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GO EVEN FURTHER

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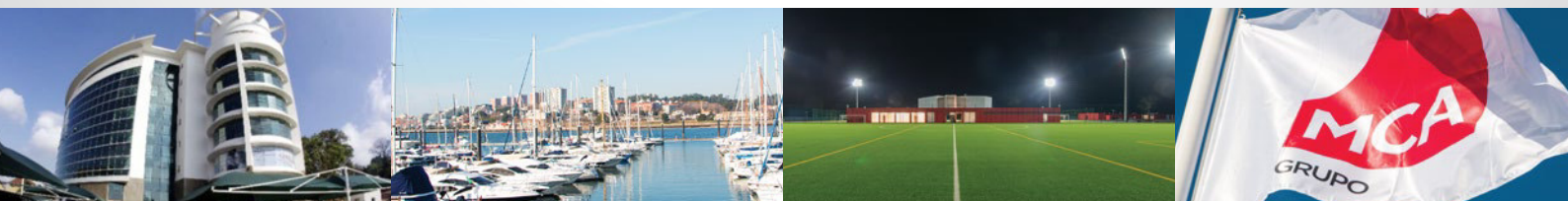
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01

# MANAGEMENT REPORT



# 1. MANAGEMENT REPORT

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## 1.1 Message from the Chairman of the Board of Directors

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The MCA Group is currently a global business reality, attuned to the challenges of our time, with a strong brand of qualified project realization in 3 continents, in a permanent effort to construct new paths for an even more solid, sustainable and comprehensive future.

In Portugal, Angola, Mozambique, Spain, Côte d'Ivoire, São Tomé, Uganda, Kenya, Ghana and Mexico we are achieving the core of the MCA Group brands, do well, do it in time and do according to the ambitions and needs of customers and communities where we are integrated. This is the determination of those who always want to "go even further", channelling the best human skills, the best techniques and the best solutions to the challenges that are placed in very diversified contexts.

It's two decades of challenges and achievements, in a permanent compatibility between local and global, mobilizing and enhancing human and material resources, local, national and international partnerships, and a constant ambition, with innovation and a sense of social responsibility.

Past, present and future are always present in our action.

We are now entering a new and strong challenge within the MCA Group. Diversification and specialization in emerging and sustainable areas (which will be of medium and long term) is our greatest value and the guarantee of sustainability and longevity in the coming decades.

In 2018 there was a reduction in turnover. A large part of this reduction was a result from a strategic decision in order to prevent the Group from being excessively exposed to exchange rate risk and customer collection risk. For this reduction also have contributed the economic and political situation in Angola, with the political transition period impacting the economy and the country development. As a consequence, the Group experienced also a reduction in its normal operational profitability level.

On the other hand, following the MCA Group strategy, 2018 was a year dedicated to prepare the Group for the future (both internally and externally), namely:

- Implementation of the Group's updated governance model;
- Reduction in net debt / loans obtained;
- Secure relevant order book and strengthen commercial activities;
- Focusing on the markets and business diversification, mitigating exchange rate and collection risks.

These above-mentioned strategic guidelines were largely accomplished and thus, the MCA Group is now better prepared to face the future and return to its sustainable growth path.

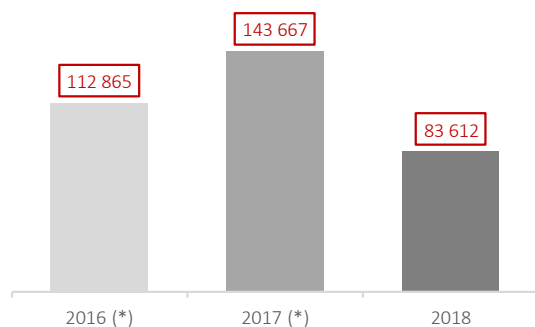
The confidence of the road travelled from Guimarães in Portugal to several corners of the world, supports our permanent ambition to demand, innovate and seek solutions to the new challenges. It is with this permanent determination, that we want to "GO EVEN FURTHER".

Manuel Couto Alves  
Chairman of the Board of Directors

## 1.2 Economic-financial performance analysis

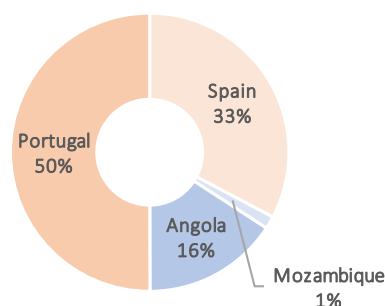
### Turnover

Group (thousand Euros)



### Turnover

2018 by geographic market



(\*) Unaudited figures.

Consolidated turnover ("Sales and services rendered" heading of the Consolidated Income Statement) in 2018 amounted to 83,612 thousand Euros, representing a decrease of around 42% over 2017.

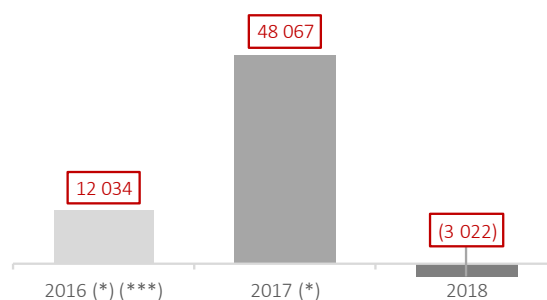
The Angolan market contributed in a very significant way for this performance. In 2018, the Group reached a turnover of around 13,196 thousand Euros in this market, when, in 2017, reached a turnover of approximately 105,000 thousand Euros. This reduction is largely explained:

- (i) by the political and economic surrounding environment in the country, resulting in less public and private investment, particularly in infrastructures;
- (ii) by an enhanced risk approach policy by the Group, under which the Group only enters into the projects execution once the down payments and guarantees are in place (at the initial phase on the projects and throughout its execution), which translates into a slower project execution than would be desirable;
- (iii) by the fact that, in order to mitigate the collection and exchange rate risk, the contracts in which the Group is entering (and also on tender process) for execution in Angola have a relevant portion of the respective invoicing and collection through European countries, namely Portugal. The turnover achieved by the Group in 2018 in Portugal includes the amount of approximately 14,358 thousand Euros related to revenues whose production have been performed in Angola but invoiced by a Portuguese group company.

Despite this overall reduction in turnover, it should be noted that, as defined in the Group's strategic plan, the growing balance of turnover between regions / markets, which is a mitigating factor for concentration risks.

### EBITDA (\*\*)

Group (thousand Euros)



(\*) Unaudited figures.

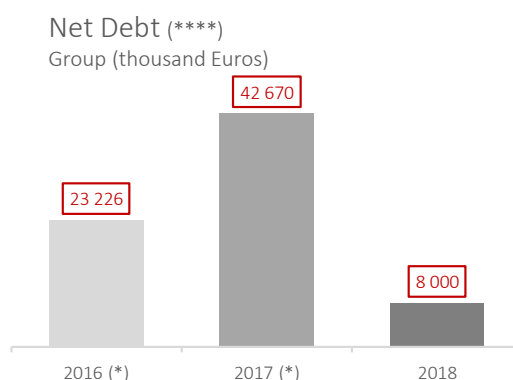
(\*\*) Includes the Consolidated Income Statement headings "Sales and services rendered", "Cost of goods sold and materials consumed, Changes in production and Subcontractors", "Third-party supplies and services", "Wages and salaries" and "Other operating income / (expenses)".

(\*\*\*) 2016 EBITDA was normalized from a non-recurring cost incurred by the Group in Spain, in the amount of approximately 12,000 thousand Euros.

In 2018, the Group's EBITDA was negative in approximately 3,000 thousand Euros, which is an important decrease from the positive amount of nearly 48,067 thousand Euros achieved in 2017.

This is a direct consequence of the activity reduction in Angola, the reasons for which have been detailed above regarding the turnover evolution.

The Group, supported by its current order book and by the favourable prospects that relevant projects that are currently in its development phase will be awarded in the near future, is confident that in the years to come, will achieve profitability levels in terms of EBITDA similar (or even higher) than the ones obtained in the years prior 2018.



(\*) Unaudited figures.

(\*\*\*\*) Net debt corresponds to the algebraic sum of the following headings in the consolidated statement of financial position: "Loans", "Cash and cash equivalents" and "Other financial investments recorded at amortized cost".

As at 31<sup>st</sup> December 2018, the Group's net debt amounted to 8,000 thousand Euros, a decrease of approximately 34,670 thousand Euros compared to 31<sup>st</sup> December 2017 (reduction of 81%).

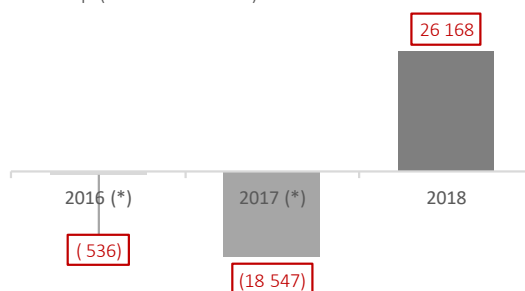
It should also be noted that this reduction in net debt results from a substantial reduction in loans. As at 31<sup>st</sup> December 2017 the loans amounted to nearly 65,049 thousand Euros and as at 31<sup>st</sup> December 2018 this caption as reduced to approximately 28,489 thousand Euros (reduction of 56%). To mention additionally that the loans heading includes all the Group's financial liabilities, including bank loans, overdraft facilities, leasing, factoring, confirming, promissory notes and also shareholders loans.

This reduction is one of the main strategic objectives of the Group. The very low level of the Group's indebtedness will enhance the leverage of relevant projects whose contracts are expected to be executed in the short term.

In addition, this reduced net debt amount, puts the Group in a comfortable position to assure the fulfilment of its financial responsibilities and to be able to be positive looking forward into its diversification (both in term of business and in terms of geographic markets) strategic goal.



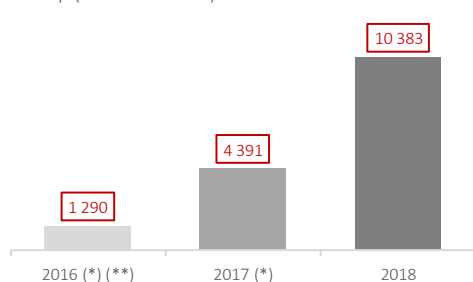
## Financial results Group (thousand Euros)



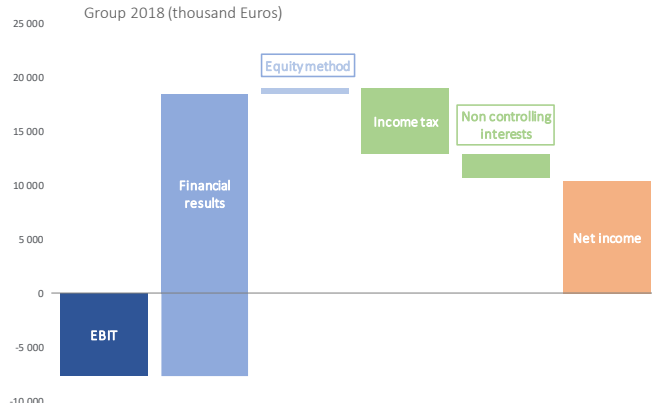
(\*) Unaudited figures.

In 2018, financial results reached a positive amount of 25,168 thousand euros (negative in the amount of 18,547 thousand euros in 2017), which represented a very significant increase, mainly due to the strong contribution of favourable exchange rate differences, arising from Angola.

## Net income Group (thousand Euros)



## Net income breakdown Group 2018 (thousand Euros)



(\*) Unaudited figures.

(\*\*) 2016 net income attributable to the Group normalized from a non-recurring cost incurred by the Group in Spain, in the amount (net of tax) of approximately 6,909 thousand Euros.

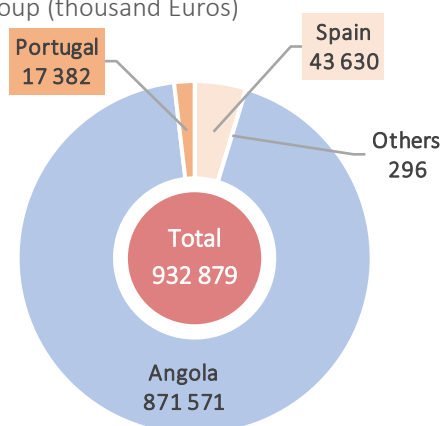
As a consequence of the operating and financial performance shown in the above image, the net income attributable to the Group for 2018 amounted to 10,383 thousand Euros (4,391 thousand euros for 2017).

A relevant part of 2018 net income is a consequence of the financial results (resulting from the favourable exchange rate differences, as described above), and this income statement heading had a significant contribution both to the 2018 net income amount and to the 136% increase when compared to 2017.

It should also be noted that, as from 2018, the Group's main company in Angola ceased to have a tax exemption (please see Note 30. of the notes to the consolidated financial statements), which influenced significantly the income tax expense increase from near zero in 2017 to around 6,097 thousand in 2018.

## Order book

2018 Group (thousand Euros)



The MCA Group's order book includes the contracts awarded for execution and, in the circumstances where the contracts are denominated in a currency different than Euros, are translated at the exchange rate as at 31<sup>st</sup> December 2018.

The vast majority of the contracts included in the order book are contracts denominated in strong currency (Euros or US Dollars).

The order book as at 31<sup>st</sup> December 2018 totals the amount of 932,880 thousand Euros, being 93% of this amount related with projects located in Angola.

The order book amount reflects the work performed by the Group regarding one of its strategic pillars (to secure relevant order book and strengthen commercial activities) and should also be noted as confirmation of the success of the commercial activity of the Group, together with recognition by the market of the capacity of the Group to undertake new projects of both greater size and complexity.

Finally, it is important to highlight the Group's positive business prospects for 2019, being the Group confident that the order book will increase significantly during 2019.

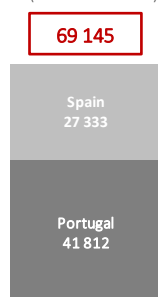
There are no special events that should be taken into account for the financial statements.

## 1.3 Analysis by business areas

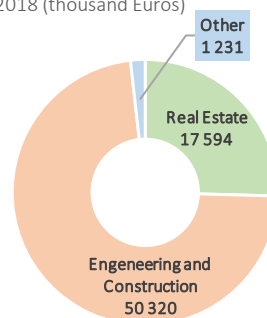
The MCA Group manages its activities in accordance with geographic business areas, being at this moment Europe and Africa the most relevant. Within the geographic areas, the Group also distinguishes different business areas in accordance with the activities performed by the several group companies.

## EUROPE

Turnover  
Europe 2018 (thousand Euros)



Turnover breakdown  
Europe 2018 (thousand Euros)



In the Europe geographic area, MCA Group business are developed, in this moment, in Portugal and Spain. The Group is analysing the possibility of expanding its activities into different European countries. This process is likely to be formally initiated during 2019.

Turnover in Europe amounted to 69,145 thousand Euros, 60% of which in Portugal and the remaining 40% in Spain.

With regard to business activities, the turnover results essentially from Engineering and Construction (73%) and from Real Estate (25%). The Real Estate activities are performed in Spain and the Engineering and Construction activities are performed in Portugal and Spain.

The remaining 2% of turnover is related, essentially, to the operation and maintenance activities regarding the recreational marina concession of "Marina de Gaia".

In terms of EBITDA for 2018, the Europe geographic business area achieved the amount of 1,800 thousand Euros.

### Engineering and Construction

The Group's activity in Europe remained focused on the two main markets of Portugal and Spain.

#### Portugal

In Portugal, the MCA Group has been able to resist the crisis felt in recent years, demonstrating its adaptability through measures that have passed through rationalization of its structure and the diversification of its order book. The Group objective for the Portuguese market will focus in benefiting from the fact that, as part of a Group present in several geographic markets and in multiple business areas (with the aim to enhance even more this diversification), be able to exchange resources, technicians and equipment, managing to harmoniously balance the Group needs and excesses.

#### Spain

In Spain the Group continued to develop its real estate business, based on the sale of land plots and the delegated promotion (turnkey projects) of real estate investments, specialized in logistics business centers for investment funds and international logistic companies (for example, Decathlon, Amazon). The construction of the logistic infrastructures is managed by the Group under the engineering and construction business area.

## Real Estate

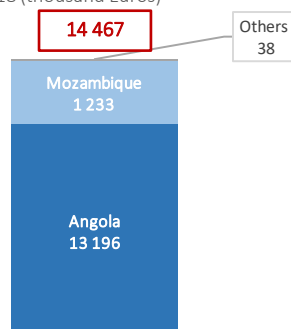
### Spain

As mentioned, in Spain the Group continued to develop its real estate business and the sale of land plots (that, usually, are subsequently subject to a delegated promotion contract (turnkey projects)) are managed by the Group under the real estate business area.

## AFRICA

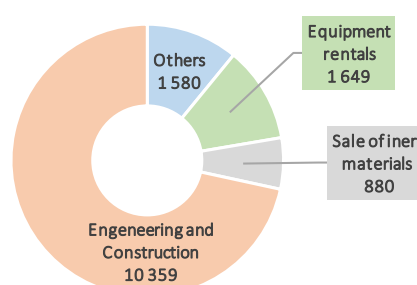
### Turnover

Africa 2018 (thousand Euros)



### Turnover breakdown

Africa 2018 (thousand Euros)



In the Africa geographic area, MCA Group business are essentially developed, at this moment, in Angola and Mozambique. The Group is analysing the possibility of expanding its activities into different African countries (Anglophone and Francophone African countries). This process has already been formally initiated with the incorporation during 2018 of companies in Kenya and Cameroon (and Uganda in 2017), and is expected to be reinforced during 2019 and onwards.

Turnover in Africa amounted to 14,468 thousand Euros, 91% of which in Angola. As mentioned previously, the Angolan market experienced a relevant reduction in 2018. However, and based on the Group order book, is a market that will have a capital importance in the Group's sustainable growth.

