. (ex-MTO - SGPS, SA) and Mota-Engil, SGPS, SA, and was altered by the amendments concluded on 22 December 2009 and 17 April 2012.

The shares subject to the Shareholders Agreement, on 31 December 2017, are held by the referred shareholders in the following amounts:

SHAREHOLDERS	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 referred 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 of time, but any of the shareholders can freely terminate it with a minimum 30-day notice before the date the termination should take effect.

II. SHAREHOLDINGS AND BONDS HELD

7. Qualifying Holdings

On 31 December 2017, the main shareholders holders of qualifying holdings continued to be the companies I'M SGPS, S.A. and Mota-Engil SGPS, S.A..

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.

Mota-Engil SGPS, S.A.'s voting rights are held pursuant to Article 20 of the Securities Code (Código de Valores Mobiliários - CVM), by the company Mota-Engil, SGPS, SA..

On 31 December 2017, 82.38 % of the voting rights of the Company are imputed to both of these shareholders under the Shareholders Agreement in force on that date.

The 420,542 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 INVESTMENTOS, SA, of which that Board Member is a minority 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 held on a direct basis.

On 31 December 2017, based on the information made available to the Company, the following entities were holders of qualifying shareholdings, calculated in accordance with no. 1 of Article 20 of the Securities Code, 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*	420.542	0.42%	0.43%
Jorge Alberto Marques Martins*	230.260	0.23%	0.24%
Total Imputable to I'M – SGPS, SA	**43.056.491**	**43.06%**	**44.03%**
Mota-Engil – SGPS, SA	37.500.000	37.50%	38.35%
Arnaldo José Nunes da Costa Figueiredo **	3.000	0.00%	0.00%
Total attributable to Mota-Engil, SGPS, SA[3]	**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 no. 5 of Article 447 of the Portuguese Commercial Companies Code – "CCC")

NAME OF THE MEMBER OF THE CORPORATE BODY	CORPORATE BODY	SHARES HELD ON 31.12.2017
Carlos Manuel Marques Martins*	Board of Directors	420.542
Jorge Alberto Marques Martins*	Board of Directors	230.260
Pedro Nuno Cardoso Abreu Moreira	Board of Directors	0
Arnaldo Nunes da Costa Figueiredo	Board of Directors	3.000
Luis António de Valadares Tavares	Board of Directors	0
Jorge Bento Ribeiro Barbosa Farinha	Board of Directors	0
Américo Agostinho Martins Pereira	Supervisory Board	0
Carlos Alberto da Silva e Cunha	Supervisory Board	0
Paulo Sérgio Jesus das Neves	Supervisory Board	0
António Baia Engana	Supervisory Board	0

The 420,542 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 INVESTMENTOS, SA, of which that Board Member is a minority shareholder.

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9. Special Powers of the Board of Directors, namely in what concerns the 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, no. 8 of the Company Articles of Association, as approved at the General Meeting held on 25 May 25 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 2017, the main shareholders holders of qualifying holdings continued to be the companies I'M SGPS, S.A. and Mota-Engil SGPS, S.A..

During the 2017 financial period, no significant business or commercial transactions occurred between the Company and the holders of qualifying holdings in the Company.

Regarding the business or transactions between holders of qualifying holdings in the Company and other Company affiliates, they fall within the normal activities of these companies and were conducted under normal market conditions.

B. CORPORATE BODIES AND COMMITTEES

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 chairman, a vice chairman and a secretary; and the present holders of these positions were elected at the 14 May 2015 Shareholders General Meeting for a three-year term of office, ending on 31 December 2017.

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

12. Restrictions on the right to vote

The Company 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 Martifer shares, each share carrying one vote.

Shareholders can participate provided they hold shares, at the least, five days prior to the date set for the General Meeting, and provided these shares are registered in their name in securities' accounts.

Up to three days prior to 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 mandate addressed to the Chairman of the General Meeting Board. The aforementioned mandate 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 said meetings (including, amongst other, the template to exercise the vote by correspondence) are made available to the shareholders up to 21 days prior to date of the General Meeting, at Martifer's registered office and in the Company's website. Such documentation can be found on the company's website on the Internet on www.martifer.com. 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 meeting. Still in the same e-mail address of the Company the minutes of the meetings of the General Assemblies are also made available within five days after their occurence.

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 in English, the notice of meeting for the General Meeting, the possible ways to exercise the vote and the procedures to adopt for to vote by correspondence or by proxy;
- Disclosing in the website, in Portuguese and in English, the preparatory information regarding he various points on the Agenda;
- Creating an electronic mail address exclusively dedicated to the General Meeting, which is disclosed in the notice of meeting, to facilitate the clarification of any doubts;

13. 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 no. 1 of Article 20

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

Article no. 18 of the Company Articles of Association establishes both for a first or second notice of 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 Articles of Association that sets a qualified majority of two-thirds of the votes counted for the passing of resolutions relating to the dismissal without fair grounds of directors.

II. MANAGEMENT AND SUPERVISION

a) Composition

15. Details of the corporate governance model adopted

Martifer's corporate governance structure comprises a Board of Directors, a Supervisory Board and a Statutory Auditor, all elected at Shareholders General Meetings. For the term of office corresponding to the triennium 2015-2017, the Board of Directors delegated the governing the day-to-day affairs of the Company to an Executive Committee, under the terms and within the limits defined in Point 21.1 below.

The members comprising the corporate bodies, the General Meeting Board and the Remuneration Setting Committee were elected for a triennium (2015 - 2017). The Remuneration Setting Committee, elected at a Shareholders General Meeting, is responsible for setting the remuneration of the members of the Company's corporate bodies 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 designated by a minimum number of Shareholders, holding at least 10 % of the share capital, who voted against the passed proposal to elect the directors.

The Board of Directors designates the Chairman and Vice Chairman from amongst its members and to the extent 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. In accordance with the Company Articles of Association, for the purposes of substituting directors under no.1 of the said Article of the CCC, absence is qualified as permanent when, without justification accepted by the management body, a director is absent from more than five meetings, consecutive or not.

17. Composition of the Board of Directors

In accordance with the Company Articles of Association, Martifer's Board of Directors is composed of 5 to 9 members elected at a General Meeting.

The term of office of the members nominated to the Board of Directors is 3 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 replaced by newly elected directors.

On 31 December 2017, the Board of Directors had 6 members, elected at the Company General Meeting for a three calendar year term of office, ending on 31 December 2017.

On 31 December 2017, the composition of the Board of Directors for the 2015-2017 term of office was as follows:

NAME OF DIRECTOR	FIRST NOMINATION	END OF CURRENT TERM OF OFFICE
Carlos Manuel Marques Martins (Chairman of the BD)	2004	2017
Jorge Alberto Marques Martins (Vice Chairman)	2004	2017
Pedro Nuno Cardoso Abreu Moreira	2015	2017
Arnaldo José Nunes da Costa Figueiredo	2010	2017
Luis António de Castro de Valadares Tavares	2008	2017
Jorge Bento Ribeiro Barbosa Farinha	2008	2017

18. Distinction between executive and non-executive members

NAME OF DIRECTOR	(Executive / Non-executive)	INDEPENDENT or NON-INDEPENDENT
Carlos Manuel Marques Martins (Chairman of the BD)	Executive	-
Jorge Alberto Marques Martins (Vice Chairman)	Executive	-
Pedro Nuno Cardoso Abreu Moreira	Executive	
Arnaldo José Nunes da Costa Figueiredo	Non-executive	Non-independent
Luis António de Castro de Valadares Tavares	Non-executive	Independent
Jorge Bento Ribeiro Barbosa Farinha	Non-executive	Independent

On 31 December 2016, of the 6 directors on the Board of Directors, 3 are non-executive directors, whose duties are to monitor and assess the management of the Company by the executive directors, 2 of these 3 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, no. 5 of the CCC, as well as that established in Point 18.1 of Annex 1 of the 4/2103 Regulation of CMVM and in Recommendation II. 1.7 of the Code of Corporate Governance of CMVM (2013).

19. Professional qualifications of the members of the Board of Directors

The experience and knowledge of the members of the Board of Directors is 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.

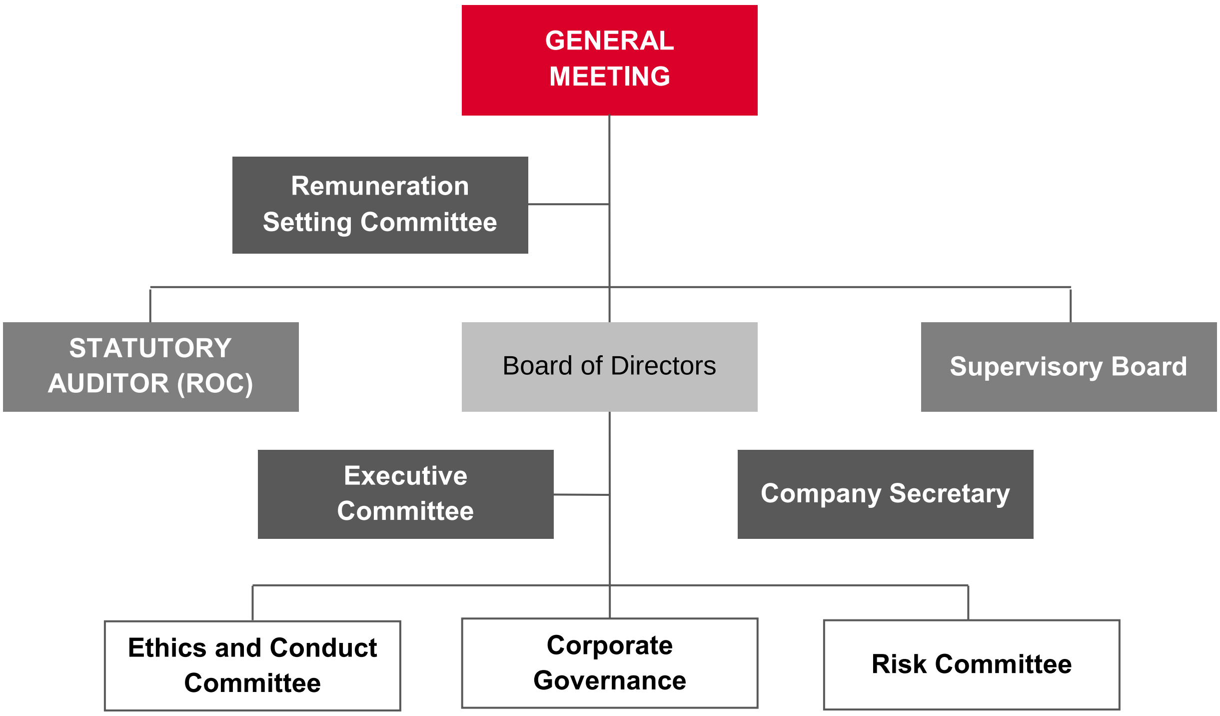
20. Meaningful family, professional or business relationships of members of the Board of Directors with shareholders that are assigned qualifying holdings

The Chairman of the Board of Directors, Carlos Manuel Marques Martins and the Vice Chairman, 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 non-executive director Arnaldo José Nunes da Costa Figueiredo exercises management functions in Mota-Engil Group companies; Mota-Engil SGPS, S.A., Martifer's other major shareholder, is the holding company of the aforementioned Group.

21. Organizational charts or flowcharts concerning the allocation of powers between the various corporate bodies, committees and/ or departments of the Company, including information on delegating powers, particularly in what regards the delegation of the Company's daily management

21.1 ORGANIZATIONAL CHART



21.2 POWER DELEGATION

In accordance with the Articles of Association and under Article no. 407, no. 3 of the CCC, daily management powers were delegated to an Executive Committee, positions now held by Carlos Manuel Marques Martins (President), by Jorge Alberto Marques Martins 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.

The duties delegated to the Executive Committee include the guidance for the 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 attainment of the objectives of each business area, establishing policies transversal to the Company as a whole. It is also the Executive Committee's duty to 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.