With regard to business activities, the turnover results essentially from Engineering and Construction (72%) and from equipment rentals (11%). The equipment rentals and sale of inert materials activities are performed essentially in Angola. The Engineering and Construction activities are performed in Angola and Mozambique.

In terms of EBITDA for 2018, the Europe geographic business area presented a negative amount of 4,814 thousand Euros.

## Engineering and Construction

The Group's activity in Europe remained focused on the two main markets of Angola and Mozambique.

### Angola

In Angola, 2018 was marked as the year of the beginning of the country's macroeconomic stabilization process, after a prolonged period of recession in recent years, with a special focus on the last two. The most recent projections point to a gradual recovery of the Angolan economy from 2019 onwards, being anticipated a growth around 3%.

The year 2018 was also strongly marked by the devaluation of the kwanza, accumulating a depreciation in the year exceeding 85% (exceeding the 350 kwanzas/Euro barrier).

For the activity of the MCA Group in Angola, 2018 was a challenging year. In the first half of the year, some changes were performed in the country as a result of the reorganization of public institutions and the implementation of reforms and structural processes, that led directly or indirectly to some negative impact on the Group's turnover, namely due to the delay in the start-up of some public works. In the second half of the year, it was possible to act in a more accelerated pace in some projects and start some other new projects, which allowed Angola to recover a bit of its turnover and profitability.

It is worth to mention that, in order to mitigate the collection and exchange rate risk, the contracts awarded by the Group in Angola have a relevant portion of the respective invoicing and collection through European countries, namely Portugal. The turnover achieved by the Group in 2018 in Portugal includes the amount of approximately 14,358 thousand Euros related to revenues whose production have been performed in Angola. This means that the 2018 production in Angola was the double the turnover of that market.

#### Mozambique

Two years after the revelations of the hidden debts that triggered a significant economic crisis, Mozambique is beginning to emerge from a period of high macroeconomic instability. The metical stability since mid-2017 has helped reduce inflation from the 26% peak reached in November 2016 to just over 6% by the end of 2018, at the same time that a rapid increase in exports of coal contributed to the improvement of the trade balance and the recovery of Central Bank reserves. In addition, by early 2018, Mozambique had already secured the final investment decision for the development of the Coral South project, one of two major natural gas exploration projects in the Rovuma basin pipeline.

Believing in the country's potential, MCA Group maintains a fixed structure in Mozambique. However, that structure is focused on commercial activities and working to award projects with adequate risk mitigation safeguards. As such, although the turnover for Mozambique in 2018 have been relatively reduced, it is the Group expectation that Mozambique contributions for the Group's turnover and profitability will increase in 2019 and onwards.

## 1.4 Non-financial performance analysis

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### 1. Group Values and Mission

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#### **MCA Group Mission**

To adopt the best management practices, aiming at making shareholder value creation compatible with its main stakeholders: customers, employees, partners and local communities.

#### **MCA Group Values**

Relying on the accumulated experience of two decades, focusing on sustained organizational development and consistent with the market requirements, the Group is aligned with corporate values of sustainability, social responsibility and corporate ethics, which are translated into six areas:

#### Credibility

- Work in a precise, unbiased and objective manner;
- Improve stakeholder engagement mechanisms, with a view to gather and integrate their concerns, aiming the continuous improvement;
- Enabling and investing on the growth of others, contributing through social actions for the socio-economic development of the communities in which the Group operates;
- Objective and credible reporting of economic, social and environmental performance.

### Rigour

- Rigorous in all our actions, reflecting on the activities carried out (design, planning, execution and management);
- Organized, producing our work more profitable;
- Compliance with the compliance obligations, legal, contractual and other applicable requirements;
- Increase productivity and efficiency of processes, to achieve operational performance levels in line with best international and market practices.

### Dynamism

- Preventively intervene in the control of risks, including occupational safety and health;
- Commit to promote the prevention of injuries and occupational diseases;
- Minimize the environmental impacts of the activities, promoting the rational use of natural resources and preventing pollution;
- Communicate to employees and other stakeholders, obligations and information relevant to the activity.

### Professionalism

- “Do well to serve better”, respecting all stakeholders;
- Involvement of all employees in the promotion of the Group's values, culture and management / governance model;
- Encourage stakeholders, such as customers, suppliers, subcontractors, and others to continually improve.

### Innovation

- New markets prospection;
- Encourage the development of new products, processes and services;
- Engage employees in the development of the activity, providing them with conditions of learning, development and personal fulfilment compatible with the objectives set, in order to enhance employment and career progression.

### Identity

- Translate the human dimension and respect for people into human resources management strategy and policies;
- Create motivating and compensatory working conditions through remuneration and incentive policies that promote excellence and merit;
- Adopt non-discriminatory recruitment and selection practices that promote equal opportunities;
- Actively support the transition from school to working life by promoting qualifying training;
- Stimulate “active aging” in order to achieve the generational balance of human resources within the framework of a responsible and socially sustainable labour policy;
- Promote and support social, educational, cultural and environmental initiatives with external entities;
- In each work, at each moment, “Go even further”.

## 2. Ethics and Integrity

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The Company's Board of Directors approved a Code of Ethics and Business Conduct, which is a document that, in accordance with the principles and values of the MCA Group, establishes standards of conduct and a set of ethical and deontological rules to be observed by members of the corporate bodies of the Group companies as well by all the employees.

The Code applies to all members of the corporate bodies and to all employees and extends to its relations with customers, suppliers and other stakeholders. It is also intended for third parties contracted by or acting on behalf of MCA Group, in cases in which it may be held liable for its actions.

The Code of Ethics and Business Conduct has as fundamental objectives:

- To share the principles that guide the activity of the companies of the MCA Group and the ethical and deontological rules that must guide the behaviour of all Employees and Corporate Bodies and promote the adoption of ethical and deontological principles and rules by our partners;

- Promote and encourage the adoption of the acting principles and behavioural rules defined in the Code, namely, the Group values in the relations between employees and corporate bodies among themselves, with MCA Group and with the other stakeholders;
- Consolidate the institutional image of the MCA Group.

Principal policies and aspects covered by the Group's Code of Ethics and Business Conduct include:

- i) Responsibilities at work
  - a. Compliance with laws, rules and regulations
  - b. Group governance
  - c. Conflict of interests
  - d. Corruption and bribery
  - e. Relations with Customers, Suppliers and Service Providers
  - f. Relations with the Media
  - g. Relations with the community
- ii) Protection of the Group's resources and information
  - a. Group assets
  - b. Group accounting records
  - c. Record keeping
  - d. Confidential information
- iii) Fair practices
  - a. Ban on unfair practices
  - b. Economic sanctions and embargoes
  - c. Anti-Money Laundering and Terrorism Funding
  - d. Competition laws
- iv) MCA Group working relations
  - a. Respect, integrity, loyalty and team spirit
  - b. Protection of employees' personal data and privacy
  - c. Equal opportunities and non-discrimination
  - d. Sexual and other types of harassment
  - e. Safety in the workplace
  - f. Training
  - g. Communication
  - h. Innovation

In addition to the Code of Ethics and Business Conduct, there are also in place internal regulations relating to procedures applicable to independence and conflict of interest and also relating to the Company's transactions with related parties.

### 3. Geographical presence and type of operations developed by the Group

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Currently, MCA Group is present in fourteen (14) countries, in different geographical areas:

#### Europe

- Portugal – Since 1998
- Spain – Since 2008
- Netherlands – Since 2017

#### **Lusophone Africa**

- Angola – Since 2006
- Mozambique – Since 2009
- S. Tomé and Príncipe – Since 2016

#### **Anglophone Africa**

- Uganda – Since 2017
- Kenya – Since 2018

#### **Francophone Africa**

- Ivory Coast – Since 2016
- Cameroon – Since 2018

#### **Latin America & Asia**

- East Timor – Since 2016
- Bolivia – Since 2017
- Colombia – Since 2018
- Mexico – Since 2019

The MCA Group has a long and recognized experience in engineering and construction which started in 1998. It carries on a vast range of business activities associated with the design, construction, management and operation of infrastructure and has a long-established and acknowledged experience that is associated with high degree of technical skill for the development of various sectors.

Ensured by a permanently renewed investment in the capacity to mobilize resources to carry out large projects, MCA Group has a long-term strategic perspective and a broad horizon of action, seeking to deepen partnerships to carry out infrastructural and other projects in areas as diverse as:

- Construction and maintenance of road and airport works
- Marine works, coastal and marine protection
- Road signs and safety
- Urban requalifications and integrated infrastructures
- Electrical infrastructures and energy solutions
- Hydraulic infrastructures, water and sanitation
- Logistics and business centers
- Sports complexes and urban solutions
- Agriculture & environment – Solid Waste Management Integrated Solutions

MCA Group is recognized and distinguished by its ability to mobilize means and resources for the development of large-scale projects and complex infrastructure works. MCA Group carries out activities that stands out for competence, experience, responsiveness, innovative technologies, quality, environmental protection, safety, global logistics and social responsibility.

## **4. Corporate governance model**

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The first company of the Group to be incorporated was M. Couto Alves, S.A., incorporated in 1998 in Guimarães – Portugal, for the purpose of building roads, railways and sports facilities; construction of buildings; construction and civil engineering; roofing construction; hydraulic engineering; other specialized construction, demolition and earthmoving works, drilling and boring, electrical installations, insulation works, rental of construction and demolition equipment with operator, purchase and sale of real estate, public works supplier.

Since then, the Company has grown and diversified its markets and areas of activity, as detailed in the previous chapter.



In order to adapt its sustainable growth to the current and future global economic, business and political environments, MCA Group as defined a strategy for the future based on:

- i) a greater diversification of the markets in which it operates (new impetus to internationalization),
- ii) a greater diversification of its areas of intervention, and
- iii) in a broader range of business models in which it operates (from pure Construction to EPCFO&M models - Engineering, Procurement, Construction, Financing and Operation & Maintenance).

Confident that the proposed objectives will be achieved, but also aware of the challenges and risks that this strategy incorporates, namely to ensure the necessary balance between short and medium / long-term goals, in a context of great uncertainty present in the world economy, the Group undertook a process of internal reorganization, both in terms of its governance model and in relation to its corporate structure.

Regarding the corporate structure, until a recent date, M. Couto Alves, S.A. was holding, directly or indirectly, almost all of the financial holdings of the MCA Group. In this way, M. Couto Alves, S.A. has been cumulatively performing the engineering and construction company competences in the Portuguese market as well as the competences of the Group's holding. As a result of the mentioned reflection process, it was decided to reorganize the Group's ownership structure and also the way in which it is governed – to a corporate governance model. It was then decided, in corporate terms, to set up a holding company (M. Couto Alves Holding, BV - headquartered in the Netherlands), which currently (from 2018 onwards) holds and manages the Group's various financial holdings. It is now the parent company of the MCA Group.

With regard to the governance model, the Group is implementing a sufficiently robust model to mitigate the risks inherent in the strategy outlined. In fact, the Group's motto for the whole ongoing reorganization process is precisely to enable the Group to have mechanisms, skills and processes similar to those of a listed company. In this way, in terms of the functional organization chart of the Group, this structuring led to the creation of corporate bodies and centers (covering the entire Group), namely:

- a. Strategic Advisory Board,
- b. Executive Board,
- c. Audit and Risk,
- d. Proposal Decision Committee,
- e. Engineering Center,
- f. Real Estate Center, and
- g. Corporate Center.

Graphically, they may be represented as follows:



The mission of the Strategic Advisory Board is to support and advise the Board of Directors of the Holding regarding the Group's strategic options. That is, it monitors and issues recommendations addressed to the Board of Directors of the Holding on the following matters:

- i) Conceiving and implementing the strategic plan;
- ii) Group strategy for each geographical area and its implementation;
- iii) National and geopolitical international political-social context;
- iv) National and global macroeconomic developments and interaction with the Group's strategy;
- v) Benchmarking of the Group's activities, as well as global trends; and
- vi) Other matters of interest / relevance to the Board of Directors.

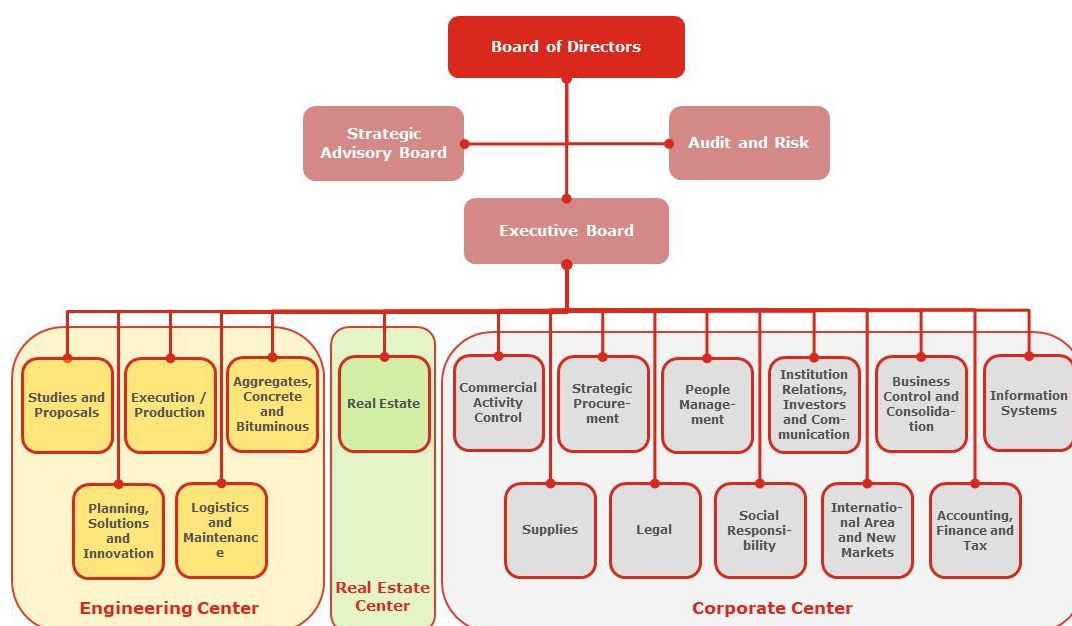
The Executive Board is composed of five members, with a team based on its proximity to the Group's markets, companies and corporate centers. Is responsible for the implementation of the strategic guidelines, working daily for the management of current operations as well as for the long-term sustainability of the Group. The MCA Group's investment and business portfolio is managed by the Executive Board, supported by a qualified and dedicated team, distributed by the various Corporate Centers.

Audit and Risk has as its mission:

- a. Support the achievement of the strategic objectives through conformity assessment, compliance and continuous improvement of the effectiveness and internal control of the Group's management processes.
- b. Promote the definition and implementation of a transversal corporate risk management policy and identify and analyse, through previously established parameters, the risks that may affect the business / market sustainability, the creation of value and the reputation of the Group.

The Proposal Decision Board, appointed by the Executive Board, has the responsibility to review the opportunities and proposals under way and: (a) the position of the Group in moving forward or not with the submission of the proposal, and (b) the final terms and conditions of the proposal; regardless of the Group Company(s) that are involved in the competitive / tender / proposal process. The decisions of the "Proposal Decision Board" are binding and correspond to the final position of the MCA Group regarding the proposal in question. It is composed of a minimum of three (3) elements, with responsibilities in the following different areas of activity: (i) Engineering Area; (ii) Commercial Area; and (iii) Financial Area. It may include additional members for particular / specific situations and if the permanent members understand it necessary.

In its turn, the Engineering, Real Estate and Corporate Support Centers are subdivided into several Corporate Centers with specific transversal competences, according to the following graphic representation:



These Corporate Centers have as their main mission / functions:

- i) Definition of rules and procedures transversal to the Group (best practices);
- ii) Monitoring of Group activities related to the respective Corporate Center;
- iii) Collection and analysis of information on the Group's performance in the respective area.

That is, the Corporate Centers have a function of legislation and monitoring of the Group's activities. The execution function is under the responsibility of the markets / companies / businesses (and of the respective Boards of Directors).

## 5. Risk Management

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Risk management is an important dimension of MCA Group's culture and plays a central role in our corporate governance structure. We approach risk management as a lever for value creation, managing and controlling the risks and threats, as we believe we are a part of a sustainable future. Effective risk management across the organization enables us to better understand the business environment and strengthen our reach.

The MCA Group risk management process is an integral part of the internal control system which consists of the development of management policies and procedures with a view to ensuring the creation of value, protection of its assets, compliance of laws and regulations, and a controlled environment that ensures the fulfilment of the Group's ethical principles and the reliability of information reported.

As a result, the risk management at MCA Group is based on an integrated and across the board process which is intended to be evolutionary in the ongoing identification and control of exposure to the various types of risk inherent to the Group's business activities considering the diversity of the business and the geographical regions where the Group is present and encouraging the study and the implementation of mitigation strategies for the main risks.

In this chapter we present the structures responsible for the analysis and monitoring of the risk management process, identifying the main risks to which the Group is exposed to throughout the exercise of its activity.

### Organization

The overall risk management of the MCA Group is the responsibility of the Executive Board, the Proposal Decision Board and of the Management of the Companies / Business Areas.

There is also a specialised committee, the Audit and Risk, which, reporting to the Board of Directors, has as main task the assessment of investment policies and business and projects risk in the Group, to analyse and issue opinions on investment or disinvestment projects, issue opinions on the admission or abandonment of new business areas and new markets and monitoring relevant financial and corporate operations, thus ensuring the proper independence of the management bodies under the Executive Board.

The Audit and Compliance Function (within the Audit and Risk committee) covers all areas, processes and activities of the companies within the Group and its main mission is to contribute to the achievement of strategic objectives, assessing compliance and continuous improvement of the efficacy and internal control of the Group's management processes and also assist in the prevention and mitigation of control risks and compliance risks, which result in the risk of legal or regulatory sanctions, financial loss or damage to reputation, as a result of failure to comply with the applicable laws, regulations, codes of conduct and good practice, promoting respect of the Group and its employees regarding all the applicable rules through an independent intervention, together with all organizational units of the Group.

In order to ensure the continuous strengthening of the internal control system, the processes integration and its alignment in the three lines of defense model, meetings are also held between the Corporate Audit and Risk area and the existing Corporate

Centers, with the objective of reflecting on the level of exposure of the Group and on the assessment of compliance with existing and existing regulations.

Therefore, the main risks that the Group is subject to, and which are covered below, are accompanied by the internal reports of the heads of the business areas and reports, opinions and guidelines by said Audit and Risk committee, in conjunction with information compiled by the heads of the Group's corporate functions.

### Major project monitoring

For larger projects, the Group has in place a closer monitoring process, whose duties were shared by the Corporate Centers of Engineering, Business Control and Audit and Risk, with the established concept of carrying out regular monitoring of projects with high impact on the Group's performance, ensuring a 360-degree vision on the project's development, thus reinforcing the visibility and control over potential risks and priority areas for action.

The promotion of the 360-degree vision is one of the essential aspects of the process, combining different monitoring types:

- Technical: regular analysis of technical and operating risks;
- Economic-financial: regular analysis of project's performance over that foreseen;
- Other risks: identification and monitoring of risks associated with the business and operating activity, as well as with the external context.

Right from the start, in the proposal / tender phase of the projects, the Proposal Decision Board is involved in the process. This Board has the responsibility to review the opportunities and proposals under way and decide on: (i) the position of the Group in moving forward, or not, with the submission of the proposal; and (ii) the final terms and conditions of the proposal. The decisions of the Proposal Decision Board are binding and correspond to the final position of the MCA Group regarding the proposal in question. It is composed of a minimum of three (3) elements, with responsibilities in the following different areas of activity: (i) Engineering Area; (ii) Commercial Area; and (iii) Financial Area. It may include additional members for particular / specific situations and if the permanent members understand it necessary.

During the process development, the eligibility criteria were set for the projects to be monitored, that translate into regular and periodic project monitoring in the main markets where the Group operates.

The different areas involved in this process (Engineering, Business Control and Corporate Risk) serve as a multidisciplinary team enabling the execution of a complementary and rigorous assessment concerning the main risks and opportunities inherent to projects, as well as providing a perspective on future risks.

This monitoring, promoted in a collaborative sense, but rigorous and independent in the analysis, is aimed at contributing to the identification of potential risk events and supporting decision making for their mitigation and, if possible, improving the project's profitability.

### Cross-sectional risk management

In what relates to the cross-sectional risks to which the Group is exposed, it is for the Corporate Risk Function (within Audit and Risk) to ensure an independent analysis of the various risks, supported by an annually reviewed risk matrix approved by the Executive Board, as well as monitoring through various risk parameters and models specifically produced the Group's performance profile.

The cross-sectional risk matrix of the MCA Group is a work tool for the systematic monitoring of the risk level that is implicit in the different dimensions of risks to which the Group is exposed. This way, several key steps defining the development and maintenance of the cross-sectional risk matrix of the Group were set, most notably:

- Identification of the key business risks with an impact on the profitability of the Group;

- Evaluation, with the corporate and local managers, of the historic performance of each KPI selected;
- Definition of Risk Appetite;
- Definition of the Strategic Goal for each type of risk and;
- Assessment, monitoring and definition of mitigation measures and its results.

The risk management process is coordinated by the Corporate Risk function (within the Audit and Risk), producing reports which are analysed at the Executive Board, thus enabling the analysis of the main recommendations issued and the decision to be made on the actions to be taken to mitigate the principle risks identified.

### **Cyclical risks**

The country's risk, measured on the different dimensions for each of the markets where the Group is present, is associated with changes or specific disturbances of a political, economic or financial nature and may prevent the achievement of strategic objectives undertaken by the Group.

With a diversified geographic exposure and depth of maturity in most relevant markets, the Group has still sought, over the past few years, to promote an expansion in countries integrated in the regions where it operates, allocating to the Executive Board, Strategic Advisory Board and Board of Directors the ultimate responsibility for providing the necessary validation of any investment project in new markets, being on its own, although complemented with technical and economic and financial analysis, an organizational premise that promotes an effective internal control system, mitigating risks and promoting a strategic alignment at all levels of the Group.

With regard to Portugal, the Portuguese economy in 2018 continued to record positive growth, albeit in a deceleration profile, which allowed for favourable developments from the financial stability point of view. There was also a reduction in the vulnerability of the Portuguese economy and banking system when compared to the recent past. However, unlike other industries, there has been a slowdown in the growth of economic activity in the construction sector.

In Africa, there was an improvement in the economies in 2018, reinforcing the trend of the previous year, with these economies being more resilient to adverse external conditions. Rising commodity prices have contributed to an increase in real gross domestic growth in the economies of that Region in 2018 compared to 2017, as well as to a reduction in the budget deficit in most economies.

On the other hand, there were major changes in Angola due to the change in the political cycle, with a positive impact on the business environment, such as the end of the double taxation of Portuguese companies and workers, changes in the legislation on foreign investment and entry in force of floating exchange rates in early 2018 to bring the kwanza closer to its real market value. However, the budget consolidation effort undertaken in 2017 and 2018 was achieved through a sharp reduction in public investment, which led to a significant slowdown in activity in the construction sector and less initiated infrastructure projects.

### **Financial risk management**

MCA Group, due to its geographical diversification, operating in 14 countries, is exposed to a variety of financial risks, with particular emphasis on risks associated with interest rates, exchange rates, liquidity and credit.

The Group's financial risk management policy aims at reducing impacts and adverse effects deriving from the uncertainty that characterizes the financial markets. This uncertainty, which is reflected in several aspects, requires special attention and concrete and effective management measures.

The financial risk management activity is coordinated by the Accounting, Finance and Tax Corporate Center, who coordinates and monitors the treasury and debt portfolio management, with the aid and support of the Business Control Corporate Center, and is carried out in accordance to the guidelines approved by the Group's Board of Directors, with the consultative interventions of the Audit and Risk, without ever ceasing to be the responsibility of the local management (Board of Directors) of each Group's business unit.

The Group's position as to the management of financial risks is cautious and conservative, never taking positions in derivatives or other financial instruments of a speculative nature. The different types of financial risk are interrelated and the different management measures are aimed at ensuring the persecution of the same goal, that is, protection of its assets and the reduction of cash-flow volatility and expected profitability.

#### Interest rate risk

The interest rate risk management policy aims at optimizing the cost of debt and obtaining a reduced level of volatility in financial charges. In other words, it intends to control and mitigate the risk of losses deriving from variations in the interest rate that serves as index for the Group debt, mainly in Euros. It should be noted that the debt allocation strategy to local markets, close to cash flow generation, has contributed to a diversification of currency in terms of debt assumption, although contracted significantly in currencies such as the euro and the dollar or those that are indexed to them.

More recently, in light of the stagnation that short and medium-long term interest rates have been resigned to, holding steady at historical lows, hedge operations for that risk have been made to a very low extent. In cases where loan maturity is longer, the Group is, however, assessing and analysing the possibility to contract hedge instruments that ensure mitigation to possible future alterations in the interest rates, keeping the Group attention to the reversal trend that will certainly accompany the recovery of economies or the changes in monetary policies in the coming years by central banks.

#### Exchange rate risk

The MCA Group operates its business internationally, with different companies and in different jurisdictions, being therefore exposed to exchange rate risk.

It should be noted that regarding the analysis of exchange rate risk, there is a continuous and systematic monitoring of the variations to which the Group is subjected. This monitoring is the responsibility of the "Accounting, Finance and Tax" and "Business Control and Consolidation" Corporate Centers, which consolidate and report the information from all companies in the various geographical areas regarding cash flows, balances and debt.

The exposure of the MCA Group to exchange rate risk results mainly from the presence of various companies in diverse markets which brings new challenges with exposure to different currencies.

The exchange rate risk management policy aims at reducing the volatility in the investments and the operations expressed in foreign currency (other than Euro), contributing to a smaller sensitivity in the Group results due to exchange rate fluctuations.

The exchange rate risk of the Group can be summarised in two ways:

- Transaction risk: risks relating to cash flows and the values of the financial instruments recorded in the statement of financial position, in which changes in exchange rates have an impact on the results and the cash-flows;
- Translation risk: risks associated to fluctuations in the equity value invested in foreign Group companies, due to exchange rate changes.

In terms of exchange rate risk management, the Group seeks, whenever its possible or advisable, natural hedges to manage exposure by the use of financial debt denominated in foreign currency in which the risk values are expressed. Whenever this is not possible or appropriate, it may be promoted the contracting or realization of other operations based on structured derivatives, in a way to minimize their cost, namely to cover risks in future foreign exchange transactions, with a large degree of certainty as to the amount and date of realization. On the other hand, and mainly in African markets, a significant part of the contracts executed by the Group are Euro or US dollar denominated, being, wherever possible, the exchange rate indexed to the contract value recorded in national currency, in order to eliminate any risk of volatility with loss of value.

#### Liquidity Risk

The liquidity risk management involves the maintenance of an adequate level of cash as well as negotiating credit limits that ensure the funds needed to meet commitments when they become due.

The MCA Group's policy of managing liquidity risk seeks to guarantee that there are funds available at every moment (balances and financial inflows) in the Group and its subsidiaries, sufficient for them to meet, in a timely manner, all the financial obligations assumed (financial outflows).

Obtaining high levels of financial flexibility, fundamental for managing this risk, has been achieved by using the following management measures:

- Establishment of partnerships with financial entities, ensuring their financial support to the Group with a long-term vision, regardless of the context that may condition business;
- Contracting and maintaining exceeding short-term credit lines, created as liquidity reserves, available for use at any moment;
- Performing an accurate financial planning for the Group by creating and periodically reviewing treasury budgets, allowing anticipated forecast of future cash surpluses and deficits, and optimization and integrated management of financial flows among Group companies;
- Financing of investments in a medium and long term, adapting debt maturity and payment plans deriving from financing to the ability to generate cash flows in each project or company;
- Starting the negotiation process for refinancing of medium and long term loans due for that year with at least one year of antecedence regarding relevant maturity;
- Looking for new sources of financing and new financiers, with the aim of:
  - Geographical diversification – capturing resources in the different markets where the Group operates;
  - Diversification of debt instruments – capture of funds from alternative sources, strengthening the strategic objective of obtaining a greater banking disintermediation.

During 2018, the Group was able to reduce its exposure to external financing while, at the same time, being able to increase the level of banking relationship with more financial entities in its diverse countries of operation, increasing its sources of financing in commercial banking.

#### Credit Risk

Credit risk management policy aims to ensure that the Group's subsidiaries promote the effective collection and reception of its credits over third-parties in the established and/or negotiated deadlines as applicable.

The Group's activity is subject to operational and treasury credit risk. This exposure to credit risk is mainly due to the accounts receivable arising from its operating activity.

The mitigation of this risk is achieved preventively, before exposure to risk, by resorting to information-providing entities and credit risk profiles that provide a rationale for taking decisions on credit granting.

Subsequently, when the credit is granted, the maintenance of credit and collection control structures is promoted, being implemented in each market, with the contracting of credit insurances from reputable insurance companies, in some specific cases. These measures contribute towards maintaining credits over customers within levels that are not able to affect the financial health of the Group's subsidiaries.

The significant development of the Group's activity in Africa (and the continuous search for developments in different African countries and in the Latin America) was, in part, promoted by the development of a business strategy of maintaining close relationships that focuses on a large and growing number of customers, spread across various business areas and geographies, which mitigates risk.

Additionally, some of the largest projects that the Group has in progress (and others that the Group is in tender process) are promoted by some large private conglomerates (which gives added security in terms of financial strength and credit coverage) and/or with an increasing support of multilateral entities in Africa as financiers of infrastructure projects that promote economic and social development in areas such as Environment, Energy and Logistics, which provides additional comfort against credit risk.

Despite of the trend that has been reinforced in recent years for the development of projects of a higher dimension, the Group has a significant dispersion of its commercial relationship, often relying on these projects with advanced payments that allow a significant reduction of credit risk.

## **Operating risks**

These are complementary risks to the Group's core and financial businesses in the various regions and markets where it operates, associated with physical assets, litigation, execution and compliance of processes, information systems, human resources, among others.

### Risks concerning physical assets

Risks of incidents associated with physical assets can derive from external or internal causes and can result in value loss for the Group, in the form of loss of profit or compensation payment, threatening collaborators or third parties, equipment or other assets unavailability. The MCA Group has several corporate and business areas (namely the Logistics and Maintenance Corporate Center) that monitor these risks, managing and mitigating them through the implementation of best practices policies of operation, inspection and prevention, as well as continuity plans for unexpected events, ensuring the transfer of risk through insurers and other specialised agents in this market.

### Legal Risks

Legal risks are those essentially resulting from the exercise of the own activity of the Group, the assumption of legal obligations whose risk has not been adequately evaluated, and/or minimized, which can generate financial impacts or increased litigation, in addition to legal risks arising from the diversity of jurisdictions in which the Group is represented, as well as exposure to high levels of litigation.

The legal risk management policy aims to ensure that the Group's companies, in the exercise of their activity, comply with applicable standards and regulations, and that the negotiations and contracting, as well as M&A transactions, are advised by lawyers, in-house or external, in order to make a preliminary assessment of the legal risk inherent in the operation in question, as well as to find admissible solutions to limit the risk to acceptable levels by the Group's management bodies.

The Group operates in several countries, with distinct legal systems and specific local characteristics, and thus the risk emerging from this legal diversity is mitigated by the concern with having projects, negotiations and hiring monitored by local lawyers, with know-how and qualified in the legal systems in question, in order to fulfil all applicable standards and regulations.

The whole Group is monitored from a legal point of view and from the respective risk of labour, administrative, civil and tax-related litigation which may result in economic or reputational damage. Additionally, there is particular attention given to the implementation of larger projects, with a higher technical and financial complexity as well as the higher value or higher risk litigation, by having the markets and regions reporting information to the respective Corporate Center, seeking in this way to have thorough and updated information at all times, as well as allowing legal situations that require closer monitoring and intervention to be timely identified in order to minimize their effects.

To minimize the risk of the Group achieving high levels of litigation, pre-litigation management of disputes is done in order to, whenever possible, obtain out of court settlement.

### Regulatory risks

Considering the presence in different markets, the Group ensures, at technical and operational level, that each company and each business unit fulfils the legal standards established in each market, ensuring their appropriate technical and legal requirements for the projects that are proposed in the negotiations resulting from each project.

Through its subsidiaries, the Group complies in its various business areas with regulatory requirements as well as its own regulations, being subject to ongoing monitoring, not having been subjected to any process or admonition by the Supervisory Entities.



The Compliance Function (within Audit and Risk) has a leading role in the maintenance of compliance with the various regulations and rules which the Group has an obligation to fulfil. Conformity assessment of policies and procedures, the effectiveness of internal controls and support in preventing and mitigating both control risk and compliance risks, implemented by the Group's management, are subject to verification, which results in an analysis of risk of legal or regulatory sanctions, financial loss or reputation as a result of failure to comply with the applicable laws, regulations, codes of conduct and best practice.

In addition to legal and regulatory compliance activities conducted in each market by the subsidiaries of the Group, each employee should understand and practice the standards established in the Code of Ethics and Business Conduct, available on the Group's website [www.mca-grupo.com](http://www.mca-grupo.com).

Finally, it should be noted that during 2018 the MCA Group has been implementing the necessary procedures to ensure compliance with the General Data Protection Regulation, and that it is constantly monitoring its compliance.

#### Risk of information systems

Global companies such as MCA Group rely significantly on information technology (IT) for the execution of their procedures and operations in the different business units and geographies where it operates, as well as to ensure the due reliability in control and reporting processes. To this end, the Group continuously works towards the standardisation of platforms in order to increase the level of trust in IT use and the transversal nature of the processes.

Given the increasing complexity of the technology infrastructure in the Group, present in different geographies, information security has become an essential function of the IT mission.

Information security governance has different characteristics and its own set of requirements. In this regard, the Group has defined its governance policy in terms of data management, access, identification of profiles, supervision policies and monitoring thereof, as a means of support to the internal control system. The Group also reinforced the quality of safety of its systems, aligning it with the best international practices.

#### Environmental Risk

The management of environmental risk is coordinated by the Quality and Environment departments at the various Group companies that are committed to the adoption of sustainable and effective practices in all aspects of the business activity.

In this sense, MCA Group has strengthened the actions carried out in the promotion of responsible and proactive behaviours, distributing shared values for business, the environment and society in areas considered to be priorities such as Waste Management and the Preservation of Resources.

#### Health and safety at work and occupational risks

The management of health and safety risks is coordinated by the Health and Safety departments at the various Group companies to ensure an effective framework for the prevention and minimising of accidents and health problems in an area of activity where accident rates are of unquestioned importance and a major concern for MCA Group.

With the health and safety of employees at the centre of the actions of MCA Group, training and prevention measures form the basis for action in the area of Health and Safety. The Group organises proactive programmes for the analysis of risk that are part of the development of control measures such as:

- Initial training in safety at work during the induction process for new recruits;
- Information provided to personnel on the risks that arise in job postings and on the preventive measures to be adopted;
- Training in standards of safety management for teams;
- Implementation of self-protection measures;
- The holding of work accident insurance policies;
- The carrying out of safety audits to confirm health and safety standards;
- The drafting of risk evaluation reports;

- Investigation and analysis of work accidents;
- The carrying out of health examinations.

## 6. Analysis of environmental performance

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### Public Health and Safety

Since Public Health and Safety is a right of all citizens and a duty to be observed, this matter is of particular importance to the Group insofar as it intrinsically affects social welfare. With intercontinental representation, MCA Group actively participates in the promotion of measures to control the health and safety of the communities in which it operates, taking joint responsibility for increasing the comfort of the different surrounding communities.