According to the Board of Directors' resolution dated 28 July 2015, the following powers and respective limits were delegated:

- Subscription, acquisition or disposal of shareholdings in any company;
- Acquisition or disposal of real estate assets and other assets;
- Investment or commitment to invest, excluding investments involving new business areas;
- Acquisition and disposal of own shares within the limits of the resolution made at the Company's General Meeting;
- Investments and divestments foreseen in the annual budgets or, if not foreseen, whose amount is below five million Euros;
- Contracting of service rendering;
- Hiring of employees, defining remuneration levels, categories and conditions and other benefits or complements;
- Exercising of disciplinary powers and applying sanctions;
- Issuance of binding instructions to wholly controlled Martifer – SGPS, S.A. group companies, as defined in the Portuguese Commercial Companies Code (CCC);
- Participation in Joint-Ventures and in Economic Interest European Groups and, additionally, celebration of consortium and associative partnership contracts, incorporation or participation in any other forms of temporary or permanent associations of companies and/ or private or public entities, except when they have as their objective the participation in projects involving a turnover of more than one hundred million Euros;
- Appointment of representatives to the General Meetings of the companies in which Martifer SGPS, S.A., an Open Society, has shareholdings and determination of 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;
- Appointment of proxies to carry out specific acts or categories of acts, defining the extent of the respective mandates.

Pursuant to Article no. 407, no. 1 of the Portuguese Commercial Companies Code, the Board of Directors also attributed to the Director Pedro Nuno Cardoso Abreu Moreira the special position of assuming responsibility for the Financial Area, as well as of Company Representative with the Market and with CMVM.

Except for the matters that cannot be delegated by law pursuant to Article 407, no. 4 and no. 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 Martifer Group companies, when the amounts involved are equal 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 turnover of more than one hundred million Euros;
VI. Appointment of proxies, individual or legal, to hold social roles in other companies;
VII. Constitution of the Executive Committee and the definition of the matters to be delegated to it.

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 aforementioned powers.

b) Functioning

22. Availability and place where rules and regulations on the functioning of the Board of Directors may be viewed

The Board of Directors' Organisational and Functional Regulation can be found in Martifer's website at – www.martifer.com (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 regularly, once per quarter and, as defined in the Articles of Association and in the respective Regulation, whenever the Chairman or two board members call a meeting; valid resolutions being passed with the attendance or representation of a majority of its members.

Without prejudice to the above and considering the fact that the Chairman of the Board of Directors accumulates the position of President of the Executive Committee, the Board of Directors' Regulation sets forth that the non executive directors may, even so, conduct meetings, when such meeting is called by a non-executive director on his/ her own initiative or at the request of any two of those directors, for the purpose of exercising their powers of monitoring, supervising and appraising the activity of the members to whom the Board of Directors delegated powers.

To that end, and in order to safeguard the exercising, in an independent and informed manner, of the powers 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 the Regulation:

(i) obligation to hand to the directors without delegated powers all the information considered necessary or convenient and that is requested by them 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) possibility of any non-executive director to request the call of meetings so that non-executive directors can exercise the powers attributed to them; and
(iv) the specialised committees with monitoring, supervisory and appraisal competencies over the activities of the directors with delegated powers shall be presided and largely composed of directors with no delegated powers.

During the 2017 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 20167 the Board of Directors met twenty-one times. The minutes are written up and signed by the Directors and the Company Secretary and recorded in the respective minute book, with copies also being sent to the Chairman of the Supervisory Board.

The attendance level of each Director at the said meetings, in the conduct of his/her respective duties, was as follows:

NAME OF DIRECTOR	ATTENDANCE
Carlos Manuel Marques Martins (Chairman of the BD)	100%
Jorge Alberto Marques Martins (Vice Chairman)	100%
Pedro Nuno Cardoso Abreu Moreira	100%
Arnaldo José Nunes da Costa Figueiredo	100%
Luis António de Castro de Valadares Tavares	100%
Jorge Bento Ribeiro Barbosa Farinha	100%

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24. Competent Corporate Bodies to appraise the performance of the executive directors

The Company's Corporate Governance Committee is composed of non-executive members of the Company's Board of Directors and presided by an independent director that meets all the independence and compatibility requirements foreseen in Point 18.1 of Annex I of the 4/2013 Regulation of CMVM and in Recommendation II.1.7 of CMVM (2013). 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 bodies 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 Bodies are reviewed annually and submitted for approval at the Company 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, of the alignment of the interests of the management board members with the interests of the company, of the performance assessment, of the economic situation of the company and of the general market conditions for equivalent situations, as better set out in Point 70 below.

In addition, in the context of the Corporate Governance Committee, and in compliance with recommendation II.I.4. a) of the Corporate Governance enshrined by CMVM, this body annually analyses the performance of the Executive Committee of Martifer SGPS taking into consideration:
(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 economic and financial situation nationally and internationally, 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, within and outside the Group, and other relevant activities undertaken by members of those bodies throughout the financial year

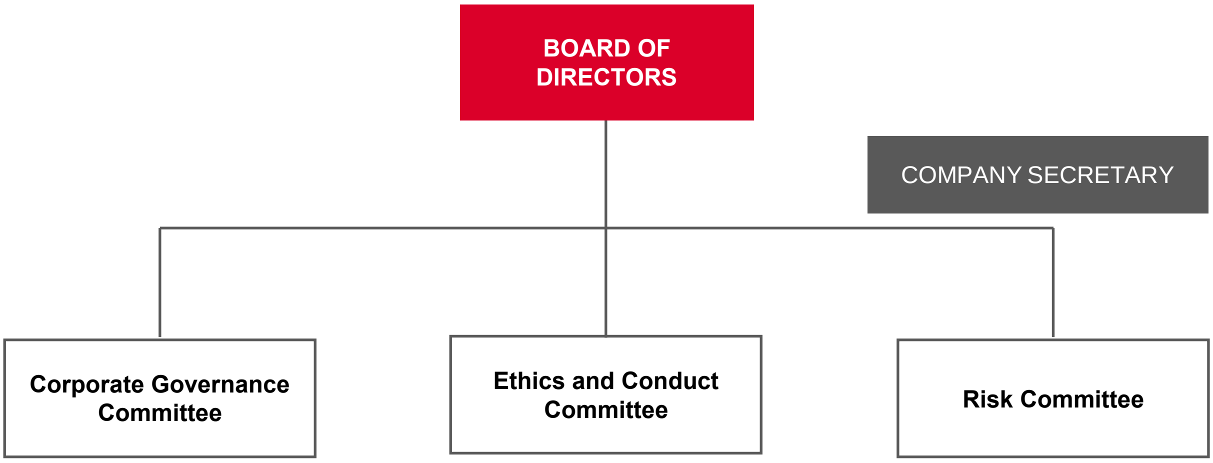
The indication and description of the positions held and duties carried out by the members of the Board of Directors are better described in the document attached to the present report as Annex II.

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 bodies 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 the place where the Regulations on the functioning thereof are available

With the aim of adopting the best corporate governance practices, the Board of Directors appointed 3 (three) specialised committees to boost its operational effectiveness.



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.com (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:

- Carlos Manuel Marques Martins (Presidente);
- Jorge Alberto Marques Martins; and
- Pedro Nuno Cardoso Abreu Moreira

The powers delegated to the Executive Committee are set down in Point 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	Jorge Bento Farinha (Independent, non-executive Director)

MEMBERS	Luís Valadares Tavares (Independent, non-executive Director) Dr. Américo Pereira (President of the Supervisory Board)

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 promotent of ethical and responsible conduct management, from the perspective of the interests of the shareholders and other stakeholders.

Other than the presence of its members in informal meetings and in work groups, the Corporate Governance Committee met formally twice in 2017. 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.com (Tab: Investors, Section: Corporate Governance/ Articles of Association).

The Corporate Governance Committee has as its main responsibilities and powers:

- to evaluate 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 bodies 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	Luís Valadares Tavares (Independent, non-executive Director)

MEMBERS	Carlos Eduardo Gil (Corporate Diretor of Martifer's Legal Department); and Paulo César Ferreira (Corporate Diretor of the Corporate Planning and Management Control Department)

The Ethics and Conduct Committee has its own Regulation that establishes the rules regarding its composition, functioning and powers related to the ellaboration, 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.com (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 Body, 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 working days, which will also indicate the respective agenda. The Ethics and Conduct Committee writes up minutes of all its meetings.

In the year 2017 only informal meetings were held to monitoring the implementation of the new code of ethics and conduct; its members also took part in several work groups. The Ethics and Conduct Committee did not formally meet in 2017, although there are already formal meetings scheduled for January 2018.

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 Chairman 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	Jorge Bento Farinha (Independent, non-executive Director)
VICE PRESIDENT	Américo Pereira (President of the Supervisory Board)
MEMBER	Pedro Nuno Cardoso Abreu Moreira (Member of the Executive Committee)

The Risk Committee has its own Regulation that establishes the rules regarding its composition, functioning and powers related to the ellaboration, implementation and follow-up os a risk management system transversal to Martifer Group. The Risk Committee's Regulation can be consulted in the Company's website at www.martifer.com (Tab: Investors, Section: Corporate Governance/ Articles of Association).

The mission of the Risk Committee is to propose and monitor the implementation of the Martifer Group's risk management policy, which aims to establish a strategy for the prevention and management of risk transversal to the Martifer Group, so as to reduce the exposure to risk and 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 prior opinion of the Risk Committee;
- to submit to the Board of Directors proposals, suggestions of methodologies to identify and cover risks that are appropriate 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, so as 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 Commission did not formally meet in 2017 since there were no facts that occured that called for the issuance of recommendations.

III. SUPERVISION

a) Composition

30. Details of the Supervisory Board

Martifer's supervisory 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 date of end of the term of office for each member

The Company's Supervisory Board is composed of three effective members and an alternate member, elected at the 14 May 2015 General Meeting, for the triennium 2015-2017, re-electable as permitted by law.

The members of the Supervisory Board may only be elected, as a general rule, by the General Assembly, 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 the General Assembly.

The members Américo Agostinho Martins Pereira (President), Paulo Sérgio Jesus das Neves (Member) and António Baia Engana (Alternate) were appointed for the first term of office in 2015, which ends in 2017. Carlos Alberto da Silva e Cunha (Member) was appointed for the first mandate in 2008, ending his current and third mandate in 2017.

32. Details of the members of the Supervisory Board

Currently, Martifer's Supervisory Board has the following composition:

PRESIDENT	Américo Agostinho Martins Pereira
MEMBERS	Carlos Alberto da Silva e Cunha Paulo Sérgio Jesus das Neves
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 and attest, 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 criterion 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 2017, 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 www.martifer.com (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 him/her to schedule 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 2017 the Supervisory Board met six 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
Américo Agostinho Martins Pereira	100%
Carlos Alberto da Silva e Cunha	100%
Paulo Sérgio Jesus das Neves	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 2017 financial year full availability to exercise the functions attributed to them, having regularly attended the meetings called as well as being present whenever such presence was considered convenient.

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 entities, as described in the curricula presented in the annex of this report, endowing this board with operational knowledge on the Company’s business areas.

The President is adequately supported by the remaining members of the Supervisory Board.

Within the scope of the most relevant activities of the members of the Supervisory Board we refer to the information indicated in Point 33.

c) Powers and duties

37. Description of the procedures and criteria applicable to the supervisory body for the purposes of hiring 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 to other entities belonging to the same company, in 2017, dis not represent relevant amounts. The Supervisory Board approved the service contracting outside the scope of the statutory and external audit to be rendered by the External Auditor, considering that these services, in addition to not exceeding a relative weight above 30% of the total services rendered to the Company, do not impair the External Auditors' independence.

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 supervisory duties to the company's activity, has analytical and appraisal responsibilities over the most significant aspects of the relationship with the External Auditor, namely in aspects relating to the independence of the External Auditor's work. During 2017, 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 rigor, transparency and civilness.

Additionally, the Supervisory Board reflects, whenever necessary or adequate in function of 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 body

In addition to the duties described in the previous point, 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 General Meeting Board:

- 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 conditions adequate for the rendering of these services are made available at the Company;
- annually appraising the services rendered as well as for 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 of the activity of internal audit, including the functioning of the internal control and risk management systems, both the 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 opinion issued by the Supervisory Board.

IV. STATUTORY AUDITOR

39. Details of the statutory auditor and the partner that represents same

The Statutory Auditors, effective and alternate, were elected for the triennium 2015-2017 at the 14 May 2015 General Meeting; those elected were:

PRESIDENT	PRICEWATERHOUSECOOPERS & Associados – Sociedade de Revisores Oficiais de Contas, Lda., Statutory Auditor (effective)
ALTERNATE	JOSÉ PEREIRA ALVES, Statuary Auditor (alternate)

The Statutory Auditor can only be elected at a General Meeting. 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 through the election of a new member at a Shareholders General Meeting.