### Use of renewable and/or non-renewable energy

In a society that is marked by environmental concerns, the recourse to renewable energy has become a reference point for MCA Group in the context of the preservation of nature and the surrounding environment. Given the minimization of the environmental impact they provide, as well as their long-term sustainability, renewable energy is the guarantor for a healthier environment. Aware of this reality, MCA Group strategy is to stand out in renewable energies field.

### Greenhouse gas emissions

Over the years, greenhouse gas emissions have adulterated the chemical composition of the atmosphere, allowing the retention of the radiation emitted by the earth's surface to be accentuated and gradually hampering the planet's thermal equilibrium.

Faced with such a current problem, the use of renewable energy is seen by the MCA Group as a factor capable of minimizing (in the long term) climate change caused by air pollution, and is an important factor in order to control the greenhouse effect and contributing decisively to the preservation of nature. In this sense, and having an ethical and moral duty to focus its actions on promoting a more neutral environment, MCA Group endeavours, every year, to reduce and resolve greenhouse gas emissions in the activity of the Group's various companies.

### Water usage

Used for a wide range of purposes, water is of paramount importance in the Group's activity, which has been adopting frequent measures to combat the excess of water consumption in all its sectors of activity, promoting and encouraging its use rationalization.

### Air pollution

The climate change that is a result of a wide range of sources of air pollution represents one of the greatest threats to the balance of our ecosystems. The result of inappropriate environmental policies, without adequate regulation, has resulted in the state of alert that we are currently living under.

With its range of transversal technical skills in the widest range of fields of business, MCA Group is placing itself in the vanguard for respect for the environment in which it operates, promoting good environmental practices.

Aware of the importance of planning and implementing measures to combat air pollution, MCA Group takes a proactive attitude in this matter, reflecting its concern to the surrounding communities, with real impact on future generations.

## Environmental awareness measures implemented by the MCA Group

During the year 2018, and following what had been developed in previous years, the MCA Group implemented the following measures of environmental awareness:

- Fleet renewal (equipment, heavy vehicles and light vehicles) – Contribution: Reduction of fuel consumption and atmospheric emissions (air pollution).
- Progressive replacement of end-of-life lamps with other more efficient and durable LEDs (fixed installations: head office, bituminous plant and workshop) – Contribution: Reduction of electricity consumption.
- Delivery of waste toner and ink cartridges to AMI (*Assistência Médica Internacional* – a Portuguese, private, independent, non-political and non-profit organization that aims to fight against poverty, social exclusion, underdevelopment, hunger and the consequences of war anywhere in the world) – Contribution:
  - Saving of natural resources;
  - Contamination of soils and water lines is avoided;
  - Humanitarian aid (AMI).
- Screening and storage of lamp waste in fixed installations – Contribution: (i) Saving of natural resources; (ii) Contamination of soils and water lines is avoided; (iii) Humanitarian aid.
- Periodic sensitization of employees to environmental issues (Awareness of the “Tree Day”, “Water Day” and “Earth Hour”,...) – Contribution: Awareness and contribution of the company's overall environmental performance by the employees.
- Maintenance of the Bituminous Mixture Plant, namely in the replacement of the chimney “sleeves” – Contribution: Compliance with the limit values for the emission of gaseous effluents.

## 7. Analysis of performance in social areas and with employees

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### Application of the principal ILO (International Labour Organization) conventions

With its international presence and working with a labour market that is no longer restricted to national boundaries, MCA Group takes into consideration ILO conventions and recommendations which cover all matters related with employment and in particular the protection of the rights of workers which are clear in all relations with local governments and with employer organisations.

Therefore, MCA Group maintains its commitment to respect, promote and comply in good faith with the principals relating to the basic rights at work:

- There are no situations of discrimination within the Group's companies.
- The Group does not have any situations of child or forced labour.
- The Group does not have any situations of Sexual and other types of harassment.
- Workers or subcontractors involved in plant security and safeguarding of their assets respect, in their personal interactions, the legally established rights in each geographical area where they perform their functions. There are no workers or subcontractors involved in personal security missions within the Group.
- The Group takes in consideration the protection of employees' personal data and privacy.
- Generally, the MCA Group does not carry out activities in any territory where the populations or local communities' rights are or may be at stake.

### Working Conditions

Recognizing the real advantages inherent to the balance between work and personal life, MCA Group considers it essential to encourage and safeguard the harmony and well-being that the worker needs to carry out his duties. Facing different realities, depending on the different geographies in which it operates, MCA Group shapes each of the communities according to the values it considers essential in the relationship between employer and worker, taking as a mission the well-being of both workers and their families.

In a growing concern with the highest standards of health and safety at work, MCA Group seeks to promote organized and structured work spaces, reinforcing, whenever necessary, the use of collective and individual protection equipment, as long as it is advisable or mandatory for the performance of their duties. In another area, the Group is also concerned with creating motivating and compensatory working conditions for its employees through remuneration and incentive policies that promote excellence and merit.

#### Respect for employee rights

In the exercise of their functions, all workers have the same rights. Throughout its existence, and strongly marked by its international presence, the MCA Group transports to the diverse communities in which it operates, the faithful respect for the guarantee of the rights of its workers, ensuring, in particular, the fundamental in the employment relation:

- Compliance with employment legislation and the application of employment practices that are non-discriminatory;
- The attribution of fair and adequate, prompt payment of rewards;
- Treatment guided by respect and politeness;
- The promotion of the equal opportunities and non-discrimination in the course of career development;
- The provision of ongoing training with the aim of developing professional qualifications;
- Ensuring a safe working environment;
- Ensuring good working conditions from the physical and moral point of view;
- The prevention of occupational risks and illnesses taking into consideration the protection of the health and safety of employees;
- Ensuring working conditions that enhance the work-life balance.

#### Communication

MCA Group seeks to facilitate communication and dialogue with employees by encouraging active involvement, initiatives and consultations. Therefore, the right to information and to be consulted provided to employees assures their legitimate knowledge of the activities of the Group along with the progress of employment and preventive measures.

#### Respect for trade union rights

As an integral part of human rights and a principle applicable to all personnel, trade-union rights represent the protection of the employees' rights and a major force for social dialogue. With MCA Group operating in different business sectors, the Group maintains itself open to dialogue with different trade-union representative to promote good labour relations.

#### Interaction with local communities and/or actions carried out in order to assuring the protection and development of these communities

Present on several countries, and carrying with it unparalleled experience in institutional and personal relations, the MCA Group is proud of its its open and trusting dialogue with local communities, promoting cultural and social development, supporting the creation of basic infrastructures and always available to assist in situations of greater fragility of the surrounding communities.

With evidence given in all regions where it is present, the MCA Group stands out with a very strong element of local interaction and development.

A clear example of this interaction and local development is the "Fazenda Mussinga" project in Angola. This project aims to develop a profitable and innovative agricultural business and, simultaneously, be a social development agent for the micro region where we settled. The goal is, in parallel with the development of the business, to assist local agricultural development (helping in the acquisition of agricultural tools, acquisition of seeds, transport and sale of the products produced by local populations) and, additionally, revert part of the farm revenues into schools and education (Shaossi village).

### Non-discrimination and respect for human rights

Within the companies of the Group there were no cases of discrimination, and, on the other hand, it was safeguarded the practice of the labour associative rights, in particular freedom of association and collective negotiation, which corresponds to a constitutional and legal imperative.

All employees should show tolerance and respect for cultures, opinions and life-styles that are different to their own, always considering how their behaviour might affect others. The adoption of discriminatory conduct, of intimidation, of bullying or physical or psychological aggression or harassment at work is prohibited. Intimidation at the place of work is unacceptable conduct from an employee to any other with supervisors and managers having particular responsibility for promoting a work environment that encourages honesty, integrity, respect and trust.

The Group does not tolerate any discrimination whatsoever against any person on the basis of their ethnicity, religion, colour, gender, age, marital status, nationality, sexual orientation, citizenship or disability or for any other reason prohibited by law. The above applies to recruitment, contracting, assignment, promotion and any other condition of employment. All employees are entitled to equal opportunities and fair treatment based on merit.

### **The Group's human capital management**

The People Management policy is a central pillar in supporting the MCA Group's development, diversification and international expansion. In line with the MCA 2020 strategic plan, the Human Resources policy is structured in four key areas:

- **Attract** – Entering into MCA Group means working on a global team with unique personal and professional development opportunities. Adapting to change and flexibility are critical success factors and going further with us is your way.
- **Involve** – Promoting a climate of engagement and job satisfaction is our goal. Recognizing and rewarding the value of the contribution to the Group is a commitment to us. Communicating is the same as approaching. Be able to commit yourself, integrate the values of the Group in your work and you will feel the MCA identity.
- **Develop** – With courses adapted to the training needs raised by employees and managers, we build structured programs that accompany the employee's career from the beginning. Develop critical skills with us, add value to the business and be an MCA GOLD employee.
- **Monitor** (organization and reporting) – With an integrated reporting model, we provide Management and Directorates with access to a set of information that facilitates the management of the teams and allows the monitoring of the activities of the People Management area.

This is the main strength of MCA Group: It is for People and with People that the Group continues to “Go even further”!

### **Characterisation of MCA Group employees as at 31<sup>st</sup> December 2018**

#### Distribution of employees by Region

	Number	%
Europe	166	20%
Africa	676	80%
MCA Group	842	100%

#### Distribution of employees by Region and Gender

	Female		Male	
	Number	%	Number	%
Europe	32	25%	134	19%
Africa	95	75%	581	81%
MCA Group	127	15%	715	85%

#### Distribution of employees by Region and Age-group

	< 30 years	30 to 50 years	> 50 years
Europe	7%	19%	48%
Africa	93%	81%	52%
MCA Group	21%	65%	14%

#### Distribution of employees by Region and Functional Group

	Europe	Africa	MCA Group
Management	16	17	33
Technical Coordination	15	24	39
Operational Coordination	13	47	60
Technical	34	69	103
Administrative	8	17	25
Operational	52	359	411
Undifferentiated	28	143	171
MCA Group	166	676	842

Aiming for a management of talent that is capable of covering the working life of the employee, the People Management Corporate Center takes up a critical position in the management and development of human capital in the Group, ensuring ongoing development of the Group and its people.

On that purpose, the People Management Corporate Center has the mission to:

- Attract, engage and develop employees able to ensure continuity and sustainable growth of the MCA Group, encouraging internal mobility.
- Support Managers to achieve the best departmental results, by optimizing the performance of our Employees, in a shared responsibility logic.
- Act permanently in order to recognize the value of each person in a fair and equitable way.
- Through creativity, develop innovative processes, framed with the values and culture of the Group, working daily to surprise our internal customer, with effective responses to their needs, raising the levels of satisfaction and quality of our services.

## 1.5 Proposal for the appropriation of profits

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The Individual Management Report presents the following proposal: The Board of Directors proposes to the Annual General Meeting of Shareholders, that the net loss in the amount of 237.637 Euros be transferred to retained earnings.

## 1.6 Outlook for 2019

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The prospects of the MCA Group for 2019, supported in the Strategic Plan MCA 2020, are as follows:

- i) To strengthen the governance structure:
  - a. Reinforcement of the corporate governance structure;
  - b. Strengthening of the Group's technical and management skills, both at the corporate level and in the various markets it operates;
  - c. Replacement in the Group companies of the level of technical know-how necessary for the execution of the projects in the order book and in the pipeline.
- ii) To strengthen risk management:
  - a. Enhanced risk analysis and risk management at the corporate level;
  - b. Risk balancing in the business portfolio (technical, political and foreign exchange);
  - c. Diversification of customers, suppliers and sources of financing.
- iii) To strengthen sustained growth:
  - a. Growth of consolidated markets;
  - b. Regional and sectoral growth and diversification;
  - c. Growth in integral and differentiating business models;
  - d. Growth in partnerships and leverage.
- iv) To maintain an order book volume corresponding to 2 years of production.
- v) To increase the Group's turnover.
- vi) To increase the Group's EBITDA margin.
- vii) To maintain a reduced debt level (Net Debt / EBITDA ratio).
- viii) To strengthen the Group's financial position and capital structure.

It should be noted that these prospects do not correspond to a commitment on the future performance of the Group, but only to the best forecasting capacity, on this date, as to the activity of its companies. Therefore, the actual performance achieved in 2019 may differ substantially from these forecasts. In addition, MCA Group does not undertake to make updates or corrections to this information by altering any endogenous or exogenous factors that may alter the performance of the Group.

## 1.7 Subsequent events

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In 2019, up to the date of issuance of this report, we highlight as relevant facts the incorporation of two new companies, under partnerships controlled by the MCA Group, in the waste treatment / renewable energies area.

One of the companies was incorporated in Portugal and will be dedicated to the production of biodiesel from the use of waste oils (of all kind of oils).

The other company was incorporated in Austria and will be dedicated to the execution of engineering, procurement and construction ("EPC") contracts regarding the installation and commissioning of biogas and organic compost production plants, based on urban solid waste.

## 1.8 Final remarks

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We would like to thank for the personal and professional commitment of all the employees of the MCA Group, the members of our corporate bodies, the clients and all those who have related to Group's several companies.

Amsterdam, 15<sup>th</sup> July 2019.

A handwritten signature in black ink, appearing to read 'Manuel Couto Alves', written over a horizontal line.

Manuel António Couto Alves  
Director and Chairman of the Board of Directors

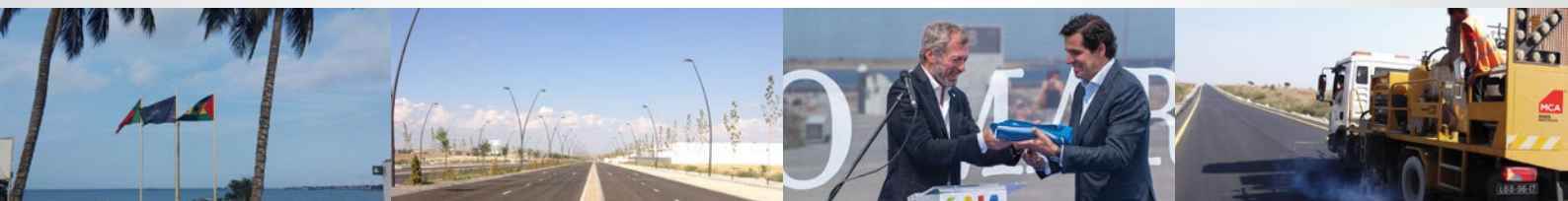
A handwritten signature in blue ink, consisting of stylized loops and a long horizontal stroke, written over a horizontal line.

IQ EQ Management (Netherlands) B.V.  
Director



02

# CONSOLIDATED FINANCIAL INFORMATION



## 2. CONSOLIDATED FINANCIAL INFORMATION

### 2.1 Consolidated Statement of Financial Position

#### Consolidated Statement of Financial Position as at 31<sup>st</sup> December 2018 and 2017

(Amounts in Euros)

	Notes	31-12-2018	31-12-2017	01-01-2017
<b>Assets</b>				
Non current assets				
Intangible assets	2	7 996 714	9 664 821	10 400 013
Tangible assets	3	7 141 461	11 973 822	18 267 401
Financial investments in associated companies	4	848 961	836 515	831 138
Other financial investments	5	15 196 010	15 660 121	35 918 876
Customers and other debtors	6	2 548 508	42 140	1 031 860
Deferred tax assets	10	1 227 284	900 933	136 670
Total non current assets		34 958 938	39 078 352	66 585 959
Current assets				
Inventories	7	29 600 288	44 903 102	54 354 079
Customers and other debtors	6	74 189 864	153 004 594	178 264 475
Assets associated with contracts with customers	8	6 145 871	30 548 866	14 816 964
Corporate income tax	11	7 483 235	12 090 287	18 548 673
Other current assets	9	7 443 700	12 569 508	4 086 572
Cash and cash equivalents	12	7 232 708	7 603 455	14 762 543
Total current assets		132 095 666	260 719 812	284 833 308
<b>TOTAL ASSETS</b>		<b>167 054 604</b>	<b>299 798 164</b>	<b>351 419 266</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	13	10 000 000	-	-
Share premiums	13	5 246 268	-	-
Reserves and retained earnings	13	(21 774 023)	20 789 872	24 660 473
Consolidated net profit for the year		10 382 992	4 391 157	-
<b>Equity attributable to the shareholders</b>		<b>3 855 237</b>	<b>25 181 029</b>	<b>24 660 473</b>
Non-controlling interests	14	18 053 883	24 208 310	27 263 582
<b>TOTAL EQUITY</b>		<b>21 909 120</b>	<b>49 389 340</b>	<b>51 924 055</b>
<b>Liabilities</b>				
Non current liabilities				
Loans	15	6 731 241	7 911 128	27 768 503
Suppliers and sundry creditors	16	5 796 258	56 250	5 053 594
Provisions	20	1 813 609	3 329 146	1 973 266
Deferred tax liabilities	10	8 326 014	14 064 210	-
Total non current liabilities		22 667 122	25 360 734	34 795 363
Current liabilities				
Loans	15	21 757 708	57 138 243	37 625 561
Suppliers and sundry creditors	16	38 460 528	50 042 161	105 371 601
Liabilities associated with contracts with customers	17	50 053 515	101 098 441	94 526 668
Corporate income tax	19	6 720 253	5 876 537	15 080 409
Other current liabilities	18	5 486 358	10 892 708	12 095 609
Total current liabilities		122 478 362	225 048 090	264 699 848
<b>TOTAL LIABILITIES</b>		<b>145 145 484</b>	<b>250 408 825</b>	<b>299 495 211</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>167 054 604</b>	<b>299 798 164</b>	<b>351 419 266</b>

## 2.2 Consolidated Income Statement

Consolidated Income Statement for the periods ended 31<sup>st</sup> December 2018 and 2017  
(Amounts in Euros)

	Notes	31-12-2018	31-12-2017
Sales and services rendered	21	83 612 064	143 667 332
Other income	25	3 294 234	4 115 787
<b>Total income</b>		<b>86 906 298</b>	<b>147 783 119</b>
Merchandise and materials consumed, Changes in production and Subcontractors	22	(51 609 760)	(63 353 092)
Third-party supplies and services	23	(18 493 680)	(19 654 149)
Wages and salaries	24	(16 478 502)	(15 309 217)
Other operating expenses	25	(3 820 577)	(3 799 098)
Amortisation and depreciation	26	(2 607 658)	(5 294 018)
Adjustments and impairment losses	27	(1 091 007)	(4 301 719)
<b>Total expenses</b>		<b>(94 101 184)</b>	<b>(111 711 291)</b>
<b>Operating profit</b>		<b>(7 194 887)</b>	<b>36 071 828</b>
Financial incomes and gains	28	49 435 435	4 577 493
Financial costs and losses	28	(23 267 160)	(23 124 939)
<b>Financial result</b>		<b>26 168 275</b>	<b>(18 547 446)</b>
Gains / (losses) in associated companies	29	510 025	87 178
<b>Profit before taxes</b>		<b>19 483 414</b>	<b>17 611 560</b>
Income tax	30	(6 560 620)	(12 195 312)
<b>Consolidated net profit for the period</b>		<b>12 922 794</b>	<b>5 416 247</b>
Attributable to:			
The Shareholders of the Company	14	10 382 992	4 391 157
Non controlling interests		2 539 802	1 025 091
		12 922 794	5 416 248

## 2.3 Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income for the periods ended 31<sup>st</sup> December 2018 and 2017  
(Amounts in Euros)

	31-12-2018	31-12-2017
<b>Consolidated net profit of the year</b>	<b>12 922 794</b>	<b>5 416 247</b>
<b>Items that may be reclassified subsequently to income statement:</b>		
Companies consolidated by the full consolidation method		
Exchange differences on translation financial statements expressed in foreign currencies	(40 522 635)	(5 128 210)
Other comprehensive income of Companies consolidated by the full consolidation method	52 722	219 272
Companies accounted for using the equity method		
Exchange differences on translation financial statements expressed in foreign currencies	29 784	90 772
Other comprehensive expense of Companies consolidated by the equity method	(17 345)	-
	(40 457 474)	(4 818 166)
<b>Items that will not be reclassified subsequently to income statement:</b>		
Others	-	-
	-	-
<b>Total other comprehensive expense for the period</b>	<b>(40 457 474)</b>	<b>(4 818 166)</b>
<b>TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD</b>	<b>(27 534 680)</b>	<b>598 081</b>
Attributable to:		
<b>The Shareholders of the Company</b>	<b>(21 373 673)</b>	<b>543 367</b>
Non controlling interests	(6 161 007)	54 714
	(27 534 680)	598 081

## 2.4 Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity for the periods ended 31<sup>st</sup> December 2018 and 2017  
(Amounts in Euros)

	Share capital	Share premiums	Reserves and retained earnings		Net profit	Equity attributable to the shareholders	Non-controlling interests (Note 14.)	Total Equity
			Currency translation reserve	Other reserves and retained earnings				
<b>Balance as at 1<sup>st</sup> January 2017</b>	-	-	-	24 660 473	-	24 660 473	27 263 582	51 924 055
Consolidated net profit for the period	-	-	-	-	4 391 157	4 391 157	1 025 091	5 416 247
Other comprehensive income for the period	-	-	(3 935 082)	87 292	-	(3 847 789)	(970 377)	(4 818 166)
Total comprehensive income for the period	-	-	(3 935 082)	87 292	4 391 157	543 367	54 714	598 081
Dividends distributed	-	-	-	-	-	-	(3 243 063)	(3 243 063)
Variation in the consolidation perimeter and others	-	-	-	(22 811)	-	(22 811)	133 077	110 266
<b>Balance as at 31<sup>st</sup> December 2017</b>	-	-	(3 935 082)	24 724 954	4 391 157	25 181 029	24 208 311	49 389 339
<b>Balance as at 1<sup>st</sup> January 2018</b>	-	-	(3 935 082)	24 724 954	4 391 157	25 181 029	24 208 312	49 389 339
Consolidated net profit for the period	-	-	-	-	10 382 992	10 382 992	2 539 802	12 922 794
Other comprehensive income for the period	-	-	(31 772 807)	16 143	-	(31 756 664)	(8 700 810)	(40 457 474)
Total comprehensive income for the period	-	-	(31 772 807)	16 143	10 382 992	(21 373 672)	(6 161 007)	(27 534 679)
Appropriation of consolidated net profit of 2017	-	-	-	-	-	-	-	-
Transfer to legal reserves and retained earnings	-	-	-	4 391 157	(4 391 157)	-	-	-
Capital and share premiums increase (Note 0.)	10 000 000	5 246 268	-	(15 246 268)	-	-	-	-
Variation in the consolidation perimeter and others	-	-	-	47 881	-	47 881	6 581	54 462
<b>Balance as at 31<sup>st</sup> December 2018</b>	<b>10 000 000</b>	<b>5 246 268</b>	<b>(35 707 889)</b>	<b>13 933 867</b>	<b>10 382 992</b>	<b>3 855 238</b>	<b>18 053 884</b>	<b>21 909 121</b>

## 2.5 Consolidated Statement of Cash-Flows

### Consolidated Statement of Cash-Flows for the periods ended 31<sup>st</sup> December 2018 and 2017

(Amounts in Euros)

	Notes	31-12-2018	31-12-2017
<b>OPERATING ACTIVITIES</b>			
Receipts from customers		66 059 493	171 342 330
Payments to suppliers		(62 130 797)	(163 037 274)
Cash paid to employees		(13 288 922)	(19 804 182)
Cash flow generated by operating activities		(9 360 226)	(11 499 126)
Income tax (paid)/received		(3 114 552)	(1 959 070)
Other cash receipts/(payments) relating to operating activities		1 763 249	(3 440 959)
<b>Net cash flow from operating activities (1)</b>		<b>(10 711 529)</b>	<b>(16 899 154)</b>
<b>INVESTMENT ACTIVITIES</b>			
Receipts arising from:			
Financial investments	34	42 704 683	18 389 522
Tangible assets		451 238	550 970
Interest and similar income		796 822	1 513 206
		43 952 743	20 453 698
Payments arising from:			
Tangible assets		(1 136 095)	(1 112 092)
Intangible assets		(48 172)	-
Other		(4 572)	(33 630)
		(1 188 839)	(1 145 722)
<b>Net cash from investment activities (2)</b>		<b>42 763 904</b>	<b>19 307 976</b>
<b>FINANCING ACTIVITIES</b>			
Receipts arising from:			
Loans obtained	15	47 140 518	35 070 383
		47 140 518	35 070 383
Payments arising from:			
Loans obtained	15	(64 877 667)	(32 666 950)
Interest and similar expenses		(8 984 574)	(11 287 650)
Dividends	34	(3 242 400)	-
		(77 104 641)	(43 954 600)
<b>Net cash from financing activities (3)</b>		<b>(29 964 123)</b>	<b>(8 884 217)</b>
<b>Variation of cash and cash equivalents (4) = (1) + (2) + (3)</b>		<b>2 088 252</b>	<b>(6 475 395)</b>
Effect of foreign exchange rate		(2 458 999)	(683 693)
Cash and cash equivalents at the beginning of the period		7 603 455	14 762 543
<b>Cash and cash equivalents at the end of the period</b>	<b>12</b>	<b>7 232 708</b>	<b>7 603 455</b>

## 2.6 Notes to the Consolidated Financial Statements

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### 0. Introduction

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M. Couto Alves Holding B.V. with head office at Hoogoorddreef 15, Amsterdam, The Netherlands (“MCA Holding” or “Company”) was incorporated on 12<sup>th</sup> December 2017 and has the registration number 70291457 with the Dutch Chamber of Commerce. The Company’s country of incorporation and domicile is the Netherlands. MCA Holding and its subsidiaries (“MCA Group” or “Group”) have as its principle activities the execution of public and private construction works and related activities, as well as logistic real estate development and marine management, among others. It is currently in the process of entering into new activities in the scope of Energy and Environment sectors.

MCA Holding was incorporated following the strategic decision of the Group’s Shareholders to set up a holding company in the Netherlands. There were two main reasons for this decision:

- Firstly, the previous holding company of the Group (M. Couto Alves, S.A. (“MCA PT”) – a private company with limited liability incorporated under the laws of Portugal, having its registered office address at Guimarães, Portugal), is also an operational company. The Shareholders believe that it is preferable to separate the operational activity from the holding and management activity – from a risk management perspective, but also from an increased efficiency perspective. These activities are very different and require different expertise, personnel, assets and monitoring. Separating them into two different legal entities will allow the Board members of each one to focus on the corresponding activities separately. It will also allow the Shareholders to have a better perception of the performance of each activity, which shall be reflected in each legal entity’s accounts separately as well. For reasons connected with the history and curriculum of MCA PT, it is preferable that this legal entity continues pursuing its operational activity, and a new holding company is created within the Group.
- Secondly, once it was established that there should be a new holding company for the MCA Group, it was also established that such new holding company should not be set up in Portugal, given that the Group is becoming increasingly international, but should rather be located at a jurisdiction which: (i) is part of the European Union, thus benefiting from the advanced protection granted by EU law; (ii) is respected and reputable as a business hub; (iii) is central, thus allowing for easy travel thereto whenever necessary; (iv) has access to financial markets; (v) is known for its legal and fiscal stability. Ultimately, it was decided that The Netherlands was a fit choice and thus it was here the holding company has incorporated.

The next step of this restructuring process was the transfer of shares representing MCA PT share capital (and its direct and indirect subsidiaries) to the MCA Holding. This transfer was performed on October 2018, when the MCA Holding issued 10,000,000 (ten million) new shares to the Shareholders, in exchange for which the Shareholders transfer the full legal and beneficial right, title and interest in and to all shares held by them in the share capital of MCA PT to the MCA Holding by way of a non-cash contribution.

As a consequence of MCA Holding date of incorporation and this mentioned restructuring process, it was stated in the Company’s Deed of Incorporation and Articles of Association that the first financial year of the Company shall end on the thirty-first day of December two thousand eighteen, as such, presenting this year for the first time, consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union.

Even though legally MCA Holding acquired MCA PT (though the above mentioned manner), this operation was considered a capital restructuring and therefore the consolidated financial statements are a continuation of those of the previously existing MCA Group.

All the amounts presented in these notes are expressed in Euros, rounded off to the unit, unless explicitly stated otherwise.

## 1. Basis of presentation, consolidation and main accounting policies

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### 1.1. Basis of presentation

The consolidated financial statements of the MCA Group were prepared on a going concern basis from the books and accounting records of the companies comprising the Group, adjusted in the consolidation process. The Board of Directors assessed the capacity of the Group as regards operating continuously, based on all relevant information, facts and circumstances of financial, commercial or other nature, including events after the date of reference of the financial statements, available on the future. As a result of the assessment made, the Board of Directors concluded that the Group has appropriate resources to keep its business and has no intention to cease it in the short term. Therefore, it found appropriate the going concern assumption in the preparation of the attached, consolidated financial statements.

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and according to the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standards Interpretations Committee (SIC), as adopted and effective by the European Union as of 1<sup>st</sup> January 2018.

These financial statements also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code.

MCA Group companies' financial statements were subject to IFRS 1 – “First time adoption of IFRS” (“IFRS 1”), as described below.

The attached consolidated financial statements were prepared based on the historical cost.

#### 1.1.1. First time adoption impact

The MCA Group adopted the International Financial Reporting Standards, issued and effective as at 1<sup>st</sup> January 2018 and applied those standards retrospectively to all presented periods, considering the exemptions and exclusions in respect of other existing standards, allowed by IFRS 1.

IFRS 1 allows the use of optional exemptions, to full retrospective application, regarding the accounting treatment required by other IFRS standards. The MCA Group, chose to apply the following exemptions in the preparation of its opening balances as at the transition date of 1<sup>st</sup> January 2017:

i) Valuation of tangible and intangible assets

As at the transition date to IFRS, the Group considered, as ‘deemed cost’ for tangible and intangible assets, the historical cost and accumulated depreciation, because these approach to the amounts that would have been recognized under IFRS.

ii) Currency translation reserve

In accordance with IFRS 1, the MCA Group does not need to apply retrospectively the criteria foreseen in IAS 21, regarding the calculation of the cumulative translation differences that existed as at the transition date to IFRS. The Group decided to apply this exemption, which allows the Group to recognize all cumulative translation differences, for all foreign operations transferred from the local GAAP, in retained earnings.



### iii) Financial instruments

IFRS 1 includes a temporary exemption for the entities that apply IFRS 9 for the first time, at first time adoption date. In this case the MCA Group's comparative information need not comply with IFRS 7 - 'Financial Instruments: Disclosure', to the extent that the disclosures required by IFRS 7 relate to items within the scope of IFRS 9. For such entities, references to the 'date of transition to IFRSs' shall mean, in the case of IFRS 7 and IFRS 9 only, the beginning of the first IFRS reporting period (i.e. 1<sup>st</sup> January 2018).

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

IFRS 9 presents a new classification and measurement approach for financial assets, which reflects the business model used in its management and the characteristics of the contractual cash flows. Accordingly, IFRS 9 established three new categories of classification of financial assets: (i) measured at amortized cost; (ii) at fair value through other comprehensive income; and (iii) at fair value through profit or loss.

In the process of adopting IFRS 9, the MCA Group evaluated the nature and purpose of the financial instruments recognized in its consolidated financial statements in order to identify any classification and measurement gaps. The financial assets recognized by the MCA Group (and existing in the Group's companies as at 31<sup>st</sup> December 2017) referred mainly to the following categories:

- Loans and accounts receivable;
- Available-for-sale financial assets; and
- Financial assets held to maturity

From the analysis performed, it turned out that financial assets included in the category of loans and accounts receivable (customer and other debtors) should be allocated to the "hold to collect" category and be measured at the amortized cost. From this reclassification, there was no impact on the Group's equity capital.

As regards bonds classified as cash equivalents, they are measured at amortized cost and recognized under "Other financial investments" heading. From this reclassification, there was no impact on the equity of the Group.

For the remaining financial assets and liabilities, these remained measured at amortized cost.

Regarding the calculation of impairment (and the change from the loss incurred model to the expected loss model), the Group decided to apply a historical uncollectability matrix (simplified model) to determine the new impairment on its accounts receivable (including those arising from the adoption of IFRS 15), recognizing the estimate of impairment losses for the entire life of the receivables. In this way, the expected impairment losses were calculated based on the historical real losses verified over a period considered statistically relevant, and loss rates were estimated by company and by type of clients (public, private, etc.).

The adoption of the IFRS, as at 1<sup>st</sup> January 2017 and 31<sup>st</sup> December 2017, had the following impact on MCA Group's consolidated financial statements:

- **Reconciliation of consolidated equity and profit or loss for the period**

All adjustments as at the transition date reflect the differences arising in the financial statements from the conversion to IFRS and are recognized in retained earnings. The adoption of IFRS accounting principles and standards can also originate impacts on the comparative income statement.

In what regards to MCA Group, the conversion to IFRS did not originated any impacts on retained earnings or on the comparative income statement.

- **Reclassifications**

The adoption of IFRS required the reclassification of the following balances:

- i) IFRS 15 – Assets associated with contracts with customers
- ii) IFRS 15 – Liabilities associated with contracts with customers
- iii) IAS 12 – Corporate income tax assets and liabilities
- iv) IAS 7 – Amounts not convertible to cash within 3 months

The impact of these above mentioned reclassifications in the opening balance was as follows (amounts in Euros):

	Opening balance under previous GAAP	Reclassification impacts	Opening balance under IFRS
<b>Assets</b>			
Non current assets			
Intangible assets	10 400 013	-	10 400 013
Tangible assets	18 267 401	-	18 267 401
Financial investments in associated companies	831 138	-	831 138
Other financial investments	16 108 191	19 810 685	35 918 876
Customers and other debtors	1 031 860	-	1 031 860
Deferred tax assets	136 670	-	136 670
<b>Total non current assets</b>	<b>46 775 274</b>	<b>19 810 685</b>	<b>66 585 959</b>
Current assets			
Inventories	54 354 079	-	54 354 079
Customers and other debtors	178 264 475	-	178 264 475
Assets associated with contracts with customers	-	14 816 964	14 816 964
Corporate income tax	-	18 548 673	18 548 673
Other current assets	37 452 209	(33 365 638)	4 086 572
Cash and cash equivalents	34 573 228	(19 810 685)	14 762 543
<b>Total current assets</b>	<b>304 643 991</b>	<b>(19 810 685)</b>	<b>284 833 308</b>
<b>TOTAL ASSETS</b>	<b>351 419 266</b>	<b>-</b>	<b>351 419 266</b>
<b>Liabilities</b>			
Non current liabilities			
Loans	27 768 503	-	27 768 503
Suppliers and sundry creditors	5 053 594	-	5 053 594
Provisions	1 973 266	-	1 973 266
<b>Total non current liabilities</b>	<b>34 795 363</b>	<b>-</b>	<b>34 795 363</b>
Current liabilities			
Loans	37 625 561	-	37 625 561
Suppliers and sundry creditors	105 371 601	-	105 371 601
Liabilities associated with contracts with customers	-	94 526 668	94 526 668
Corporate income tax	-	15 080 409	15 080 409
Other current liabilities	121 702 686	(109 607 077)	12 095 609
<b>Total current liabilities</b>	<b>264 699 848</b>	<b>-</b>	<b>264 699 848</b>
<b>TOTAL LIABILITIES</b>	<b>299 495 211</b>	<b>-</b>	<b>299 495 211</b>
<b>TOTAL EQUITY</b>	<b>51 924 055</b>	<b>-</b>	<b>51 924 055</b>
Currency translation reserve	(26 901 182)	26 901 182	-
Other reserves and retained earnings	78 825 237	(26 901 182)	51 924 055
	51 924 055	-	51 924 055
<b>The Group</b>	<b>24 660 473</b>	<b>-</b>	<b>24 660 473</b>
Non controlling interests	27 263 582	-	27 263 582
	51 924 055	-	51 924 055

### 1.1.2. Standards, interpretations, amendments and revisions which will come into force in future years

The following standards, interpretations, amendments and revisions, mandatory for future annual periods, were until 31<sup>st</sup> December 2018 endorsed by the European Union:

Standard / Interpretation	Applicable in the European Union in the years beginning on or after	Content
IFRS 16 - Leases	01-01-2019	This new standard replaces IAS 17 with a significant impact on lessee accounting that is now required to recognize a lease liability equivalent to future lease payments and a "right of use" asset for all lease agreements, except 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."
IFRIC 23 - Uncertainty over income tax treatment	01-01-2019	This is an interpretation of IAS 12 - 'Income tax', referring to the measurement and recognition requirements to be applied when there is uncertainty as to the acceptance of a certain tax treatment by the Tax Authorities regarding income tax. In the event of uncertainty as to the position of the Tax Administration over a specific transaction, the entity shall make its best estimate and record the income tax assets or liabilities under IAS 12 and not IAS 37 - "Provisions, contingent liabilities and contingent assets", based on the expected value or the most probable amount. The application of IFRIC 23 may be retrospectively or retrospectively modified.
Amendment to IFRS 9 - Prepayment elements with negative compensation	01-01-2019	This amendment introduces the possibility to classify 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 and loss.