The Statutory Auditor may be represented by Hermínio António Paulos Afonso or by António Joaquim Brochado Correia, it being understood that for the 2017 financial year the representative of the Statutory Auditor 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 point, the current Statutory Auditor, PricewaterhouseCoopers & Associados, SROC, Lda, was appointed at the General Meeting on 10 April 2013, carrying 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 follow points.

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 Company's External Auditor is the company PricewaterhouseCoopers & Associados, SROC, SA (PwC) registered under no. 9077 in CMVM, pursuant to a contract initially celebrated for that financial year, and which has been extended to the 2017 financial year.

PwC has been represented by Mr Hermínio António Paulos Afonso since 2010 and since 2017 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 point, the External Auditor PricewaterhouseCoopers & Associados, SROC, Lda. and the respective statutory auditor partner, that represents the prior in the conduct of its duties, exercised duties consecutively at the Company since 2010, for around 8 years.

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 of the External Auditor's work, ensuring compliance with what is stated in Article no. 54 of Decree-law no. 487/99, of 16 November (amended by Decree-law no. 224/2008, of 20 November), relating to the rotation of the partner responsible for the execution of the work.

On 27 September 2017 the Supervisory Board issued an opinion in favor 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 Auditor, over the years 2018 and 2019, that is, up to the maximum limit indicated in paragraph 4 of article 54 of the OROC Statute (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 prevent 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 representative of the Statutory Auditor Company in office, took office in 2017 under a rotation policy, which is done in accordance with the best practices of *compliance*, namely the implementation of the recommendation of CMVM IV.3 inserted in the Code of Corporate Governance.

In preparing the proposal, the Supervisory Board took into account what is indicated in paragraph no. 4 of article no. 54 of Law 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 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 of 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 services were rendered for foreign companies.

The approval and contracting of the services rendered by the External Auditor, other than the auditing services, was based on the procedures described in Point 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 2017 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 219,334 Euros (including expenses and remuneration paid by foreign subsidiaries). The breakdown of that remuneration is as follows:

OTHER	2017	%	2016	%	2015	%
Statutory audit and audit services	166.658	97.64%	187.161	93.50%	295.769	90.11%
Other reliability assurance services	2.000	1.17%	2.760	1.38%	0	0.00%
Tax consultancy services	0	0.00%	5.250	2.62%	14.495	4.42%
Other services other than statutory audit	2.026	1.19%	5.000	2.5%	17.940	0.00%
Total	**170.684**	**100.00%**	**200.171**	**100.00%**	**328.204**	**100.00%**

MT SGPS	2017	%	2016	%	2015	%
Legal account audit and audit services	48.200	99.08%	53.200	91.41%	41.720	100.00%
Other reliability assurance services	0	0.00%	5.000	8.59%	0	0.00%
Tax consultancy services	0	0.00%	0	0.00%	0	0.00%
Other services other than statutory audit	450	0.92%	0	0.00%	0	0.00%
Total	**48.650**	**100.00%**	**58.200**	**100.00%**	**41.720**	**100.00%**
TOTAL GLOBAL	**219.334**		**258.371**		**369.924**	

** Including individual and consolidated financial statements

C. INTERNAL ORGANISATION

I. BY-LAWS

48. Rules applicable to the amendment of the Company's Articles of Association (Article no. 245-A, no. 1, h)

Martifer's Articles of Association do not provide for 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 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 Article no. 18 of the Articles of Association and Article no. 386, no. 3 of the CCC, namely the 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 as the responsible entity for receiving and managing complaints or reporting irregularities the Ethics and Conduct Committee, without prejudice to the powers of the Supervisory Board in this matter.

Additionaly 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, with exclusive access by the President of the Ethics and Conduct Committee. The anonymity and confidentiality of them 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 them 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 on Ethics and Conduct Committee.

During 2017 no irregularities were reported to the Ethics and Conduct Committee of the Martifer Group.

The Company's communication and reporting of irregularities policy is posted on the Company's website, in the Internet at www.martifer.com, as well as in the Company's intranet.

Martifer's irregularity reporting policy covers the entire perimeter of the 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 in order 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 compliance with the guiding principles of the Martifer Group's Risk Policy, assisting the Board of Directors in setting the Company's strategic objectives in matters concrening 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 Point 29 above and can be found in the Risk Committee Regulation available on the Company's website at www.martifer.com (Tab: Investidor, 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 the 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 organizational structure, Martifer has an Internal Audit Department that carries out its activity in order 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, which verifies whether the assets of the Martifer Group are properly registered and adequately protected against possible risks and losses, to examine and assess the rigor, quality and application of operational, accounting and financial controls, by promoting effective and cost-effective control and by proposing necessary measures to address any deficiencies in the internal control system.

The internal audit department of Martifer reports functionally to Jorge Bento Ribeiro Barbosa farinha, non-executive and independent Director of the Company's Board of Directors.

The scope of the audits to be carried out is established annually in order to assess the quality of the control processes that ensure the fulfillment of the objectives of the internal control system, namely those that ensure the efficiency of operations, the reliability of financial and operational reports and respect for laws and regulations. The deficiencies of internal control are reported hierarchily above, and the most serious matters are reported to the Board of Directors.

The activities of the Internal Audit Department, including the functioning of the internal control and risk management systems, are regularly monitored by the Supervisory Board of the Company as a supervisory body, within the scope of its functional competetnces, namely those foressen in article no. 420 of the Commercial Companies Code. It should be noted that the

Supervisory Board of the Company meets regularly, fully complying with all the functions and duties, as is clear from the minutes of the meetings and from the annual report and opinion of the Supervisory Board.

During the year 2017, due to some employees assigned to the Internal Audit Department having left the Group, the activity of the same was very reduced. However, the Company is actively endeavoring 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 organizational structure.

Planning and Management Control Department and Consolidation and Reporting Department

The Company also has a Planning and 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 and 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 noted the existence of a Code of Ethics and Conduct, and a system of communication of irregularities which allow the improvement of Martifer Group's control culture

51. Explanation, by the inclusion of an organizational 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 and 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 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 General Shareholders Meeting and the results of its activity are appraised by the Supervisory;
- The Internal Audit Department reports functionally to the non-executive independent director of the Board of Directors - Jorge Bento Farinha;
- The Planning and Control Department and the Consolidation and 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

FINANCIAL RISKS

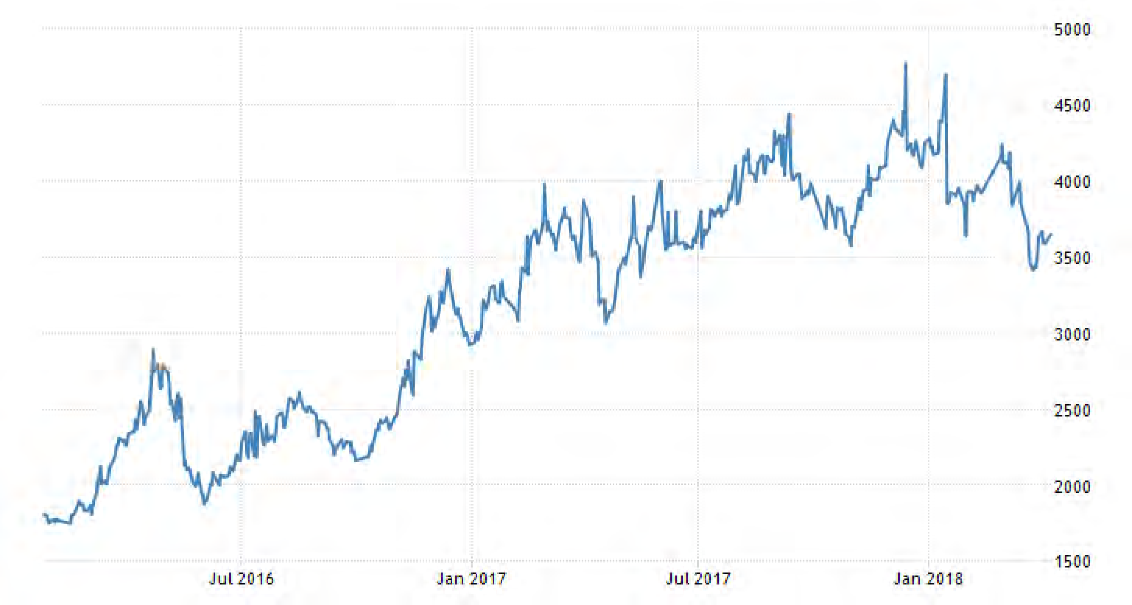
A) PRICE RISK

The volatility of the price of raw materials constitutes a risk for the Group in the segment of Metal Constructions and Aluminum. The antidumping measures/fees already implemented by the European Union on steel and aluminum products from China caused a significant increase in the price which affected the operational activity of the metallic constructions business areas.

Thus, in 2017, there was a sharp rise in the price of this commodity as a result of the implementation of these measures, a trend that was maintained throughout the year of 2017. The first quarter of 2018 started with a strong uncertainty on the price evolution of these commodities with the Trump administration in the USA, that announced the application of a surcharge of 25 % on steel and 15% on aluminum on the imports of third countries, in particular imports from EU countries.

Martifer has sought to mitigate this risk, through a rigorous planning of raw materialspurchases, 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.

Evolution of the price of 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 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 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, 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 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 level of the risks involved. However, whenever considered appropriate, the Group hires the coverage of exchange rates in order to cover the risk.

In 2017, the cycle of scarcity of tradable currencies in Angola remained the same, as a result of the maintenance of oil prices at very low levels associated with the climate of political uncertainty in the country. This high scarcity of tradable currencies had serious consequences in the devaluation of the Abgolan currency (Kwanza), which forced Martifer Group to make due payments to local suppliers, in order to obtain a natural exchange coverage through local commercial transactions.

Martifer Group has mitigated this risk by means of financial instruments submitted by clients (e.g. letters of credit) in order to maintain the normal financial flow.

During the year 2017, the negotiations on the model of exit of the United Kingdom from the EU were initiated, in consequence of the outcome of the referendum which led to Brexit. A climate of uncertainty regarding the evolution of the British economy was maintained and consequently also regarding the Pound after the effective exit of the United Kingdom. The Group has managed to circumvent the risk of exposure to these currencies, taking advantage of the fact that many of the supplies are being contracted in these currencies.

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 in a timely manner. 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% 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 2017, the reference interest rates in the Euro zone remained at very low levels in line with what has already happened in recent years. With the recovery of the European economy, a possible rise in interest rates in the Euro zone for the next few years were expected, following what is the expected evolution of interest rates in the US. However, at the beginning of 2018, the ECB President *Mario Draghi* announced that the ECB should not increase the interest rates in 2018, and the possible increase until 2020 is expected to be smooth. Thus, in accordance with the projections of the European Central Bank, published in March 2018 ("*March 2018 ECB staff macroeconomic projections for the euro area*"), the interest rates for short-term shall remain in negative until 2019, maintaining the levels near zero until 2020; there already are, however, estimates of growth of the medium and the long term rates.

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 restructuring agreements signed with banks in 2015 which enabled the temporal stability of the spreads at very competitive levels.

(D) LIQUIDITY RISK

The liquidity risk reflects the Group's capacity to meet its financial responsibilities, taking into account 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 strategies outlined, honoring all commitments made with third parties through of an 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 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 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 Martifer Group's Clients to meet their obligations, with possible negative effects on the results of the Group. 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 fairly contained, particularly for companies that operate in sectors strongly affected by the preceding crisis.

The Group is subject to credit risk in relation to the operational activity - Clients and Other Debtors and other Accounts Receivable.

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 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 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 metal 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.

With regard to 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 regards the submission of proposals and the preparation of the administrative dossier, respecting 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 domino effect the compliance with the deadline for delivery 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 metal 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, however, the corresponding capital which allows its implementation.