At the present date, in addition to the estimated effects arising from the adoption of IFRS 16, no significant impacts resulting from the adoption of the standards, amendments and interpretations mentioned above are expected.

MCA Group applied the practical expedient in terms of the short term leases. Thus, on applying IFRS 16, MCA Group will not consider the short term leases, taking into consideration that they have a maturity less than 1 year.

As a result of the adoption of IFRS 16, and considering as of 1st January 2019 the lease liability equal to the right of use, the estimated increase in assets and in liabilities on 1<sup>st</sup> January 2019 will provisionally amount to 584 thousand Euros.

The consolidated financial statements are presented in Euros since this is the main currency of the MCA Group's operations. The financial statements of the subsidiaries expressed in foreign currency were converted into Euros, in accordance with the accounting policies described in the Note 1.3.5. of the main accounting policies herein.

In preparing the consolidated financial statements, in accordance with the IFRS, the MCA Group's Board of Directors adopted certain assumptions and estimates which affect the reported amounts of assets and liabilities, as well as the respective income and expenses incurred, part of which are described in the Note 1.4.19. of the main accounting policies.

All estimates and assumptions made by the Board of Directors were based on their knowledge of the events and transactions in course, as at the date of approval of the consolidated financial statements.

The attached consolidated financial statements were prepared for appreciation and approval at the General Shareholders Meeting. The MCA Group's Board of Directors believes that they will be approved without amendment.

## 1.2. Information comparability

As mentioned above in the introductory note (Note 0.) the first financial year of the Company ended on the 31<sup>st</sup> December 2018, and as such, MCA Group is presenting this year for the first time, consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union. The impacts, assumptions and exceptions considered by the Group are detailed in Note 0. above.

### 1.3. Basis of consolidation

#### 1.3.1. Controlled companies

The consolidated financial statements include the financial statements of the Company and of the entities controlled by the Company, as well as those controlled by its subsidiaries. There is control when the company: (i) has power over the subsidiary; (ii) is exposed and/or is entitled to variable returns as a result of its involvement in the subsidiary; (iii) has the capacity to use the above mentioned power to influence the subsidiary's returns. Therefore, some subsidiaries whose effective holding percentage held by the Group is below 50% may be considered to be controlled by the latter. Most of these situations occur when the Group holds a majority financial holding in a subsidiary that, in turn, holds another majority holding in a subsidiary. On the other hand, some subsidiaries whose effective holding percentage held by the Group is higher than 50% may not be considered to be controlled, given the existence of agreements with third parties through which shared control over said holding was set. Whenever there are changes in any of the three elements mentioned above in relation to an investee, the Group re-evaluates the existence of control over it.

The MCA Group controls a subsidiary even if it does not hold the majority of the voting rights when, by virtue of the voting rights held and/or the agreements entered into, it has the practical capacity to unilaterally manage the subsidiary's relevant activities and be exposed to variable returns.

Financial statements of controlled companies (including structured entities or SPV) are included in the consolidated financial statements through the full consolidation method in the moment the Grupo gains control. Consequently, the results of the companies whose control was acquired or lost during the year are included in the income statement, respectively, as at the date control was taken or up to the date it was granted.

The net income and further items of other comprehensive income and equity of controlled companies, which correspond to third party holdings of said companies (non-controlling interests), are presented in the consolidated statement of financial position and in the consolidated statement of comprehensive income under specific headings of "Non-controlling interests".

The other comprehensive income of controlled companies is assigned to the Group and to the non-controlling interests, even if this results in the latter having a deficit balance.

When necessary, the financial statements of controlled companies are adjusted, in a manner such that their accounting policies are consistent with those of the Group. The transactions and balances between Group companies are eliminated in the consolidation process.

In the years ended 31<sup>st</sup> December 2018 and 2017, the main transactions performed between Group companies can be summarised as follows:

- (i) Purchases and sales of inventories;
- (ii) Provision of construction services;
- (iii) Provision of administrative services;
- (iv) Concession and obtainment of loans; and
- (v) Dividend distribution.

Controlled companies (included in the consolidated financial statements through the full consolidation method) are detailed in Appendix A.

#### 1.3.2. Associated companies

Financial investments in associated companies are recorded using the equity method, and are included in the statement of financial position under the heading "Financial investments in associated companies".

Financial investments in associated companies are investments in which the Group holds a significant influence. The significant influence (presumed when voting rights exceed 20%) is the power to participate in the financial and operating decisions of a company, without exercising control or joint control over it. In addition, regarding some companies whose effective percentage holding held by the Group is below 20%, the Group exercises significant influence over them. Most of these situations occur when the Group holds a majority financial holding in a subsidiary that, in turn, controls or exercises significant influence in a subsidiary.

Pursuant to the equity method, financial investments are initially recorded at their acquisition cost, which is subsequently adjusted:

- By the amount corresponding to the Group's holding in the comprehensive income (including the net income of the year) of the associates - against other comprehensive income of the Group or gains or losses of the year, as applicable;
- By the dividends received – against an account receivable or liquidity;
- By eventual gains or losses in operations maintained with other Group companies affecting the valuation of the Group's assets.

On the year ended 31<sup>st</sup> December 2018 and 2017, the main transactions performed between Group companies and associated companies can be summarised as follows:

- (i) Provision of administrative services; and
- (ii) Granting and obtaining loans.

An impairment analysis is performed to financial investments in associated companies when there is indication that the asset might be impaired, with a loss being recorded in the income statement whenever this is confirmed. The recoverable amount of financial investments in associated companies is, for this purpose, determined in accordance with the provisions of IAS 36. When impairment losses recognized in prior years no longer exist, they are subject to reversal (with the corresponding gain being recorded in the income statement). Impairment losses are recorded as a deduction to the book value of the investments.

When the Group's proportion of the losses in the associated company exceeds the amount for which the financial investment is recorded, the investment is reported by a null amount, as the equity in the associate is negative, except if the Group has assumed commitments towards the associate, recording a provision in these cases to meet those commitments.

Unrealised gains on transactions with associated companies are eliminated in the proportion of the Group's interest in the associate against an entry in the heading "Financial investments in associated companies". Unrealised losses are likewise eliminated, but only up to the point at which the loss does not evidence that the transferred asset is in a situation of impairment.

Whenever necessary, the financial statements of the associated companies are adjusted to ensure their consistency with the accounting policies adopted by the Group.

Financial investments in associated companies are detailed in Appendix A.

### 1.3.3. Business combinations

Business combinations are recorded in accordance with the acquisition method. The acquisition cost is determined at fair value, consisting of the sum, as at the date control is obtained, of: (i) fair value of the assets transferred by the Group; (ii) fair value of the liabilities undertaken by the Group as a result of taking control; and (iii) fair value of the equity instruments issued by the Group in exchange for taking control. Costs related to business combinations are recorded in income when incurred.

On the acquisition date, the identifiable assets and liabilities are measured at their fair value. For fair value measurement purposes, the Group uses market prices in force for similar assets and liabilities or, in the absence thereof, to universally

accepted valuation techniques (comparable prices, discounted cash flows, among others). The surplus of the acquisition cost plus the fair value of potential interests previously held in the entity acquired, and the value attributed to non-controlling interests in relation to the fair value of the identifiable assets and liabilities is recognised as Goodwill. If the above-mentioned difference is negative, it is recognised as income of the year under the heading "Other operating income/ (expenses)", after reconfirmation of the value attributed to the identifiable assets and liabilities acquired. The Group chooses, on a transactional basis, the valuation of noncontrolling interests (i) in accordance with their proportion in the fair value of assets, liabilities and contingent liabilities acquired, or (ii) in accordance with their fair value.

When a business combination is achieved in stages, the interest previously held by the Group in the purchased company is remeasured at the fair value on the acquisition date and the gain or loss arising therefrom, if applicable, is recognised in the income statement. Amounts arising out of interests in the purchased company before the acquisition date, which had been recognised in other comprehensive income, are reclassified to the income statement, provided that it was the proper accounting treatment if that holding had been disposed of.

Any surplus/shortfall of the acquisition cost in relation to the fair value of the identifiable assets and liabilities of the associated companies on the acquisition date is recognised, respectively, as Goodwill (added to the value of financial investment), or as income in the income statement of the year under the heading "Gains/(losses) in associates and jointly controlled companies" (regarding the latter, after the proper reconfirmation of the fair value of the identifiable assets, liabilities and contingent liabilities).

#### 1.3.4. Other changes in interests in controlled entities

The acquisition of interests in companies that are already controlled is treated as a transaction between equity holders and, consequently, does not produce any Goodwill or income. Thus, any difference between the respective cost and the book value of the corresponding non-controlling interests acquired is directly recorded in equity. Furthermore, when the disposal of interests in controlled companies does not result in loss of control, the potential differences between the amount transferred to non-controlling interests and the price of the transaction is recorded directly in equity.

When the disposal of interests in a company controlled until then results in loss of control by the Group, a gain or loss in the income statement is recognised corresponding to the difference between: (i) the fair value of assets received by the Group plus the fair value of potential interests kept in that company and (ii) the book value of the company's assets and liabilities in the Group's consolidated financial statements and the potential non-controlling interests associated.

#### 1.3.5. Translation of financial statements of companies with a functional currency different from Euro

Assets and liabilities expressed in financial statements of foreign companies (companies that do not use Euro as a functional currency) are converted into Euro using the exchange rates in force on the reference date of the statement of financial position. Income and expenses, as well as cash flows are converted to Euros using the average exchange rates in the year, except for foreign companies using a functional currency considered hyperinflationary, in which case the exchange rates in force at the reference date of the statement of financial position are used. The resulting exchange differences are recorded in equity under the heading "Currency conversion reserve".

Goodwill and fair value adjustments resulting from the acquisition of foreign companies are treated as assets and liabilities of said companies and converted into Euro in accordance with the exchange rates in force at the year-end.

Whenever a foreign company is disposed of (totally or partially), the share corresponding to accumulated exchange differences is recognised in income statement as gain or loss of disposal, if there is loss of control, or transferred to noncontrolling interests if there is no loss of control.

As at 31<sup>st</sup> December 2018 and 2017, the functional currencies used by the major subsidiaries of the Group, and the Company itself were as follows:

Subsidiary	Country	Local currency	Functional currency
M. Couto Alves Holding BV	Netherlands	Euro (EUR)	Euro (EUR)
M. Couto Alves Corporate Services, S.A.	Portugal	Euro (EUR)	Euro (EUR)
M. Couto Alves, S.A.	Portugal	Euro (EUR)	Euro (EUR)
M. Couto Alves - PSS, S.A.	Portugal	Euro (EUR)	Euro (EUR)
Business Center Manzanares, S.L.	Spain	Euro (EUR)	Euro (EUR)
M. Couto Alves - Marina de Gaia, Lda.	Portugal	Euro (EUR)	Euro (EUR)
M. Couto Alves Vias, S.A.	Angola	Kwanza (AOA)	Kwanza (AOA)
M. Couto Alves - Máquinas e Equipamento de Aluguer, S.A.	Angola	Kwanza (AOA)	Kwanza (AOA)
MCA Moçambique, S.A.	Mozambique	Metical (MZN)	Metical (MZN)
MCA – São Tomé e Príncipe, Unipessoal, Lda.	Sao Tome and Principe	Dobra (STD)	Dobra (STD)
Elan - Electricidade e Montagens de Angola, S.A.	Angola	Kwanza (AOA)	Kwanza (AOA)
Sines - Sinalização de Estradas, S.A.	Angola	Kwanza (AOA)	Kwanza (AOA)

The (closing and average) exchange rates used as at 31<sup>st</sup> December 2018 and 2017 for the conversion into Euro of the financial statements of the main subsidiaries, jointly controlled companies and foreign associates (entities that do not use Euro as a functional currency) were as follows:

		2018		2017	
Currency		Year end	Average	Year end	Average
Angola Kwanza (AOA)	EUR/AOA	353,02	303,84	186,30	186,30
Mozambique Metical (MZN)	EUR/MZN	70,92	72,02	71,41	73,73
Sao Tome and Principe Dobra (STD)	EUR/STD	24,50	24,50	24.680,30	24.620,47
US Dollar (USD)	EUR/USD	1,14	1,18	1,20	1,13

### 1.3.6. Companies in hyperinflationary economies

In accordance with IAS 29 – “Financial reporting in hyperinflationary economies”, the financial statements of entities or companies where the functional currency is that of a hyperinflationary economy should be expressed in terms of the current measuring unit on the date of the statement of the financial position, being the gain or loss in the net monetary position included in the net profit of the year.

The Group considers hyperinflationary economies those where any of the following situations are to be found:

- The population as a whole prefers to hold their wealth in non-monetary assets or in a foreign currency that is relatively stable. The amounts in local currency that are held are immediately invested to maintain the purchasing power;
- The population as a whole sees monetary amounts not in terms of local currency but rather in terms of a stable foreign currency. Prices may be quoted in this currency;
- Credit sales and purchases take place at prices that compensate the expected loss in the purchasing power during the credit period even if this last one credit is short;
- Rates of interest, salaries and prices are linked to a price index; and
- The accumulated rate of inflation during the last three years approaches 100% or exceeds this value.

Following the above referred and since some of the situations described above were applicable to Angola, this one was considered in 2018 as a hyperinflationary economy.

Consequently, in accordance with IAS 29, the restatement of the financial statements of the entities whose functional currency was the Kwanza to the current measuring unit was carried out as follows:

#### Statement of financial position

- The amounts in the statement of financial position that were not yet expressed in terms of the current measuring unit at the reference date of said statements were restated by the application of a general price index.
- The monetary items were not restated because they were already expressed in terms of the current measuring unit at the date of the statement of financial position. The monetary items represent cash held and elements receivable or to be paid in cash.
- The assets and liabilities linked by agreement to the changes in prices such as bonds and loans linked to an index were adjusted in the terms of the agreement in order to establish the amount outstanding at the date of the statement of financial position.
- All other assets and liabilities were considered as non-monetary. However, certain non-monetary items were recorded at their current amounts at the date of the statement of financial position, such as the net realisable value and the market value and therefore they were not restated. All other non-monetary assets and liabilities were restated.
- The major part of non-monetary items was recorded at cost or cost less depreciation and accumulated impairment losses and therefore those items were expressed at their current amounts at their acquisition date. The restated cost for each item was established by the application to their historical cost and to their accumulated depreciation and impairment loss of the variation occurred in a general price index from the date of its acquisition (or from the date of change of the functional currency) up to the reference date for the statement of financial position. Therefore, tangible and intangible assets, financial investments and inventories were restated from the date of their acquisition or date of change of the functional currency.
- When applicable, the restated amount of some non-monetary items was reduced to its recoverable amount due to the estimated future use of the item or its disposal. In this way, in certain cases, the restated amounts of some tangible assets were reduced to its recoverable amounts, the restated amounts of some inventories were reduced to their net realisable value and the restated amounts of some financial investments were reduced to their market value.
- The items expressed at its current cost (fair value) were not restated because they were already expressed in terms of the current measuring unit at the date of the statement of financial position.
- The headings of equity, with the exception of retained earnings and those associated with revaluation surplus were restated by the application of a general price index from the date when the respective amounts were generated. Any revaluation surplus generated in previous years was eliminated. Finally, the restated retained earnings were determined from all other restated amounts of the statement of financial position.

#### Income statement

- The income statement, prior to restatement, generally expresses the current income and the current costs at the time of transactions or the underlying events occurred. In this way, the cost of sales and the depreciation of fixed assets are recorded at current costs at the time of their consumption and the other current income and costs are recorded at their current amounts at the time of their generation or when they have been incurred.
- All items of the income statement were restated in terms of the current measuring unit at the reference date of the statement of financial position. In this way, all amounts were restated from the date when the income and their costs were initially recorded in the income statement by the application of the respective general price index.
- The restatement of the financial statements in accordance with IAS 29 gave rise to differences between the taxable result and the accounting result. These differences were accounted for in accordance with IAS 12.



### Net monetary position

In a period of inflation, a company which holds an excess of monetary assets over monetary liabilities (debtor net monetary position) loses purchasing power and as a consequence generates a loss, while a company that holds an excess of monetary liabilities over monetary assets (creditor net monetary position) gains purchasing power and as a consequence generates a gain.

The gain or loss in the net monetary position is included in the net profit of the year.