The way that the metal 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 SHIPBUILDING INDUSTRY

Companies in the shipbuilding 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, it must be also pointed out the difficulty to capture highly qualified staff due to foreign competition from Northern European countries;
- 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 in relation with subcontractors and suppliers that may not fulfill their contractual obligations and can jeopardize the implementation and quality of the projects;
- risk in the labor aspect, since nowadays there is a lack of qualified personnel because of two reasons. On one hand, not enough employees are being trained to cater for the needs of West Sea, even though the company is making an internal effort in this sense. On the other hand, the competitive pressure from Spain, more specifically of Galicia and its shipyards, given the geographical proximity, 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 operatinal 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 mitigated through the geographical diversification of wind farms, which allow the compensation of wind variations in each area and to maintain the total amount of energy produced relatively stable.

In what concerns solar photovoltaic energy, the exogenous factors are more easily foreseen, so that the variation of 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 for the development of wind farms and solar parks, such actions may have a significant impact on the activity.

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 company's adaptation 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 area and is monitored within the scope of legal and tax advisory services dedicated to the respective activities, which operate in dependence of the administration and management, developing their competencies in articulation with the other fiscal and financial departments, so as to ensure the protection of the interests of the Company and, ultimately, of the stakeholders, in strict respect for the fulfillment of their legal duties.

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

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.

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 representing a responsibility of all managers and employees at different levels of the organization.

> 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 with the objective to strengthen the integrated management of the risks, establishing a strategy for risk prevention and management across the Group, so as to reduce the exposure to risk and to safeguard the value of the Group. The procedure is characterized, briefly, by identifying risks in each of the business areas, accompanied, in parallel,by the formalization of a risk evaluation, management, prevention and mitigation process to de 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, analyzing their possible impact on the strategic objectives of the organization and predicting the likelihood of their occurrence, in order to determine the best way to manage the exposure to these risks.

All these risks are appropriately identified, assessed and monitored, and the different structures within the Company manage and/or mitigate them.

Risk management in the Martifer group begins with the identification and measurement and analysis of the different risks to which they are 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 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 the risk control mechanisms, which are subject to the scrutiny of the competent Financial, Fiscal and Legal departments.

Risk identification is a responsibility that is transversal to the different levels of the organization. Templates have been created to identify and categorize the main risks of each Business Area, as well as of 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 geographies of the Group.

The effectiveness of these mechanisms is periodically assessed by the holding company through the Internal Audit department, in compliance with an auditing financial 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 and 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 objective of the *Holding* to obtain an integrated view of the risks which the Group faces in each of their 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, given its capital structure, an acceptable risk level .

In this sense, the operations of greater relevance and impact in Martifer Group, as well as those more of a financial nature are directly assessed and validated by the Financial, Fiscal and Legal Departments at the *holding company*, following the risk policies and strategies set by the administration.

55. Core details on the internal control and risk management systems implemented in the Company regarding the procedure for reporting financial information (Article no. 245-A, no. 1, m)

Concerning the release of financial information, Martifer Group promotes strict cooperation amongst all the bodies, the 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 the persons responsible for the management of the respective business areas, seeking to exercise permanent monitoring and the respective budgetary control;
- The accounting records and the preparation of the financial statements are prepared by the Financial, Accounting and Corporate Planning and 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 quarterly basis, by the Consolidation and Reporting Department and validated by the Planning and 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. Subsequent to 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 both an annual audit as well as quarterly revisions to the financial statements, 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 a permanent contact with the capital market, seeking to guarantee a 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 Group information from Martifer's website www.martifer.com, in particular from the Investor Relations page, where they can find, in addition to the mandatory information of a corporate and financial nature, information on the evolution of its quoted share price. Shareholders and Investors can also contact the Investor Assistance Office, which assures a permanent contact with the market.

During the 2017 financial year, Martifer participated in various events amongst which roadshows, seminars, one-on-one meetings and conferences aimed at institutional investors.

The Investor Relations and Communications Office seeks to assure the disclosure of information on Martifer Group in a continued, opportune and balanced manner to the market, to investors, to analysts and to journalists .

The main functions of the Investor Assistance Office are, amongst others:

- Assuring, vis-à-vis the authorities and the market, compliance 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;
- Supporting and advising 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 contacts it regularly maintains with financial analysts and institutional investors (national and foreign), in conferences, in meetings and in 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:

investor.relations@martifer.pt
Martifer SGPS, Apartado 17
3684-001 Oliveira de Frades Portugal
Telephone: +351 232 767 700
Fax: +351 232 767 750

57. Market Liaison Officer

For purposes of the Securities Code, the Market Liaison Officer is Pedro Nuno Cardoso Abreu Moreira.

Pedro Nuno Cardoso Abreu Moreira
Martifer SGPS, Apartado 17
3684-001 Oliveira de Frades Portugal
Telephone: +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 a significant increase as from the second-half of 2017, which is justified by the improvement in the financial markets' expectations regarding Portugal and by the company's performance. 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 minimize 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 www.martifer.com with a wide range of information on Martifer Group.

60. Place where information is available on the company, on the public company status, on the registered office and other details referred to in Article no. 171 of the Commercial Companies Code

Information can be consulted at the following electronic address:

http://www.martifer.com/en/group/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/en/group/investor/corporate-governance/articles-of-association/

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 address:

http://www.martifer.pt/en/group/investor/corporate-governance/governing-bodies/

http://www.martifer.pt/en/group/investor/general-information/investor-relations-office/

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/en/group/investor/publications/financial-information/

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://martifer.com/en/group/investor/corporate-governance/general-meetings

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.com/en/group/investor/corporate-governance/general-meetings

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 said Remuneration Setting Committee is present.

The Remuneration Setting Committee’s activity 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:

- Defining 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;
- Determining 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;
- Monitoring the performance of the executive members of the Board of Directors for the purposes of determining the variable remuneration;
- Monitoring the performance of the non-executive members of the Board of Directors;
- Submitting, 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 and 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 Committee is aimed at the compilation of a set of information and technical data that permits the definition and implementation of the Group's remuneration policy.

The information requested is provided free of charge, and the Committee has no 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, being obliged to report any potential non-conformity detected to the Supervisory Board.

II. Remuneration Committee

67. Composition of the remuneration committee, including details of persons, natual 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 a Shareholders General Meeting for a three-year term of office (2015-2017) 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 fiscal year of 2017, a member of the Remuneration Setting Committee - Júlia Matos - was also a member of a social body of a Company, whose capital is held directly and/or indirectly by two executive directors of the Company, namely Carlos 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 Committee

The Company considers that all the persons comprising this Remuneration Setting Committee are totally 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 is 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 25 May 2017, 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, and available in the Company's Website at www.martifer.com was appraised and submited for approval (Tab: Investor, Section Corporate Governance/ General Meeting).

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 Portuguese Securities Market Commission's Corporate Governance Code, this being reflected in the statement submitted for approval at the General Meeting referred to in the Point that follows.

In defining the remuneration policy for the year 2017, the legal provisions foreseen in (i) the CCC, namely in Article no. 399; (ii) Law no. 28/2009, of 19 June; (iii) the Corporate Governance Code issued by CMVM in 2013; and (iv) the special regime set out in the Company's Articles of Association, were considered.

70. Information on how remuneration is structured so as 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 those regarding the creation of value 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 so as 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 practiced 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 Setting 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 Article no. 20, no. 3 of the Articles of Association.

The informative principles observed by the Committee in establishing the remuneration are:

a) The DUTIES CARRIED OUT, 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 the 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 the creation of value 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 the creation of value 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, permitting it to serve as a means to achieving high individual and collective performance, assuring the interests of the member but essentially those of the Company and of the shareholders.

The general guidelines governing the remuneration policy followed by the Remuneration Setting Committee during the 2017 financial period were those contained in the Remuneration Policy Statement, which was subject to resolution at the Company's General Meeting on 25 May 2017, and can be consulted in Annex III of this report.

71. Reference, where applicable, to there being a variable remuneration component and information on any impact of the performance appraisal on this component

As described in more detail in the preceding point, 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 by law and in Article no. 20, no. 3 of the Articles of Association.

In setting all remuneration, namely including the distributing 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 being considered in the performance criteria applied to Management. Thus, 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 realised.

During 2017, 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 2017 financial year, no variable remuneration was attributed to the directors of Martifer; so, 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 25 May 2017 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 where the allocation of variable remuneration on shares is based on, 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 for 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 2017 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 where the allocation of variable remuneration on options is based on and details of the deferral period and the exercise price

As better described in the preceding paragraph, and given that during the fiscal year 2017, the Company has not implemented, nor attributed a share allocation plan and/or share purchase option plan. The Company considers this point 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 and for other managers, as defined in no. 3 of Article 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 (Chairman)	Yes	€238,005.92	0	0	0	€238,005.92
Jorge Alberto Marques Martins (Vice-President)	Yes	€27,300.00	0	0	0	€27,300.00
Pedro Nuno Cardoso Abreu Moreira	Yes	€126,605.90	0	0	0	€126,605.90
Arnaldo Nunes da Costa Figueiredo	No	0	0	0	0	0
Luis António de Valadares Tavares	No	0	0	0	€20,000.00	€20,000.00
Jorge Bento Ribeiro Barbosa Farinha	No	0	0	0	€20,000.00	€20,000.00

78. Amounts of any kind paid by other companies in a control or group relationship or which are subject to a common domain

In 2017, 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, Lda (Brazil)	R$ 5,000.00 *(i)*
Jorge Alberto Marques Martins	SPEE 2 - Parque Eólico de Vila Franca de Xira, S.A.	€28.000,00
Jorge Alberto Marques Martins	SPEE 3 - Parque Eólico de Baião S.A	€28.000,00

(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 2017 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 2017, no compensation was paid, nor is it owed, to any former executive director in respect of 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

Américo Agostinho Martins Pereira	€ 4.800.00
Carlos Alberto da Silva e Cunha	€ 4.800.00
Paulo Sérgio Jesus das Neves	€ 4.800.00
António Baia Engana	€ 0.00
TOTAL	€ 14.400.00

82. Details of the remuneration for the year in question to the President of the Board of the General Meeting

José Joaquim Neiva Nunes de Oliveira	€1,200.00
Luís Leitão Marques Vale Lima	€0.00
Luís Neiva de Oliveira Nunes de Oliveira	€400.00
TOTAL	€ 1.600.00

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 neither established nor agreed to any contractual restraint on compensation payable to directors of the Company in case of unfair dismissal.

Likewise, the Remuneration Policy approved at the General Meeting of 25 May 2017 does not foresee any calculation or determination formula for the amount due to a director in these circumstances; consequently, the normal regime would apply in such circumstances.

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/l)

The Company is not part of any agreement with the members of the management body or other managers, as defined in no. 3 of Article 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 currently has no 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)

As better described in the preceding point, the Company has no active Stock or Stock Options Plan; consequently, the information pertaining to this point is not applicable.

87. Stock option plans for the company employees and staff

The Company has no active Stock or Stock Options Plan; consequently, the information determined in this point is not applicable.

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 or Stock Options Plan; consequently, the information determined in this point is not applicable.

E. RELATED PARTY TRANSACTIONS

I. Control mechanisms and procedures

89. Mechanisms implemented by the Company for the purpose of controlling transactions with related parties (for this purpose, reference is made to the concept resulting from IAS 24)

Transactions with Directors of Martifer or with entities in a group or dominant relationship in which the former are likewise also Directors, irrespective of the amount, are subject to the prior approval of the Board of Directors with the approval of the supervisory body, in terms of Article no. 397 of the CCC.

90. Details of transactions that were subject to control in the referred year

In 2017, 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 purposes of 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 compnaies;
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

The business with related parties is described in Note 39 to the consolidated financial statements, as contained in the Report and Consolidated Accounts 2017, available on the company website at www.martifer.com (Tab: Investor, Section: Financial Information).

CORPORATE GOVERNANCE REPORT

PARTE II

CORPORATE GOVERNANCE ASSESSMENT

PART II
Corporate Governance Assessment

1. Details of implemented Corporate Governance Code

Martifer, whilst issuer of shares that have been admitted to trading on an official stock exchange, is subject to the Portuguese Securities Market Commission's ("Comissão do Mercado de Valores Mobiliários", henceforth also CMVM) Regulation no. 4/2013, of 18 July 2013, and abides by the recommendations contained in the 2013 Corporate Governance Code approved by CMVM, both documents available in CMVM's website www.cmvm.pt.

Martifer has not voluntarily adhered to any other corporate governance code.

The present report was prepared and follows, under no. 2 of Article no. 4 of CMVM Regulation no. 4/2013, the model appended to said Regulation, having as its reference the 2013 CMVM Corporate Governance Code.

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 contained in the new 2013 CMVM Corporate Governance Code; 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, despite the fact that it does not comply fully with the recommendations contained in the 2013 CMVM Corporate Governance Code, as amply justified in the following chapters of this report, the degree of adoption of the recommendations is extremely wide and thorough.

3. Analysis of compliance with the Corporate Governance Code implemented

3.1 STATEMENT ON THE ACCEPTANCE OF THE CORPORATE GOVERNANCE CODE

Pursuant to and for the purposes of that laid down in paragraph o of no. 1 of Article no. 245-A of the Securities Code, the recommendations included in the CMVM's Corporate Governance Code, 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:

CMVM RECOMMENDATIONS	ADOPTION	REFERENCE
I. VOTING AND CORPORATE CONTROL		CHAPTER, TITLE, SECTION
I.1. Companies shall encourage shareholders to attend and vote at general meetings and shall not set an excessively large number of shares required for the entitlement of one vote, and implement the means necessary to exercise the right to vote by correspondence and electronically.	**Adopted Partially**	Part I B. I b) - 12 Part II – 3.2
I.2. Companies shall 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**	Part I B. I b) - 12 and 14 Part II – 3.2
I.3. Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each common share, unless duly justified in terms of long-term interests of shareholders.	**Adopted**	Part I B. I b) 12
I.4. 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 for a resolution by the General Assembly (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 said resolution, all votes issued be counted, without applying said restriction.	**Adopted**	Part I B. I b) 13
I.5. Measures that require payment or assumption of fees by the company in the event of change of control or change in the composition of the Board and that appear likely to impair the free transfer of shares and free appraisal by shareholders of the performance of the Board members, shall not be adopted.	**Adopted**	Part I A. I 5
II. SUPERVISION, MANAGEMENT AND OVERSIGHT		CHAPTER, TITLE, SECTION
II.1. SUPERVISION AND MANAGEMENT		
II.1.1. Within the limits established by law, and except for the small size of the company, the Board of Directors shall delegate the daily management of the company and the said delegated powers shall be identified in the Annual Report on Corporate Governance.	**Adopted**	Part I B. II a) 21.2
II.1.2. The Board of Directors shall ensure that the company acts in a manner consistent with its objectives, and should not delegate its powers, particularly these: *(i)* to define the strategy and the general policies of the company; *(ii)* to define the corporate structure of the Group; *iii)* decisions that must be considered strategic due to their amount, risk or to their special characteristics.	**Adopted**	Part I B. II a) 21.2
II.1.3. The General and Supervisory Board, in addition to their supervisory duties, shall take full responsibility at corporate governance level, whereby through the statutory provision or by equivalent means, shall enshrine the requirement for this body to decide on the strategy and major policies of the company, the definition of the corporate structure of the Group and the decisions that shall be considered strategic due to the amount or risk involved. This body shall also assess the compliance with the strategic plan and the implementation of the key policies of the company.	**Not applicable**	Part II – 3.2
II.1.4. Except for small-sized companies, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall create the necessary committees in order to: a) Ensure a competent and independent assessment of the performance of the executive directors and of its own overall performance, as well as of all other committees; b) Reflect on the system structure and governance practices adopted, verify its efficiency and propose to the competent bodies measures to be implemented bearing in mind their improvement.	**Adopted**	Part I B. II c) 24, 25, 27 and 29
II.1.5. The Board of Directors or the General and Supervisory Board, depending on the applicable model, should set goals in terms of risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals.	**Adopted**	Part I C. III 50 and 54

CMVM RECOMMENDATIONS	ADOPTION	REFERENCE
II.1.6. The Board of Directors shall include a number of non-executive members ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the board.	**Adopted**	Part I B. II a) 17 and 18
II.1.7. Non-executive members shall include an appropriate number of independent members, taking into account the adopted governance model, the size of the company, its shareholder structure and the relevant free float. The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed as per the law in force. The other members of the Board of Directors are considered independent if the member is not associated with any specific group of interests in the company nor is under any circumstance likely to affect an exempt analysis or decision, particularly due to: a. Having been an employee at the company or at a company holding a controlling or group relationship within the last three years; b. Having, in the past three years, provided services or established a significant commercial relationship with the company or company with which it is in a control or group relationship, either directly or as a partner, board member, manager or director of a legal person; c. Being 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 functions of a board member; D. d. Living in a nonmarital partnership or being a spouse, relative or any first degree next of kin, up to and including the third degree of collateral affinity of board members or natural persons that are direct and indirectly holders of qualifying holdings; e. Being a qualifying shareholder or representative of a qualifying shareholder.	**Adopted**	Part I B. II a) 18
II.1.8. When board members that carry out executive duties are requested information by members of other corporate bodies, they shall shall provide the information requested, in a timely and appropriate manner.	**Adopted**	Part I B. II b) 23
II.1.9. The Chairman of the Executive Board or of the Executive Committee shall submit, as applicable, to the Chairman of the Board of Directors, to the Chairman of the Supervisory Board, to the Chairman of the Audit Committee, to the Chairman of the General and Supervisory Board and to the Chairman of the Financial Matters Committee, the convening notices and minutes of the meetings.	**Not applicable**	Part II – 3.2
II.1.10. If the chairman of the board of directors carries out executive duties, this body shall appoint, from among its members, an independent member to ensure the coordination of the work of other non-executive members and the conditions so that these can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination.	**Adopted**	Part I B. II b) 23
II.2. OVERSIGHT		
II.2.1. Depending on the applicable model, the President of the Supervisory Board, of the Audit Committee or of the Financial Matters Committee shall be independent in accordance with the applicable legal standard, and have the necessary skills to carry out their duties.	**Adopted**	Part I B. III a) 33
II.2.2. The supervisory body shall be the main representative of the external auditor and the first recipient of the relevant reports, and is responsible, inter alia, for proposing the relevant remuneration and for ensuring that the proper conditions for the provision of services are provided within the company.	**Adopted**	Part I B. III c) 38 and V 45
II.2.3. The supervisory board shall assess the external auditor on an annual basis and propose to the competent body its dismissal or termination of contract as to the provision of services when there is a valid basis for said dismissal.	**Adopted**	Part I B. III c) 38 and V 45
II.2.4. The supervisory board shall assess the functioning of the internal control and risk management systems and propose adjustments as may be deemed necessary.	**Adopted**	Part I B. III c) 38 and C. III 50
II.2.5. The Audit Committee, the General and Supervisory Board and the Supervisory Board	**Adopted**	Part I

CMVM RECOMMENDATIONS	ADOPTION	REFERENCE
decide on the work plans and resources concerning internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and should be recipients of reports made by these services at least when they concern matters related to accountability, identification or resolution of conflicts of interest and detection of potential improprieties.		B. III c) 38
II.3. REMUNERATION SETTING		
II.3.1. All members of the Remuneration Committee or equivalent should be independent from the executive board members and include at least one member with knowledge and experience in matters of remuneration policy.	**Adopted Partially**	Part I D. II 67 and Part II – 3.2
II.3.2. Any natural or legal person that provides or has provided services within the past three years to any structure under the dependency of the board of directors, to the board of directors of the company itself or who has a current relationship with the company or with a consultant of the company, shall not be hired to assist the Remuneration Committee in the performance of its duties. This recommendation also applies to any natural or legal person that is related by employment contract or provision of services with the above.	**Adopted**	Part I D. II 67
II.3.3. 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: a) Identification and explanation of the criteria for determining the remunerationto be paid to the members of the governing bodies; b) Information regarding the potential maximum in individual terms and the potential maximum in aggregate terms to be paid to members of corporate bodies, and identification of the circumstances where these maximum amounts may be due; c) Information regarding the enforceability or unenforceability of payments for the dismissal or termination of appointment of board members.	**Adopted Partially**	Part I D. III 69 and 70 and Part II – 3.2
II.3.4. Approval of plans for the allotment of shares and/ or options to acquire shares or based on share price variation to board members shall be submitted to the General Meeting Board. The proposal shall contain all the necessary information in order to correctly assess the plan.	**Not applicable**	Part I D. III 73 and 74 Part II – 3.2
II.3.5. Approval of any retirement benefit scheme established for members of corporate bodies shall be submitted to the General Meeting Board. The proposal shall contain all the necessary information in order to correctly assess the system.	**Not applicable**	Part I D. III 76 Part II – 3 2
III. REMUNERATION		CHAPTER, TITLE, SECTION
III.1. The remuneration of the executive members of the board shall be based on actual performance and shall discourage excessive risk-taking.	**Adopted**	Part I D. III 69 and 70
III.2. The remuneration of non-executive board members and the remuneration of the members of the supervisory body shall not include any component whose value depends on the performance of the company or of its value.	**Adopted**	Part I D. III 69, 70 and 71
III.3. The variable component of remuneration shall be reasonable overall in relation to the fixed component of the remuneration and maximum limits should be set for all components.	**Adopted**	Part I D. III 69 and 70
III.4. A significant part of the variable remuneration should be deferred for a period not less than three years, and the right to receive payment shall depend on the continued positive performance of the company during that period.	**Not Adopted**	Part I D. III 72 and Part II – 3.2
III.5. Members of the Board of Directors shall not enter into contracts with the company or with third parties which intend to mitigate the risk inherent to remuneration variability set by the company.	**Adopted**	Part I D. III 71

CMVM RECOMMENDATIONS	ADOPTION	REFERENCE
III.6. Executive board members shall maintain the company's shares that were allotted by virtue of variable remuneration schemes, up to twice the value of the total annual remuneration, except for those that need to be sold to pay for taxes on the gains of the said shares, until the end of their term of office.	**Adopted**	Part I D. III 73 and 74
III.7. When the variable remuneration includes the allocation of options, the beginning of the exercise period shall be deferred for a period not less than three years.	**Not applicable**	Part I D. III 74 and Part II – 3.2
III.8. When the removal of a board member is not due to serious breach of his/her duties nor to his/her unfitness for the normal exercise of his/her functions but is yet due to an inadequate performance, the company shall be endowed with the adequate and necessary legal instruments so that any damages or compensation, beyond that which is legally due, is unenforceable.	**Adopted**	Part I D. V 83
IV. AUDITING		CHAPTER, TITLE, SECTION
IV.1. The external auditor shall, within the scope of its duties, verify the implementation of remuneration policies and systems of the corporate bodies as well as the efficiency and effectiveness of the internal control mechanisms and report any shortcomings to the supervisory body of the company.	**Adopted**	Part I C. III 50 and D. I 66
IV.2. The company or any entity with which it maintains a control relationship shall not hire the external auditor nor any entity with which it finds itself in a group relationship or that incorporates the same network, for services other than audit services. If there are reasons for hiring such services - which must be approved by the supervisory board and explained in its Annual Report on Corporate Governance - they should not exceed more than 30% of the total value of services rendered to the company.	**Adopted**	Part I B. V 46 and 47
IV.3. Companies shall support auditor rotation after two or three terms whether they last four or three years, respectively. Its continuance beyond this period must be based on a specific opinion of the supervisory body that explicitly considers the conditions of auditor's independence and the benefits and costs of its substitution.	**Adopted**	Part I B. V 44
V. CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS		CHAPTER, TITLE, SECTION
V.1. The company's business with holders of qualifying holdings or with entities with which they are in any type of relationship pursuant to Article no. 20 of the Portuguese Securities Code, shall be conducted under normal market conditions.	**Adopted**	Part I A. II 10 E. I 89 and 90
V.2. The supervisory or oversight body shall establish procedures and criteria that are required to define the relevant level of significance of business with holders of qualifying holdings - or with entities with whom they are in any one of the relationships described in Article no. 20/1 of the Portuguese Securities Code – thus, significant relevant business is dependent on prior opinion of that body.	**Adopted**	Part I E. I 91
VI. INFORMATION		CHAPTER, TITLE, SECTION
VI.1. Companies shall provide, via their websites in both the Portuguese and in English, access to information on their progress as regards their economic, financial and governance state of affairs.	**Adopted**	Part I V. 59 and following
VI.2. Companies shall ensure the existence of an investor support and market liaison office, which responds to requests from investors in a timely fashion and a record of the submitted requests and their processing shall be kept.	**Adopted**	Part I V. 63 a 65

3.2 CLARIFICATIONS AS TO DIVERGENCES BETWEEN THE COMPANY'S GOVERNANCE PRACTICES AND CMVM RECOMMENDATIONS

In this chapter, the grounds for the non-adoption or non-application of every single recommendation, which should be read together with the table presented in the preceding chapter, are explained.