In order to determine the general price index, referred to above, the MCA Group used the information disclosed by the National Bank of Angola regarding the levels of inflation occurred in Angola in the last years. Those indices were as follows:

Price Index in Angola	
Date	Price Index
31/dec/2014	242,11
30/jun/2015	229,40
31/dec/2015	211,87
30/jun/2016	174,02
31/dec/2016	149,25
30/jun/2017	131,94
31/dec/2017	118,21
30/jun/2018	109,82
31/dec/2018	100,00

As at 31<sup>st</sup> December 2018, the impact of the restatement of the financial statements of the entities and companies whose functional currency was the Angolan kwanza for the current measurement unit as well as the impact on the income statement of the year where immaterial, and the Group's Board of Directors decided not to recognize it on the consolidated financial statements.

In summary, the impact of the consideration of Angola as a hyperinflationary economy would be as follows:

Amounts in thousand Euros	
Caption	Impact on consolidated financial statements [Db/(Cr)]
Non current assets	1 096
Current assets	526
Equity	200
Non current liabilities	(369)
Current liabilities	(380)
Income statement	(1 073)

The significance of the Angolan Business in the Group's context is much higher than the relevance of its non-monetary items. Thus, as the application of IAS 29 impacts only the non-monetary items, the impact of this standard shows to be immaterial in the context of the Group's consolidated financial information. Additionally, taking into consideration that 2018 Angola inflation was only about 18% (considerable low when compared to the two previous years) the impact in the profit of the year is also limited. The main non-monetary items considered in this calculation exercise were:

- Fixed assets located in Angola which value is very limited and that, given the relatively limited inflation compared to earlier years, the effect of restatement on those fixed assets would also be limited;
- Inventory items that, taking into consideration that the Group has not relevant inventory slow-movers, their impact in hyperinflation calculation is also limited; and
- MCA Group makes and receives advance prepayments in order to obtain or deliver the respective goods and services to which the prepayments relate to. IFRIC 22 clarifies that these items are consider a non-monetary asset or non-

monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. Consequently, MCA Group had also considered those advance prepayments in the hyperinflation calculation, which has included in the values above presented.

## 1.4. Main accounting policies

The main accounting policies adopted in the preparation of the MCA Group consolidated financial statement were as follows:

### 1.4.1. Intangible assets

Intangible assets are recorded at acquisition or production cost, minus amortisations and any accumulated impairment losses, and are recognised only if it is likely that they will generate future economic benefits to the Group, if their cost can be reasonably measured and if the Group has control over them.

Intangible assets are basically composed by the concession operation licenses (arising from the adoption of IFRIC 12), by surface land rights and by software.

The IFRIC 12 applies to public service concession contracts under which the concession owner controls (regulates):

- The services to be provided by the concessionaire company (by means of use of the infrastructure), to whom and at what price; and
- Any residual interest on the infrastructure at the end of the contract.

The IFRIC 12 applies to infrastructures:

- That were built or purchased by the operator from third parties;
- That already exist and to which the operator is granted access.

Therefore, and given the above, concessions held by the Group, allocated to the recreation marina area (MCA Marina de Gaia), are in the scope of that IFRIC for the following reasons:

- The Group has a public service concession contract established with a Public Entity (“Concession owner”) and during a pre-established period;
- The Group performs the provision of public services through the use of infrastructures;
- The concession owner controls services provided and the conditions in which they are provided (particularly through APDL – “Administração dos Portos do Douro, Leixões e Viana do Castelo, S.A.” regulating body); and
- The several assets used for the provision of services revert to the concession owner at the end of the concession contract.

On the other hand, the IFRIC 12 establishes the general principles for recording and measuring the rights and obligations under concession contracts with the previously mentioned characteristics and establishes the following models for their accounting:

- i) Financial asset model – applicable when the operator has an unconditional contractual right to receive funds or another financial asset from the grantor corresponding to specific or quantifiable amounts. In such situations, the operator should record a financial asset (account receivable). In this model, the grantor has little or no discretionary power to avoid the payment due since the agreement generally is legally binding.
- ii) Intangible asset model – applicable when the operator receives the right to collect a tariff based on the use of the infrastructure. In such situations, the operator should record an intangible asset; and

- iii) Mixed model – applicable when the concession contract simultaneously includes remuneration commitments guaranteed by the grantor and remuneration commitments dependent on the degree of use of the infrastructure.

Observing the terms of the concession contract entered into by MCA Marina de Gaia (concessionary company) in relation to the remuneration model, it was understood that the operations of said concessionary company fit the intangible asset model due, essentially, to the fact that the concessionary have the right to charge users a tariff, and since it assumes the operational, investment and the financing risk of the concession.

For the purposes of the amortisation of the intangible assets related to the concession (including the tangible assets employed on the concession), the method that best reflects the model by which future economic benefits for the assets are expected to be consumed by the concession was taken into consideration. As a result, it was determined that the concession intangible asset useful life should be the duration of the concession contract. Therefore, the concession assets are amortised on a linear basis towards the duration of the concession contract (30 years – being 22 years remaining as at 31<sup>st</sup> December 2018).

#### 1.4.2. Tangible assets – Premises

Premises (land and buildings for the Group's own use) are initially recorded at the acquisition or production cost. For the subsequent measurement of said premises the Group adopted the cost model as accounting policy, being the premises recorded at acquisition cost less accumulated depreciation and impairment losses.

Depreciation is imputed on a systematic basis using the straight-line method during the estimated useful life of the buildings, which varies between 10 and 50 years. Land is not depreciated.

Depreciation of real estate assets for own use is recorded on a monthly basis under the heading "Amortisations", in the income statement. Any changes to the period of estimated useful life of real estate assets for own use are carried out prospectively.

#### 1.4.3. Other tangible assets

Other tangible assets acquired after that date are recorded at acquisition cost less accumulated depreciation and impairment losses.

Tangible assets in progress represent assets still under construction/development, and are recorded at acquisition cost, less any accumulated impairment losses.

Depreciation is calculated after the assets are in condition to be used, that is, when the assets are available for use and in the necessary conditions, in terms of quality and technical reliability, to operate as intended by the Group's Board of Directors, and is imputed systematically using the straight-line method during their useful life. The useful life of an asset is determined based on its expected use by the Group, its expected natural wear, its predictable technical obsolescence and the possible residual value attributable to the asset.

The depreciation rates used correspond to the following periods of estimated useful life (in years):

Tangible asset	Years
Equipment:	
Basic equipment (excluding the one assigned to concessions)	3 to 15
Administrative equipment	3 to 10
Transport equipment	3 to 5
Tools and utensils	3 to 5
Other tangible assets	3 to 8

Depreciation of other tangible assets is recorded on a monthly basis under the heading "Amortisation and depreciation", in the income statement. Any changes to the period of estimated useful life of other tangible assets are carried out prospectively.

Subsequent expenses related to the replacement of tangible assets components incurred by the Group are added to the respective assets, with the net amount of the replaced components being written off and recorded as a loss under the heading “Other operating income/ (expenses)”.

Maintenance and repair costs that neither increase the useful life nor give rise to significant improvements in the items of the tangible assets are recorded as a cost in the year when they occur.

Gains or losses resulting from the disposal or write-off of tangible assets are calculated by the difference between the sale price and the net book value on the disposal/write-off date, and are recorded in the income statement under the heading “Other operating income / (expenses)”.

#### 1.4.4. Impairment of tangible and intangible assets

On each reporting date the book value of the Group’s tangible and intangible assets are revised to determine if there is evidence that said assets are impaired. In case there is such evidence, the recoverable amount of said assets (or of the cash-generating unit) is estimated, in order to determine the extent of the impairment loss (if any).

The recoverable amount of the asset or of the cash-generating unit is the highest value between (i) the fair value minus costs to sell and (ii) the value in use. When calculating value in use, the estimated future cash flows are discounted using a discount rate, which reflects market expectations regarding the time value of money and the specific risks of the asset, or cash-generating unit in relation to which the estimated future cash flows were not adjusted.

Whenever the book value of the asset (or cash-generating unit) is higher than its recoverable amount, an impairment loss is recognised. Impairment losses are immediately recorded in the income statement under the heading “Provisions and impairment losses”, unless said losses compensates for a revaluation excess recorded in equity. In this case, said losses will be treated as a decrease in said revaluation.

Impairment losses are assigned to at the book value of the cash-generating unit's assets as follows: first at the Goodwill allocated to the cash-generating unit (if any) and then at the other assets of the cash-generating unit, on a pro rata basis given the respective book values.

The reversal of accumulated impairment losses recognised in previous years only occurs when there is evidence that the accumulated impairment losses no longer exist or decreased. The reversal of impairment losses is recognised in the income statement under the heading “Provisions and impairment losses”. The reversal of impairment losses is undertaken up to the limit of the amount that would have been recognised (net of depreciation), if the prior impairment losses had not been recorded.

#### 1.4.5. Leases

Lease contracts are classified as: (i) finance leases when they substantially transfer all the risks and advantages inherent to the possession of the leased asset; and as (ii) operating leases when they substantially do not transfer all the risks and advantages inherent to the possession of the leased asset.

The classification of the leases between into finance or operating is undertaken based on the substance and not the form of the contract.

##### Leases where the Group acts as lessee

Tangible and intangible assets acquired under finance lease contracts, as well as the corresponding liabilities, are recorded through the financial method, recognising the assets and their corresponding accumulated depreciation, as mentioned in subparagraphs 1.4.2. and 1.4.4 above, and any outstanding debts pending settlement in accordance with the contractual

financial plan. Furthermore, the interest included in the lease rental and the depreciation of the assets are recognised as costs in the income statement in the year they refer to.

In leases considered as operating, the lease payments owed are recognised as a cost in the income statement on a straight-line basis during the period of the lease.

#### Leases where the Group acts as lessor

In leases where the Group acts as lessor under operating leasing contracts, the assets are kept in the consolidated financial position and the respective income generated is recognised on a straight-line basis during the period of the lease.

### **1.4.6. Financial assets and liabilities**

#### Accounting policy applied from 1<sup>st</sup> January 2018 onwards

##### **Financial assets and liabilities**

Financial assets and liabilities are recognized in the consolidated statement of financial position of the Group when it becomes part of the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets or liabilities measured at fair value through profit or loss) are added to or deducted from the fair value of the financial asset or liability, as the case may be, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or liabilities recognized at fair value through profit or loss are recognized immediately in the consolidated income statement.

##### **Financial assets**

All purchases and sales of financial assets are recognized on the date of their respective purchase and sale contracts, regardless of the date of their financial settlement.

All recognized financial assets are measured subsequently at amortized cost or, at fair value, depending on the business model adopted by the Group and the characteristics of its contractual cash flows.

#### Classification of financial assets

##### **a) Debt instruments and accounts receivable**

Fixed income debt instruments and accounts receivable that meet the following conditions are subsequently measured at amortized cost:

- i) the financial asset is held taking into account a business model whose purpose is to maintain it in order to receive its contractual cash flows; and
- ii) the contractual terms of the financial asset give rise, on specific dates, to cash flows that are only payments of principal and interest on the value of the capital in debt.

The effective interest rate method is a method of calculating the amortized cost of a financial instrument and allocating its interest over the maturity period.

For financial assets that are not acquired or originated with impairment (i.e., assets with impairment on initial recognition), the effective interest rate is the rate that accurately discounts the estimated future cash flows (including fees and commissions paid or received form part of the effective interest rate, transaction costs and other premiums or discounts) over the maturity of the instrument at its gross carrying amount on the date of its initial recognition.

The amortized cost of a financial asset is the amount at which it is measured at the initial recognition less capital repayments, plus the accumulated amortization, using the effective interest rate method, of any difference between that initial amount and the amount of the reimbursement, adjusted for any impairment losses.

Interest income is recognized in the consolidated income statement under "Financial income and gains", using the effective interest rate method, for financial assets subsequently recorded at amortized cost or at fair value through profit or loss. Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset.

Debt instruments and accounts receivable that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- i) the financial asset is held taking into account a business model whose purpose provides for both the receipt of their contractual cash flows and their disposal; and
- ii) the contractual terms of the financial asset give rise, on specific dates, to cash flows that are only payments of principal and interest on the value of the capital in debt.

#### **b) Equity instruments designated at fair value through other comprehensive income**

At initial recognition, the Group may make an irrevocable choice (financial instrument to financial instrument) to designate certain investments in equity instruments (shares) at fair value through other comprehensive income.

The designation at fair value through other comprehensive income is not permitted if the investment is held for trading or if it results from a contingent consideration recognized within the scope of a business combination.

An equity instrument is held for trading if:

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

Investments in equity instruments recognized at fair value through other comprehensive income are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with the gains and losses arising from their variation recognized in the other comprehensive income. At disposal, the accumulated gain or loss generated with these financial instruments is not reclassified to the consolidated income statement, but is only transferred to "Retained earnings".

Dividends associated with investments in equity instruments recognized at fair value through other comprehensive income are recognized in the consolidated income statement at the time they are allocated / deliberated, unless they clearly represent a recovery of part of the cost of the investment. Dividends are recorded in the consolidated income statement under "Financial income and gains".

#### **c) Financial assets at fair value through profit or loss**

Financial assets that do not meet the criteria to be measured at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

Financial assets recorded at fair value through profit or loss are measured at the fair value determined at the end of each reporting period, and the respective gains or losses are recognized in the consolidated income statement, unless they are part of a hedging relationship.

The fair value is the amount by which an asset can be exchanged or a liability settled, among parties with knowledge and willing to do so, in a transaction in which there is no connection between them, regardless of the fact that said price can be directly verified or estimated using other valuation techniques. By estimating the fair value of an asset or liability, the MCA Group takes into account the characteristics of the asset or liability that other players in the market would also take into account when they valued the asset or liability on the measuring date. The fair value for the purposes of measuring and disclosure in these financial statements is determined on the basis described above, except for the leases that are recognised under IAS 17, and measurements with similarities to the fair value, but which do not correspond to the fair value, such as the net realisable value established in IAS 2 or the value in use established in IAS 36.

In addition, for the purposes of the financial report, measurement at fair-value is divided according to a three-tiered system (Level 1, 2 and 3), which take into specific consideration whether the inputs used are observable on the market and the significance of them in the valuation of the assets / liabilities or in their disclosure.

The previously mentioned tiered system is the following:

- Level 1 – the fair value is set based on prices of an active market for identical assets/liabilities;
- Level 2 – the fair value is set based on data other than market prices identified in Level 1, but which can be observed in the market; and
- Level 3 – the fair value is set based on theoretical models whose main assumptions cannot be observed in the market.

#### Impairment of financial assets

The Group recognizes expected impairment losses for debt instruments measured at amortized cost or at fair value through other comprehensive income, as well as for accounts receivable from customers, other debtors, and assets associated with contracts with customers.

The amount of expected impairment losses for the aforementioned financial assets is updated at each reporting date in order to reflect changes in credit risk that have occurred since the initial recognition of the respective financial assets.

Impairment losses expected for loans granted (accounts receivable from customers and other debtors and assets associated with customer contracts) are estimated using an uncollectibility matrix based on the credit history of the Group's debtors adjusted for specific factors attributable to the debtors, as well as by the macroeconomic conditions that are estimated for the future. For this purpose, the balances of customers and other debtors were grouped taking into account similar credit risk profiles (country, business unit, type of debtor - public or private, etc.) and maturity intervals.

The Group recognizes expected impairment losses for lifetime credit from trade accounts receivable and other receivables, as well as for assets associated with customer contracts.

#### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the asset's cash flows expire, or when it transfers the financial asset and substantially all the risks and benefits associated with its ownership to another entity. If the Group does not transfer or retain substantially all the risks and rewards associated with ownership of a financial asset but continues to control it, the Group recognizes its interest in the asset retained and a liability equivalent to the amount that it will have to repay. If the Group retains substantially all the risks and rewards associated with the ownership of a transferred financial asset, the Group continues to recognize the asset and further recognizes a loan for the amount received in the meantime received.

In the derecognition of a financial asset measured at amortized cost, the difference between its carrying amount and the sum of the consideration received and received is recognized in the consolidated income statement.

On the other hand, in the derecognition of a financial asset represented by a capital instrument recorded at fair value through other comprehensive income, the accumulated gain or loss in the revaluation reserve is reclassified to the consolidated income statement.

However, in the derecognition of a financial asset represented by an equity instrument designated in the initial recognition irrevocably as recorded at fair value through other comprehensive income, the accumulated gain or loss in the revaluation reserve is not reclassified to the consolidated income statement, but transferred to the caption "Retained earnings".

## **Financial liabilities and equity instruments**

### Classification as a financial liability or as equity instrument

Financial liabilities and equity instruments are classified as liabilities or equity in accordance with the contractual substance of the transaction.

### Equity instruments

The equity instruments issued by the Group are recognized for the amount received, net of the costs directly attributable to its issuance.

The repurchase of equity instruments issued by the Group (own shares) is accounted for at its acquisition cost and as a deduction from equity. Gains or losses inherent to the disposal of own shares are recorded under "Other reserves and retained earnings".

### Financial liabilities

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

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

- i) the financial liability results from a contingent consideration arising from a concentration of business activities;
- ii) when the liability is held for trading; or
- iii) when the liability is designated to be recorded at fair value through profit or loss.

A financial liability is classified as held for trading if:

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

Financial liabilities recorded at fair value through profit or loss are measured at fair value with the respective gains or losses arising from their variation recognized in the consolidated income statement, unless they are linked to hedging operations.

In cases where financial liabilities are measured at fair value through profit or loss in a voluntary way by the Group, the own risk impact is recognized through other comprehensive income.

### Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not designated or required to be recorded at fair value through profit or loss are subsequently measured at amortized cost using the effective interest rate method.



The effective interest rate method is a method of calculating the amortized cost of a financial liability and allocating its interest rate over the maturity period.

The effective interest rate is the rate that accurately discounts estimated future cash flows (including fees and commissions paid or received that are an integral part of the effective interest rate, transaction costs, and other premiums or discounts) over the expected maturity of the financial liability in its carrying amount on the date of its initial recognition.

#### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are settled, cancelled or expired.