Recommendation I.1. *Companies shall encourage shareholders to attend and vote at general meetings and shall not set an excessively large number of shares required for the entitlement of one vote, and implement the means necessary to exercise the right to vote by correspondence and electronically.*

Martifer encourages its Shareholders to participate in the General Meetings and promotes the active exercise of the right to vote, namely:

- Disclosing in the website, in Portuguese and in English, the notice of meeting for the General Meeting, the possible ways to exercise the vote and the procedures to adopt for to vote by correspondence or by proxy;
- Disclosing in the website, in Portuguese and in English, the preparatory information regarding he various points on the Agenda;
- Access to proxy forms and voting ballots in its website;
- The creation of an electronic mail exclusively dedicated to the General Meeting, which is disclosed in the convening notice, to facilitate the clarification of any doubt;
- Statutory provision that each share is entitled to one vote.

Under Article no. 17 of Martifer's Articles of Association, correspondence voting is permitted, without any restriction, in respect of all matters subject to the appreciation of the Shareholders.

Martifer considers it has only adopted this recommendation partially due to the fact that its Articles of Association do not foresee electronic correspondence voting. It should be noted that Martifer has adopted a flexible acceptance of documentation in respect of correspondence or proxy voting sent via 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 I.2. *Companies shall 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 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 that 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 to be obliged to compensate directors for unfair dismissal as laid down in no. 5 of Article no. 403 of the CCC. Indeed, considering the gravity and impact of an 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.1.3. *The General and Supervisory Board, in addition to its supervisory duties, shall take full responsibility at corporate governance level, whereby through the statutory provision or by equivalent means, shall enshrine the requirement for this body to decide on the strategy and major policies of the Company, the definition of the corporate structure of the Group and the decisions that shall be considered strategic due to the amount or risk involved. This body shall also assess compliance with the strategic plan and the implementation of key policies of the Company.*

Martifer considers this Recommendation as not being applicable since the said Recommendation relates to a governance model not adopted by Martifer. Under the terms and conditions foreseen in Article no. 278 of the Portuguese Commercial Companies Code, the corporate governance model adopted by Martifer comprises a Board of Directors, a Supervisory Board and a Statutory Auditor.

Recommendation II.1.9. *The Chairman of the Executive Board or of the Executive Committee shall submit, as applicable, to the Chairman of the Board of Directors, to the Chairman of the Supervisory Board, to the Chairman of the Audit Committee, to the Chairman of the General and Supervisory Board and to the Chairman of the Financial Matters Committee, the convening notices and minutes of the meetings.*

Martifer considers this Recommendation as not being applicable since the Corporate Governance Model of the Company, applicable during the 2017 financial year, does not foresee the existence of a presidet of an executive board or of an executive committee, but rather the delegation of powers by the Board of Directors on executive directors. Consequently, a formal structure of executive directors subject to convening notices and meeting minutes has not been set up.

Recommendation II.3.1. *All members of the Remuneration Committee or equivalent should be independent from the executive board members and include at least one member with knowledge and experience in matters of remuneration policy.*

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 pertaining to remuneration policy.

In the fiscal year of 2017, a member of the Remuneration Setting Committee - Júlia Matos - was also a member of the a corporate body of a company whose capital is directly and/or indirectly held by two executive directors of the Company, namely Carlos Marques Martins and Jorge Alberto Marques Martins However, the Company considers that the purpose of this Recommendation is duly safeguarded not solely because of the professional training of this member in particular, but also because the majority 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.

Recommendation II.3.3. *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:*

a) *Identification and explanation of the criteria for determining the remunerationto be paid to the members of the governing bodies;*
b) *Information regarding the potential maximum in individual terms and the potential maximum in aggregate terms to be paid to members of corporate bodies, and identification of the circumstances where these maximum amounts may be due;*
c) *Information regarding the enforceability or unenforceability of payments for the dismissal or termination of appointment of board members.*

Martifer considers this Recommendation to be partially adopted.

The declaration on the remunerations policy was submitted and approved in the Company's General Meeting on 25 May 2017, with all the elements contained in article no. 2 of Law no. 28/2009, of 19 June, as well as part of the included in Recommendation II.3.3 of the 2013 Corporate Governance Code.

Concerning item b) of recommendation II.3.3, the Company considers that the maximum potential amounts, aggregate and individual, as well as the circumstances in which these amounts may be due, is exclusively under the Remunerations

Committee's responsibility, a corporate body emerging from the Genral Assembly and independent from the Board of Directors. 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 similar companies, keeping in mind the company's characteristics.

Recommendation II.3.4. *Approval of plans for the allotment of shares and/ or options to acquire shares or based on share price variation to board members shall be submitted to the General Meeting Board. The proposal shall contain all the necessary information in order to correctly assess the plan.*

Martifer's existing Stock Options Remuneration Plan was constituted and allocated in the 2008 financial year and the exercise of the options expired during the 2013 financial period; consequently, during the course of this financial year there was no need to assess or approve the said plan at the Company's General Meeting.

Furthermore, during the 2017 financial year, no additional stock attribution and/or stock options plan existed or was allocated; consequently, there was no need to submit any proposal related to stock options' plans to be approved at the General Meeting.

Hence, Martifer considers this Recommendation not applicable.

Recommendation II.3.5. *Approval of any retirement benefit scheme established for members of corporate bodies shall be submitted to the General Meeting Board. The proposal shall contain all the necessary information in order to correctly assess the system.*

During the 2017 financial year, no retirement benefits scheme existed or was established for the members of the corporate bodies; so, consequently, there was no need to submit any proposal related to retirement benefit schemes to be approved at the General Meeting.

Hence, Martifer considers this Recommendation not applicable.

Recommendation III.3. *The variable component of remuneration shall be reasonable overall in relation to the fixed component of the remuneration and maximum limits should be set for all components.*

The Company's Remuneration Setting Committee established the exact annual amount for the fixed remuneration component payable to the directors receiving remuneration from the Company. In parallel, the Company Articles of Association, under Article no. 20, no. 3, state 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 2076 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 2017 financial period no variable remuneration was attributed to Martifer's directors.

Recommendation III.4. *A significant part of the variable remuneration should be deferred for a period not less than three years, and the right to receive payment shall depend on the continued positive performance of the company during that period.*

Martifer considers this recommendation to not have been 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 2017 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 III.7. *When the variable remuneration includes the allocation of options, the beginning of the exercise period shall be deferred for a period not less than three years.*

Martifer considers this Recommendation as not applicable as no variable remuneration was attributed to the directors of Martifer in 2017 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, these 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.

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, 3rd April 2018

The Board of Directors,

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Carlos Manuel Marques Martins

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Jorge Alberto Marques Martins

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Pedro Nuno Cardoso Abreu Moreira

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Arnaldo José Nunes da Costa Figueiredo

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Jorge Bento Ribeiro Barbosa Farinha

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Luís Valadares Tavares

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 (Chairman of the Board of Directors and executive director) and one of the founding shareholders of Martifer Group in 1990, having started his professional activity in 1987 in the Company Carvalho & Nogueira, Lda, as Director of Production in the iron sector. He has a degree in Mechanical Engineering from FEUP - University of Oporto Engineering Faculty.

Jorge Alberto Marques Martins is member of Martifer's Board of Directors (Vice Chairman of the Board of Directors and executive director) 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 has a degree in Economics by FEP (University of Oporto Economics Faculty) and an MBA completed at UCP (Portuguese Catholic University).

Pedro Nuno Cardoso Abreu Moreira is a member of Martifer's Board of Directors (executive and non-independent director) since 6 January 2015, date on which he was co-opted further to the resignation of Mário Rui Rodrigues Matias. He has a degree in Economics by FEP (University of Oporto Economics Faculty), 1999, and concluded the Advanced Management Programme by Oporto Business School and an In-Company Executive Training Programme by AESE Business School. He has extensive international experience, initially being appointed to perform corporate financial coordination functions within Mota-Engil Group's operations in Central Europe, Africa and Latin America; he lived between 2008 and 2014 in Warsaw and Budapest, and was appointed several board positions in Mota-Engil Group's operations 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 with emphasis to the 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).

Arnaldo José Nunes da Costa Figueiredo has been a member of Martifer's Board of Directors (non-executive and non-independent director) since 30 April 2010. He has a degree in Civil Engineering by FEUP - Porto University Engineering Faculty (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 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.

Jorge Bento Ribeiro Barbosa Farinha has been a member of the Board of Directors at Martifer (independent and non-executive director) since 2008. Academically, he has been a teacher since 1987, and has been Assistant Professor at University of Porto Economics Faculty since 1989; and since 1991, he has occupied several positions at EGP - University of Porto Business School, namely that of Vice-President of The Board of EGP (2009-2015). He was also Vice-President of the University of Porto Economics Faculty Pedagogical Council from 2002 to 2006. He was also Financial Marlket Analyst of Capital Markets at Cisf- Companhia de Investimentos e Serviços Financeiros, S.A. (1987-1989), a Senior Analyst of the Mergers & Acquisitions Department at Banco Português de Investimento, S.A. (1990-1992), Sub-director of the Mergers & Acquisitions Department at Banco Português de Investimento, S.A. (1992-1993), partner of CF&A Associados - Consultores de Gestão, Lda (1993-1994), partner of Futop – Consultores de Gestão, S.A. (1994-1995) and a non-executive Board member at Enotum.com (2000-2002). He has a degree in Economics by University of Porto Economics Faculty, he has an MBA - Master of Business Administration by INSEAD- Institut Européen d´Administration des Affaires, Fontainebleau, France (1990) e a PhD in Accounting and Finance by the University of Lancaster (Management School), United Kingdom (1999).

Luís António de Castro de Valadares Tavares has been a member of Martifer's Board of Directors (independent non-executive director) since 2008. Since 1980 he has been a Professor of Systems Management at IST - Instituto Superior Técnico, Lisbon, and has been President of the Centre for Prospective - OPET since 2002. He is president of APMEP - Portuguese Association of Public Markets and EDP´s Customer Ombudsman, an entity independent from EDP. Previously, he was President of the National Institute of Administration (2003-2007), First Coordinator of the Master Degree in Operational Research and Systems Engineering (IST), Director and Founder of the Master Degree in Health Engineering at UCP, Director of the Distance Education in Management Program (Dislogo) at UCP, First Coordinator of the MBA at the Inter-University Institute of Macau, General Director of the Studies and Planning Office at the Ministry of Education, Manager of the Program for the Development of Education in Portugal (PRODEP), Director of the World Bank‟ s Financing Program for the Educational System, Director of the Minerva Program (IT in Schools), Vice President of the Committee for Education (OCDE), President of the Committee for Education (OCDE), President of the Education Committee of the European Communities (first Portuguese Presidency), First President of the Portuguese Association of Operational Research (APDIO), Vice President of the Operational Research Societies Federation (IFORS), Visiting Professor at the following Universities: North Carolina (Raleigh, USA), Colorado (Denver, USA) , Columbia (NY, USA), Princeton (NY, USA), UCLA (Los Angeles, USA), Business School of the University of Newcastle (Newcastle, UK), Paris-Dauphine (Paris, France), Mohammed (Rabat, Morocco), Middle East Technical University (Ankara, Turkey), Technical of Poznan (Poznan, Poland), Technical of Helsinki (Helsinki, Finland); PUC of Rio de Janeiro (Rio de Janeiro, Brazil); Federal of Santa Catarina (Florianopolis, Brazil). He has a degree in Civil Engineering completed at IST, a Masters Degree in Operational Research completed at the University of Lancaster (UK), a PhD degree in Engineering Sciences completed at IST, and Aggregate in Operational Research at IST.

SUPERVISORY BOARD

Américo Agostinho Martins Pereira holds a Diploma in Accounting Audit, with Superior Specialized Studies in Audit. He is a Statutory Auditor, registered in the Ordem dos Revisores Oficiais de Contas under the 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..

Carlos Alberto da Silva e Cunha holds a Diploma in Advanced Studies (a PhD degree program in Business Sciences), completed at Vigo University, Spain. He has a Masters degree in Accounting and Administration completed at the University of Minho and is Postgraduate in "The Impact of the Euro in Business" by the Institute for High Studies on Finances and Tax. He has a degree in Auditing and the course of Specialized High Studies in Auditing by Instituto Superior de Contabilidade e Administração do Porto. He also has a degree in Accounting by Instituto Comercial do Porto. He is a Statutory Auditor, part of the Official List since March 1990. He is also an Assistant Professor, teaching at Escola de Economia e Gestão, Universidade do Minho as well at Universidade Lusíada, in Oporto the subject Audit. In 2008 and in 2009 he was invited to teach in the Post-Graduation Course "Fraud Management" promoted by Faculdade de Economia, Universidade do Porto. He is Vice President of the Internship Committee and Member of the Superior Council of the Ordem dos Revisores Oficiais de Contas, also having the position of Controller - Rapporteur of the of Quality Control Committee. He is a Member of the General Council of APECA and Member of the Technical Board of Portuguese Association of Accountants. He is a company consultant, in the fields of organization and management, financial, tax and accounting.

Paulo Sérgio Jesus das Neves holds a Diploma in Accounting Audit, with Superior Specialized Studies in Audit. He holds an MBA in Finance by the Economics Faculty of Porto (FEP). He is a Statutory Auditor registered in the Ordem dos Revisores Oficiais de Contas under number 1342, and has been exercising this activity since February 2008. He is a company consultant, in the fields of organization and management, financial, tax and accounting.

António Baia Engana holds a diploma in Economics by Instituto Superior de Economia (ISE) and a bachelor’s degree in Accounting by Instituto Comercial de Lisboa (ICL). He has been a Statutory Auditor registered with the Ordem dos Revisores Oficiais de Contas under 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 has a degree in Civil Engineering (Communication Routes) by the Faculty of Civil Engineering of the University of Oporto. He is currently Chairman of the Board of Directors of Mota-Engil, SGPS, S.A., a position he has held since 2000. He has already been Chairman of the Board of Directors in other companies, namely, Mota-Engil, Engenharia e Construção, S.A. (2003-2006), Mota-Engil Internacional, S.A. (2000-2003), Engil - Sociedade de Construção Civil, S.A. (2000-2003) and Mota & Companhia, S.A (1995-2003), where he also held the position of Vice President (1987-1995). He started his professional life 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 has a degree in Economics by the Faculdade de Economia, Universidade do 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 has a degree in Law by Faculdade de Direito of Universidade de Coimbra and has been registered at the Portuguese Bar Association since 2002. She is presently the President of the Board of the General Assembly 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

a) Positions within Martifer Group:

PRESIDENT OF THE BOARD OF DIRECTORS:	Martifer - SGPS, S.A. Martifer Metallic Constructions SGPS, S.A. Martifer Construções Metalomecânicas, S.A. Sociedade de Madeiras do Vouga, S.A. Navalria- Docas, constr. e reparações navais, S.A. Martifer – Amal, S.A Martifer Construcciones Metálicas España, S.A. Martifer Beteiligungsverwaltungs GmbH (Áustria) Martifer Renewables Investments Etve, S.L.
Martifer Beteiligungsverwaltungs GmbH (Áustria)	Martifer Renewables SGPS, S.A. Martifer Renewables, S.A. Martifer Aluminium LTD (UK) Martifer Construction UK, LTD (UK) Martifer Aluminium LTD (Ireland) Martifer Construction Ltd (Ireland) Martifer Constructions SAS (France) Martifer Aluminium SAS (France) MT Constructions Maroc, SARL (Marroco) Martifer Construcciones PERÚ, SA Martifer Construções Metalomecânicas, SA, Suc. Colombia Martifer Mota Engil Coffey Joint Venture Limited
MEMBER OF THE SUPERVISORY BOARD:	Martifer Renewables, SA (Poland)
MANAGER:	Parque Eólico da Penha da Gardunha, Lda. Promoquatro - Investimentos Imobiliários Lda. West Sea - Estaleiros Navais, Lda
MEMBER OF THE REMUNERATION COMMITTEE	Martifer Renewables, S.A.
SECRETARY	Martifer Renovables ETVE S.A.

b) **Positions held in Martifer Group Companies:**

MEMEBER OF THE BOARD OF DIRECTORS:	Ventinveste, S.A.
MANAGER:	Centralrest, Lda.

c) **Positions held in Companies not part of Martifer Group:**

PRESIDENT OF THE BOARD OF DIRECTORS:	I'M SGPS, S.A. I´M Mining, SGPS, S.A. ESTIA – SGPS, S.A. ESTIALIVING, SGPS S.A. Tavira Gran Plaza, SA EPDM – Empresa de Perfuração e Desenvolvimento Mineiro, SA Severis, SGPS S.A.
MEMBER OF THE BOARD OF DIRECTORS:	ESTIALIVING, SGPS S.A. PCI - Parque de Ciência e Inovação, S.A. Estia Retail & Warehousing S.R.L. Mamaia Investments S.R.L. OFFICE BUILDING VACARESTI SRL Bunge Prio Cooperatie U.A. (Netherlands) Nutre Farming B.V. (Netherlands) Nutre – MZ (Mozambique)
MANAGER:	Exclusipolis, SGPS, Lda. PANNN - Consultores de Geociências, Lda.
SOLE DIRECTOR:	Black and Blue Investimentos, S.A. Expertoption, SGPS, SA

JORGE ALBERTO MARQUES MARTINS

a) **Positions within Martifer Group:**

PRESIDENT OF THE BOARD OF DIRECTORS:	Martifer Solar - SGPS, S.A. Martifer Solar Ltda. (Brazil) Martifer Renewables, SGPS, S.A. Martifer Renewables, S.A. Martifer Renovables ETVE, S.A. (Spain) Martifer Renewables Investments ETVE, S.L. SPEE 3 - Parque Eólico de Baião S.A

VICE-PRESIDENT OF THE BOARD OF DIRECTORS:
Martifer - SGPS, SA

MEMBER OF THE BOARD OF DIRECTORS:	Martifer Metallic Constructions SGPS, S.A. SPEE 2 – Parque Eólico de Vila Franca de Xira, S.A. Martifer Renewables Italy B.V. (Netherlands) Martifer Renewables Brazil B.V. (Netherlands) Martifer Beteiligungsverwaltungs GmbH (Austria) Eviva Beteiligungsverwaltungs GmbH (Austria) Martifer Deutschland GmbH (Germany) Martifer Renováveis Geração de Energia e Particip S.A. Rosa dos Ventos Geração e Comerc. de Energia S.A. (Brazil) Martifer Wind Energy Systems LLC (USA) Martifer Construcciones Metálicas España, S.A.
MEMBER OF THE SUPERVISORY BOARD:	Martifer Renewables, SA (Poland)
MANAGER:	Global Holding Limited (Malta) Global Engineering & Consulting Limited
SOLE DIRECTOR:	Martifer Renewables Investments ETVE, S.L.
SECRETARY	Martifer Construcciones Metálicas España
REPRESENTATIVE:	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 19, S.L.

b) Positions held in Martifer Group Companies:

MEMBER OF THE BOARD OF DIRECTORS:	Ventinveste, S.A.

c) Positions held in Companies not part of Martifer Group:

MEMBER OF THE BOARD OF DIRECTORS:	I´M– SGPS, S.A. I´M Mining, SGPS, S.A. ESTIA – SGPS, S.A.
MANAGER:	BRASEME - Investimentos e Consultoria, Lda.

ARNALDO JOSÉ NUNES DA COSTA FIGUEIREDO

a) Positions within Martifer Group:

PRESIDENT OF THE BOARD OF DIRECTORS: Martifer Metallic Constructions SGPS, S.A.

MEMBER OF THE BOARD OF DIRECTORS:	Martifer - SGPS, S.A.

b) Positions held in Companies not part of Martifer Group:

PRESIDENT OF THE BOARD OF DIRECTORS:	Mota-Engil, Indústria e Inovação, SA
VICE-CHAIRMAN OF THE BOARD OF DIRECTORS:	Mota-Engil, SGPS, SA (Vice-Chairman and Executive Director)
MEMBER OF THE GENERAL BOARD:	AEM-Associação de Empresas Emitentes de Valores Cotados em Mercado
	ELO – Associação Portuguesa para o Desenvolvimento Económico e a Cooperação
CHAIRMAN OF THE GENERAL MEETING:	Mercado Urbano – Gestão Imobiliária, S.A.

DIRECTOR: Tabella Holding, B.V.

PEDRO NUNO CARDOSO ABREU MOREIRA

a) Positions within Martifer Group:

MEMBER OF THE BOARD OF DIRECTORS:	Martifer - SGPS, S.A. Martifer Metallic Constructions SGPS, S.A. Martifer Construções Metalomecânicas, S.A. Sociedade de Madeiras do Vouga, S.A. Martifer – Amal, S.A Martifer Renewables SGPS, S.A. Martifer Renewables, S.A. Martifer Solar SGPS, S.A. Liszki Green Park Spółka Z Ograniczona Odpowiedzialnoscia (Poland); M-City Białystok Sp. Z O.O (Poland); M-City Szczecin Sp. Z O.O (Poland); Park Logistyczny Biskupice Sp. Z O.O. (Poland) Martifer Energia Ro (Romania);
MANAGER:	Promoquatro - Investimentos Imobiliários Lda. West Sea - Estaleiros Navais, Lda

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

LUÍS ANTÓNIO DE CASTRO DE VALADARES TAVARES

Positions within Martifer Group:

MEMBER OF THE BOARD OF DIRECTORS: Martifer - SGPS, S.A.

Doesn't hold any position in any other Company, part or not part of Martifer Group.

JORGE BENTO RIBEIRO BARBOSA FARINHA

Positions within Martifer Group:

MEMBER OF THE BOARD OF DIRECTORS: Martifer - SGPS, S.A.

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 19 MAY 2017]

I - INTRODUCTION

In use of a legal right conferred by Article no. 399 of the Portuguese Companies Code, the bylaws of Martifer SGPS, in their article no. 20, delegate in a Remuneration Committee the power to decide on the remunerations 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 Shareholders General Meeting on 14 May 2015, to exercise its duties for the three-year period 2015-2017. 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)

In order to promote a clear and legitimate fixing of the remuneration of corporate bodies, the Remuneration Committee, in compliance with article no. 2 of Law no. 28/2009, of 19 June, hereby submits for approval at the General Meeting of the Shareholders of Martifer SGPS, S.A. on 25 May 2017, this declaration on the policy on remuneration of the Management and Supervisory Boards.

This statement seeks to follow closely the applicable provisions of the CSC and the 2013 Corporate Government Code of CMVM - Comissão Mercado dos Valores Mobiliários.

It is also relevant to point out that the present statement, more than mandatory by law, it intends to be an important instrument of good Corporate Governance, aiming to inform the shareholders, to protect their interests and for a greater transparency of Corporate Governance in matters of remuneration of Corporate Bodies.

II – REGULATORY REGIME

In the definition of the remuneration policy to be established by the Remuneration Committee, the legal provisions of CSC were first taken into account, namely its article no. 399; the Law 28/2009, 19 June, concerning the regime of approval and disclosure of the remuneration policy of the Management and Supervisory Bodies in Listed Companies, as well the 2013 Corporate Governance Code of CMVM, in particular the provisions of 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 Bylaws.

The Portuguese 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 Shareholders Meeting or of 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 authorized by a clause of the Articles of Association of the Company and shall not be levied on the distribution of reserves or on 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 Companies Code states that the remuneration shall consist of a fixed amount which is equally determined either at a General Shareholders Meeting 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 seeked , 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 subsequentto 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 a 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 resulting from 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 evaluation
In order to guarantee an 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 in 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 society, in the broad sense. To a higher level of complexity, corresponds a higher remuneration; but, the remuneration will have to be adjusted considering other criteria that characterize the economic situation of the Company (financial, related to human resources, etc).

The Commission 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 to 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 the 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 of performance; thus, ensuring not only the individual interest, but mostly the interests of the Company and of the shareholders.

IV – CONCRETE OPTIONS

Based on the abovementioned principles, the Committee presents the information regarding the concrete remunerations 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 20., no. 3 of the Articles of Association, the variable part can not 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 participation 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 Remunerations Committee, namely their hierarchal position, the performance assessment made 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; and
- the extent to which the projects integrated and measured by the Balanced Scorecard of the Group are realised.

9th - Notwithstanding the policies abovementioned 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) promoting 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) studying the possibility of adoption of a policy that, shown to be feasible and balanced to all parties involved, foresee 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.

AUDIT AND FISCAL REPORTS

REPORT AND OPINION OF THE SUPERVISORY BOARD
On the consolidated Accounts of 2017

(TRANSLATION OF A REPORT ORIGINALLY ISSUED IN PORTUGUESE)

Dear Shareholders,

1. In accordance with the law, the statutes and the duty that was given to us at the General Meeting on 14th May 2015, we enclose our report on our supervisor activity and our opinion on MARTIFER – SGPS, S.A. management report and consolidated accounts for the year ending 31st December 2017, presented by the Board of Directors.

2. We followed regularly the activity of the company and of its main subsidiaries, having received from the executive members of the Board and from company officials all required explanations and support for the completion of our duties.

3. We accompanied the preparation of the Group's consolidated accounts, the work of the statutory auditor with whom we met, and we reviewed the Legal Certification of Consolidated Accounts, issued without reservations or highlights, which have our agreement.

4. We have also analyzed the Additional Report to the Supervisory Body issue by *PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.* as statutory auditor in terms of article 24.°, number 1 and 2 of Law n. ° 148/2015 of September 9 th.

5. Within the scope of competence conferred upon us, we have 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 respective accompanying Notes give a true and fair view of the Group and its financial 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.

   c) The Management Report shows a clear picture of the evolution of the businesses and the financial position of the Group, describing clearly the most important activities of the Group.

6. Therefore, taking into account the information received from the Board of Directors and from the statutory 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, 24th April 2018

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Américo Agostinho Martins Pereira
Chairman of the Supervisory Board

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Member of the Supervisory Board

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REPORT AND OPINION OF THE SUPERVISORY BOARD
On the individual Accounts of 2017

(TRANSLATION OF A REPORT ORIGINALLY ISSUED IN PORTUGUESE)

Dear Shareholders,

1. In accordance with the law, the statutes and our mandate started on General Meeting on 14th May 2015, we enclose our report on our supervisor activity and our opinion on MARTIFER – SGPS, S.A. management report and individual accounts for the year ending 31st December 2017, presented by the Board of Directors.

2. We followed the activity of the company and of its major subsidiaries regularly, having received from the executive members of the Board and from company officials all required explanations and support for the completion of our duties.

3. We accompanied the work of the statutory auditor, with whom we met, and we reviewed the Legal Certification of Accounts, with no reservations and highlights, which has our agreement.

4. We have also analyzed the Additional Report to the Supervisory Body issue by *PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.* as statutory auditor in terms of article 24.°, number 1 and 2 of Law n. ° 148/2015 of September 9 th.

5. Within the scope of competence conferred upon us, we have found that:

    a) The management report and financial statements show a clear picture of the financial position, financial results and cash flows of the Company;

    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 year and allow the correct evaluation of the assets and results of the company; and

    c) 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 statutory auditor, and the conclusions of the Legal Certification of Accounts, we are of the opinion that:

    a) The Management Report should be approved;

    b) The Individual Financial Statements should be approved, and

    c) The proposal of results allocation should be approved.

Oliveira de Frades, 24th April 2018

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Américo Agostinho Martins Pereira
Chairman of the Supervisory Board

Carlos Alberto da Silva e Cunha
Member of the Supervisory Board

Paulo Sérgio Jesus das Neves
Member of the Supervisory Board

STATEMENT OF COMPLIANCE

(In the terms of article 245, number 1, paragraph C of the Securities Code)

Dear Shareholders,

We hereby declare that as to the best of our knowledge:

i) The information in the individual and consolidated financial statements, as well as in the appendices, was compiled in accordance with the applicable accounting standards, giving a true and appropriate picture of the asset s and liabilities, financial position and performance of MARTIFER – SGPS, S.A. and of the companies included in the consolidation perimeter;

ii) The information contained in the Management Report truthfully represents the operational performance and position of MARTIFER - SGPS, S.A. and the companies included in the consolidation perimeter, including a description of the main risks and uncertainties faced by the company.

Oliveira de Frades, 24th April 2018

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Américo Agostinho Martins Pereira
Chairman of the Supervisory Board

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Carlos Alberto da Silva e Cunha
Member of the Supervisory Board

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Paulo Sérgio Jesus das Neves
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, 2017 (which shows total assets of Euro 376,100,446 and total negative shareholders' equity of Euro 37,168,089 including a net profit of Euro 6,542,295, 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, 2017, 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.

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Key audit matters	Audit approach
Recognition of revenue in construction contracts As mentioned in Notes 4, 26 and 36 of the consolidated financial statements, the value of the construction contracts' revenues amounted to approximately 150.2 million euros and the accrued income and deferred income amounted respectively to 15.1 and 55.4 million euros. The group recognizes the revenue, contract by contract, according to the percentage of completion method, which is understood as the ratio between the expenses incurred in each construction contract until a certain date and the sum of these expenses with the estimated expenses to complete the work, as defined by IAS 18 - Revenue and IAS 11 - Construction contracts. The percentage of completion is performed on a regular basis. Value judgments and significant estimates are made by the Management for the assessment of changes in the works, claims and incentive payments, as well the cost estimates for completion the project and the capacity for deliver in the schedule deadlines. Changes in estimates may involve material changes in the consolidated financial statements, and therefore we consider a key audit matter.	The work performed to validate the recognition of construction contracts, margins, other accounts receivable and associated liabilities included: - Evaluation of the relevant controls in the process of recognition of construction contracts and tests to its operation throughout the year; - Inspection of the minutes of the meetings of the operational department, where the main projects are discussed; - Validation of the inputs of the works maps for a sample of contracts, in which were performed: - Validation of the terms and conditions of the contracts; - Testing of the existence and valuation of variations and claims of the projects, through the inspection of correspondence between the parties, as well obtain the adequate approvals; - Analysis of the answers obtained from the lawyers, and evaluation of the possible impacts of the disputes between the parties with respect to the projects; - Discussion with those responsible for the operational department in order to validate the assumptions in the preparation of the works maps; - Assessment of the delivery capacity of the contracts within the deadlines and analysis of the contracts to evaluate the possible exposure to compensation for delays in the completion of the projects;

Key audit matters	Audit approach
	- Analysis of subsequent events, in order to corroborate the value judgments used at the end of the year; - Analysis of the recoverability of the customer balances, including the validation of receipts after the financial year end, as well as analysis of provisions for onerous contracts, related to the losses foreseen in the contracts until their conclusion; - Analysis of the disclosures made in the consolidated financial statements, in accordance with the applicable IFRS.
Impairment of goodwill and tangible assets As mentioned in Notes 11, 17 and 19 to the Consolidated Financial Statements, Goodwill and Tangible Fixed Assets recognized at December 31, 2017 amounted to 128.2 million euros, with accumulated impairments of 34.9 million euros. 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. 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. 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 changes in recoverable amounts, and we therefore consider as a key audit matter.	The work performed to validate the impairment of goodwill and tangible assets included: - Obtain the valuation models used to determine the recoverable value of each cash generating unit. In order to validate the Discounted Cash Flow model, the following procedures were performed: - 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; - Evaluation of the disclosures compliance, as required in IAS 36.

Key audit matters	Audit approach
Valuation of Investment Properties	
As mentioned in Note 20 to the Consolidated Financial Statements, the value of Investment Properties at December 31, 2017 is 20.8 million euros, which are measured at fair value. 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. Valuation of these assets incorporates value judgments and significant estimates. The main estimates and judgments that affect the appraisals include Yields and assumptions about these properties. 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.	The work performed for the valuation of Investment Properties included: - Evaluation of the competence, independence and suitability of the entities that carried out the evaluations; - Validation of the Yields and the underlying assumptions; - Analysis of the reports obtained and discussion with the evaluators and the Management about the methodology followed and the main assumptions that were assumed; - Compliance with the disclosures in IAS 40 and IFRS 13.
Impact in the consolidated financial statements of considering Angola as a hyper-inflationary economy Disclosures related to consideration of Angola as a hyper-inflationary economy presented in notes 1.xxvi, 2 and 41 of the consolidated financial statements. 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.	The audit procedures performed in relation to the restatement impacts of the Angolan entities financial statements consisted of: - periodic follow-up of the validation procedures of the adjustments of applying IAS 29 performed by the auditor of the respective components, as well as verifying the supporting documentation to that validation, in order to ensure that management: i) used an appropriate inflation index; ii) identified accurately the monetary and non monetary items; iii) adequately applied the restatement methodology in accordance with IAS 29 for the non monetary items, equity items,

Key audit matters	Audit approach
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. 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. The restatement impacts of the financial statements of the Angolan subsidiaries in the consolidated financial statements increased the total assets by Euro 6.9 million, the total liabilities by Euro 2.3 million, Euro 4.6 million in equity, and a negative impact of Euro 1.5 million in the consolidated statement of income. 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.	statement of income and other comprehensive income, considering separately the restatement impacts recognised in the statement of income and in retained earnings; iv) adopted reasonable and consistent assumptions, whenever it was impraticable to identify the effective date of each transaction to apply the respective inflation index; v) applied the restatement procedures to the opening statement of the financial position in accordance with IFRIC 7 - Applying the restatement approach under IAS 29 Financial reporting in hyper-inflationary economies, namely the impact calculation over the opening balance of retained earnings and income tax deferred items; vi) presented adequately the restatement impacts in the statement of income, through a separate line of "Net monetary position"; and vii) also updated the statement of cash flows items. - 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; - assess the adequacy of the presentation of the restatement impacts in the "Consolidated Statement of other comprehensive income", in accordance with the accounting policies; - 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. We have also verified the adequacy of the disclosures related to the restatement impact due to hyper-inflation of Angolan entities.

Key audit matters	Audit approach
Impairment of accounts receivable As mentioned in Note 24 to the Consolidated Financial Statements, the Group presents balances receivable from customers and other debtors in the amount of 133.7 million euros at December 31, 2017, for which impairments of 22.2 million euros were registered. The group is exposed to credit risk, namely in the accounts receivable in its operating activity. In accordance with IAS 39, Management assesses this risk using judgments and estimates and, whenever necessary, seeks additional evidence that the old balances are recoverable. Considering the significant value in the financial statements, the existence of balances with some seniority and the activity in some markets with higher credit risk, we consider this matter as a key audit matter.	The work performed to validate the recoverability of accounts receivable from customers and other debtors included: - Evaluation of the relevant controls in the process of recognition of balances and impairment of receivables, including tests on their operation throughout the year; - Analysis of the evaluation process by the management, the information they use, the criteria and methods used and the assumptions; - Obtain information about the ageing of the balances, test the correction of data obtained and summarize information of the balances with higher risk; - Confirmation of accounts receivable, analysis of the reconciliations and the discordant answers, alternative procedures and subsequent receipts; - Confirmations from lawyers and conciliation with impairments registered in the accounts; - Discussion with Management of the recoverability of the balances with higher risk balances and obtaining additional relevant information; - We also verified the disclosures with the applicable regulations, in particular the disclosures in IAS 39.

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 referred in its Director's report that the non-financial statement set forth in article No. 508-G of the Portuguese Company Law will be included in the Sustainability Report, which will be published in the Group internet site in the legal deadline.

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 14, 2015 for the period from 2015 to 2017.

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 23, 2018.

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 24, 2018

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 2017 (which shows total assets of Euro 183,532,830 and total shareholders' equity of Euro 45,329,794 including a profit of Euro 16,162,256), 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 2017, 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.

Key Audit Matter	Summary of the Audit Approach
Recoverability of financial investments As mentioned in Note 12 to the Financial Statements, the Entity holds financial investments in subsidiaries and affiliates in the amount of €158.3 million, with reversions recognized, net of impairments, in the year in a total amount of € 6.2 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 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. 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. The disclosures of these matters are included in Notes 1, 5, and 12 of the Notes to the individual financial statements.	In order to evaluate the assumptions and judgments assumed by the Management in the valuation of financial investments, the work performed included: a) 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. In order to validate the Discounted Cash Flow model, the following procedures were performed: - Validation of the method used to quantify the fair value of financial investments; - Valuation of assumptions underlying the models of impairment, namely regarding the discount rate, growth rate used, sales marge 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.

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 14, 2015 for the period from 2015 to 2017.

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 23 April 2018.

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 24, 2018

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

António Joaquim Brochado Correia*, R.O.C.*