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

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

Likewise, the Group accounts for substantial changes in terms of an existing liability, or part of it, as an extinction of the original financial liability and recognition of a new financial liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows of the renegotiated financial liability, including any commissions paid net of any commissions received, discounted using the original effective interest rate is at least 10 percent divergent from the value discounted from the remaining cash flows of the original financial liability.

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

#### Accounting policy applied in accordance with local GAAP until 31<sup>st</sup> December 2017

Financial assets and liabilities are recognised in the statement of the financial position when the Group becomes a contracting party of the respective financial instrument.

#### **Financial assets**

The financial assets are classified into the following categories: "Financial assets recorded at fair value through profit or loss" and "Loans and accounts receivable". The classification, defined at the time of initial recognition, depends on the intention underlying the acquisition of the asset and on the characteristics of the financial instruments.

Financial assets recorded at fair value through profit or loss: this category is divided into two subcategories, "Financial assets held for trading" and "Financial assets recorded at fair value through profit or loss". A financial asset is classified into this category, particularly, when acquired for the purpose of its sale in the short term, or if the adoption of the fair value eliminates or significantly reduces an accounting mismatch. Derivative financial instruments are also classified as "Financial assets held for trading", unless they are assigned to hedging operations. Assets recorded in this category are classified as current assets if they are held for trading or if they are expected to be realised within 12 months of the date of the statement of financial position.

Loans and accounts receivable: This category includes non-derivative financial assets, with fixed or variable repayment, which are not listed in active/liquid markets. These financial assets arise when the Group provides cash, products or services directly to a debtor with no intention to negotiate the debt. "Loans and accounts receivable" are classified as current assets, except in cases where their maturity is higher than 12 months after the date of the statement of financial position, in which case they are classified as non-current assets and its present value is estimated. In both cases, this type of financial assets is recorded in the statement of the financial position, under the headings "Customers" and "Other debtors".

All purchases and sales of these financial assets are recognised on the date the respective purchase and sale agreements are signed, regardless of the financial settlement date.

These financial assets are initially recorded at their fair value (which is usually the amount paid on the acquisition date), plus the transaction costs, (except for those recorded at fair value through profit or loss, when the corresponding transaction costs are recorded as year costs). After initial recognition, financial assets recorded at fair value through profit or loss are recognised at their fair value, with no deduction relative to any transaction costs which might occur up to their sale.

All investments in equity instruments (shares) unlisted classified as available for sale financial assets are recorded at their acquisition cost (fair value on the date of initial recognition), always considering impairment losses in case there is objective evidence of such. The Group's Board of Directors believes that the fair value of these investments does not differ significantly from their acquisition cost, net of impairment.

Dividends received regarding equity instruments classified as other investment assets are recognised in the income statement in the year when the right to receive them was established.

Financial assets classified in the categories of Loans and accounts receivable are, after their initial recognition, measured at the amortised cost through the effective interest rate method.

Financial assets (except for those measured at fair value through profit or loss) are subject to impairment analysis on the date of each statement of financial position. Financial assets corresponding to investments in equity instruments, or assets, which are individually significant, are subject to an individual impairment analysis.

The book value of the financial assets presented in the consolidated statement of financial position is directly reduced by any impairment losses calculated. When an account receivable from customers and other debtors is considered uncollectible, it is (along with potential impairment losses associated) annulled against the income statement. Subsequent receipts related to annulled accounts receivable from customers and other debtors are recorded as income in the income statement of the year. Changes to impairment losses are recorded in the income statement of the year.

#### **Loans obtained**

Loans are initially recorded as a liability at their fair value. Any costs incurred with the origination of these loans are recorded as a deduction to that liability and recognised, over the duration of these loans, in accordance with the effective interest rate method.

Loans obtained are subsequently measured at amortised cost, through the effective interest rate method.

#### **Suppliers and sundry creditors**

Financial liabilities included under the headings "Suppliers" and "Sundry creditors" are initially recorded at their fair value. These financial liabilities are, after their initial recognition, measured at their amortised cost, through the effective interest rate method.

#### **Other financial liabilities**

Other financial liabilities are initially recorded at their fair value. These financial liabilities are, after their initial recognition, measured at their amortised cost, through the effective interest rate method.

#### **Distinction between financial liabilities and equity instruments**

Financial liabilities and equity instruments are classified in accordance with the contractual substance of the transaction. The Group defines equity instruments as those where the underlying contract of the transaction shows that the Group holds a residual interest in a set of assets after deduction of a set of liabilities.

#### **Derecognition of financial assets and liabilities**

Financial assets are derecognised when: (i) the Group contractual rights to receive future cash flows expire; (ii) the Group has substantially transferred all risks and benefits associated with their holding or; (iii) although retaining a part but not substantially of the risks and rewards associated with their holding, the Group has transferred control over the assets.

As a consequence, the customers balances secured by discounted bills that are not yet fallen due and the accounts receivable assigned in factoring with recourse as at each date of the statement of financial position are recognised in the Group's consolidated financial statements against an liability heading, until they are received.

Financial liabilities are derecognised when the Group: (i) pays the liability to the creditor or; (ii) is legally released from the primary responsibility for the liability by legal procedure or by the creditor.

#### 1.4.7. Cash and cash equivalents

The amounts included under the headings "Cash and cash equivalents" correspond to cash in hand, bank deposits at sight, term deposits and other cash investments with maturity in three months or less, that are repayable on demand and have an insignificant risk of change of value.

#### 1.4.8. Inventories

Merchandise and raw materials and consumables are valued at the lowest of their average acquisition cost and their net realisable value (estimate of its sales price minus the costs to be incurred with their disposal).

Products and work in progress are valued at their production cost, which is lower than their market value. Production cost includes the cost of incorporating raw material, direct labour and general manufacturing overheads.

Adjustments are recorded to reflect the difference between the inventory book value and the corresponding net realisable value, whenever the latter is lower on the reporting date.

Regarding inventories, adjustments to their net realisable value are calculated based on market values and several rotation indicators.

The cost of goods sold and materials consumed follows the following rules:

- Property / Real estate – specific cost (being the cost of each specific land / property)
- Materials and other inventories – average cost

#### 1.4.9. Revenue

##### Nature, performance obligations and moment of revenue recognition

##### (i) Engineering and Construction

In this business area, the Group signs with public and private entities various contracts for the provision of construction services that include various components / tasks. Although in most cases customers can benefit from the different components / tasks alone, since they are negotiated together, the promise of transfer of each component is not separately identifiable from the others. In addition, since the above-mentioned components / tasks are typically highly interrelated and dependent on each other, the Group considers that they should be treated as a single performance obligation. Thus, generally, each construction contract is treated as a single performance obligation.

Accordingly, the Group recognizes the results of construction contracts, contract by contract, according to the cost-to-cost method (also called the percentage of completion method), which is understood as the ratio between the expenses incurred in each contract by a certain date and the sum of these expenses with the estimated costs to

complete it. The differences obtained between the amounts resulting from the application of the percentage of completion method to the total estimated income and the amounts previously invoiced are accounted for under the headings of assets / liabilities associated with contracts with customers. In addition, the Group's Board of Directors have determined that the cost-to-cost method is the most appropriate method to be used to measure the stage of performance obligations in construction contracts.

For the purposes of applying the cost to cost method, costs for training, budgeting, relocation, etc. are not considered as they do not reflect the progress and transfer of control to the client.

In order to cover the expenses incurred during the warranty period of the construction contracts, the Group recognizes a liability to accommodate such legal obligation, which is calculated taking into account the historical values of production and expenses incurred in contracts under warranty period. In view of the fact that the Group's quality warranties result solely from a legal obligation (both in its scope and in its period of validity), these were not treated as autonomous performance obligations.

## **(ii) Real Estate**

In situations where the Group has the ability (control) to guide the use of the asset as it is being constructed and the ability to obtain substantially all the remaining economic benefits of it (namely in the real estate promotion activity), revenue is recognized when the Group transfers control of the asset to the customer (usually at the time of the signing of the deeds for the property).

Costs incurred with real estate projects developed by the Group are determined taking into account the direct construction costs, as well as all the costs related to their preparation as well as the ones associated with the licensing of works. Costs imputable to the financing, supervision and inspection of projects are also capitalised, if they are underway.

## **(iii) Operation and maintenance services**

Regarding the provision of infrastructure operation and maintenance services, as customers receive and consume simultaneously the economic benefits arising from the Group's performance as it carries out its activities (operation and maintenance of infrastructures), the performance obligation of the Group in these cases is satisfied over time, and the revenue is recognized when the Group is entitled to invoice the services rendered.

Generally, and given the type of services performed by the Group, price allocation to different performance obligations is established in the contracts established with customers.

### Significant components of financing

Whenever there is a significant time lag (more than 2 years) between the time a good or a service is available to the customer and the time of collection, the Group evaluates the existence of a significant component of contract financing. If it exists, that component is treated as an autonomous performance obligation, and its interest is recognized as income over the estimated financing period.

In addition, the Group also assesses the existence of a significant financing component in the advances received from customers. If it exists, that component is treated as a stand-alone performance obligation and its interest is recognized as cost over the estimated period of the financing.

### Variable components of revenue

For the purpose of determining the total price of the contract, the Group takes into account all the variable components of the contract, including discounts, bonuses, price revisions, penalties, recovery of costs incurred, etc.

However, the Group only recognizes revenue associated with variable components when it is highly probable that a reversal thereof will not occur in the future. Thus, with regard to price revisions, since the calculation formula inherent in its calculation generally includes some indices that are difficult to estimate, the associated revenue is recognized only when it can be reliably

determined. Likewise, since the Group has not historically been subject to penalties applied by its clients, they are only recognized when it is highly probable that they will materialize. Finally, claims for recovery of costs incurred (which include, among others, claims) are only considered as revenue when it is highly likely that the customer will accept such a request and that the amount will not be reversed in the future.

#### Assets associated with contracts with clients

Assets associated with customer contracts correspond to the performance obligations already fulfilled by the Group under agreements with customers for which the respective invoicing has not yet been issued (essentially production executed under cost-to-cost method). When the respective invoicing is issued and the right to receive it is unconditional, the balance of this item is transferred to "Customers and other debtors" caption.

#### Liabilities associated with contracts with customers

Liabilities associated with customer contracts correspond to advances received from customers regarding future performance obligations to be executed by the Group or to deferred income resulting from the adoption of the cost-to-cost method, in particular, to construction contracts in progress.

#### Costs associated with the fulfilment of contracts with customers

Costs associated with the fulfilment of contracts with customers are recognized in the consolidated statement of financial position when:

- Are related to an existing contract or a specific future contract;
- Create resources that will be used to meet one or more performance obligations in the future;
- They are expected to be recoverable; and
- They are not already covered by another IFRS standard, such as inventories, tangible assets or intangible assets.

In this way, labour costs, materials and other indirect costs or other specific costs with the installation, mobilization and demobilization of construction sites in construction contracts are recognized under this heading.

Costs associated with the fulfilment of contracts with customers are recognized over the life of the construction contract under operating cost headings.

When it is probable that the total expenses expected to complete a construction contract exceed the income defined therein, the expected loss is recognized immediately in the consolidated income statement for the year.

#### **1.4.10. Accruals principle**

The MCA Group adopts the accruals accounting principle as regards the majority of the headings in the financial statements. Therefore, expenses and income are recorded as they are incurred, regardless of their time of payment or receipt.

#### **1.4.11. Assets, liabilities and transactions in foreign currency**

At the time of initial recognition, all foreign currency transactions are recorded in the functional currency of the respective entity by applying to the amount in foreign currency the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period: a) the monetary items in foreign currency are converted at the closing exchange rate; b) non-monetary items which are measured in terms of historical cost in a foreign currency are converted at the exchange rate at the transaction date; and c) the non-monetary items measured at fair value in a foreign currency are converted at the exchange rate at the date when the fair value was determined.

The exchange differences arising from the liquidation of monetary items or the conversion of monetary items at rates other than those at which they were converted at their initial recognition, or in previous financial statements, are recognised in the income statement for the period except when they result from monetary items that form part of the net investment of a foreign operational unit. In this case, these currency conversion differences are initially recognised in other comprehensive income and reclassified from equity to the net profit of the year at the time of the disposal of that operating unit.

Currency exchange differences related to investment/financing (financial) transactions are recorded under subheadings of “Financial income and gains” and “Financial costs and losses”.

Currency exchange differences related to operating transactions are recorded under subheadings of “Other operating income / (expenses)”.

In preparing the consolidated financial statements, the results, the cash flows and the financial position of the entities comprised in the consolidation perimeter, whose functional currency is not the currency of a hyperinflationary economy, are converted into Euro at the exchange rates listed in Note 1.3.5. above.

#### 1.4.12. Income tax

Income tax for the year is calculated based on the taxable profit or loss of the companies included in the consolidation (in accordance with the tax rules in force in the country where they operate) and considering deferred taxation.

Deferred taxes are calculated based on the statement of financial position liability method and refer to temporary differences between the amounts of the assets and liabilities reported for accounting purposes and their respective amounts for tax purposes.

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

Deferred tax assets are recorded only when there are reasonable expectations of sufficient future tax profits to recover them. On each statement of financial position date, a reassessment is made over the temporary differences underlying the deferred tax assets in order to recognise deferred tax assets not recorded previously since they did not meet the requirements for their recording and/or to reduce the amount of said assets to the current expectation about their future recovery. More specifically, as regards the recognition of deferred tax assets associated with tax losses carried forward, those are only recorded when the business plan of the respective company supports their full recovery within the legal deadlines set.

The amount of tax to be included, both in current tax and deferred tax, arising from transactions or events recognised under headings of other comprehensive income is recorded directly under these same headings, and does not affect the net profit of the year.

Deferred tax liabilities are recognized on 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 business combination, and which at the date of the transaction do not affect the accounting or tax result.

#### 1.4.13. Financial costs with loans obtained

The financial costs associated with loans obtained related with the acquisition, construction or production of qualifying assets are capitalised, thus being incorporated in the cost of the asset. The capitalization of these costs begins with the preparation of the activities of construction or the development of the asset and is interrupted after the start of use, at the end of the construction of the asset or when the construction of the asset is suspended.

The remaining financial costs associated with loans obtained are recognised as expenses in the year they are incurred.

#### 1.4.14. Provisions

Provisions are recognised when, and only when, the Group has a present obligation (legal or implicit) arising from a past event, it is likely that in order to settle this obligation there will be an outflow of funds and the amount of the obligation can be estimated reasonably. The provisions are reviewed on each date of statement of financial position and adjusted so as to reflect the best estimate on that date (expected amount of the outflow to incur), taking into account the risks and uncertainties inherent to such estimates. When a provision is calculated considering the future cash flows required to settle the obligation, it is recorded by its net present value. The discount rate used in the aforementioned financial update corresponds to the average rate of financing of the respective company at the reporting date.

##### Provisions for onerous contracts

Current obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is found to exist when the Group faces a situation in which the unavoidable costs to meet the duties of the contract exceed the economic benefits expected to be received under said contract.

##### Provisions for work warranty

Provisions to handle expected costs with warranties under construction contracts are recorded on the date the construction revenue is recognised, according to the best estimate of the Board of Directors of the outflows of funds required to meet said duty.

##### Provisions for legal proceedings

Provisions for legal proceedings are recorded at the time it is determined that an outflow of funds to the Group is likely to occur, being those provisions reviewed annually based on the opinion of the corresponding lawyers/legal consultants in charge of the proceedings.

Provisions for restructuring are only recognised by the Group when there is a formal and detailed restructuring plan and it has been disclosed to the parties involved.

#### 1.4.15. Employee benefits

##### Benefits granted to current and former employees

A liability is recognised to handle benefits granted to employees as regards wages, vacations and holiday pay in the period in which employees provide the service, and it is recognised at the amount of benefits expected to be paid.

Recognised liabilities regarding benefits granted to current employees are measured at the undiscounted amount of the benefits expected to be paid in exchange for the services provided.

Recognised liabilities concerning long-term benefits granted to employees are measured at the current amount of future expected payments regarding the services provided by the employees up to the reporting date.

#### Pensions

The Group has not attributed any pension plan (through a defined benefit pension plan or a contribution pension plan) to current or former employees neither to any of its current or former directors.

#### **1.4.16. Government grants**

Grants attributed to fund staff training actions are recognised as income during the period of time during which the Group incurs the respective costs, and are presented in the income statement by their met amount.

Grants attributed to fund investments in tangible or intangible assets are deferred and recorded as liabilities. Investment grants are recognised in the income statement during the period of the estimated useful life of the assets granted under the heading "Other operating income / (expenses)".

#### **1.4.17. Contingent assets and liabilities**

Contingent assets are not recognised in the consolidated financial statements, but they are disclosed in the Notes whenever it is probable that there will be a future economic benefit.

Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed in the Notes, unless the possibility of an outflow of funds affecting future economic benefits is remote.

#### **1.4.18. Subsequent events**

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

Events after the date of the statement of financial position that provide information on conditions which occur after the date of the statement of financial position (non-adjusting events), if material, are disclosed in the Notes to the consolidated financial statements.

#### **1.4.19. Judgments and estimates**

In preparing the consolidated financial statements, the Group's Board of Directors based its work on its best knowledge and experience of past and/or current events, considering certain assumptions relative to future events.

The most significant accounting estimates reflected in the consolidated financial statements for the year ended on 31<sup>st</sup> December 2018 and 2017 (and correspondent sources of uncertainty) include:

##### Net realisable value of properties / real estate recorded in inventories

Some of the Group's property assets (namely lands) recorded in inventories, which presents evidence of impairment, are subject to impairment tests that are based on the calculation of the net realisable value of said properties. The net realisable value of those properties is often calculated through valuations, which inevitably have underlying uncertainties associated with several factors, such as market prices, yields, demand, among others. To mitigate the effect of said uncertainties the Board of



Directors resorted, whenever possible, to qualified and independent experts to conduct the appraisals. When the appraisals are conducted by in-house technicians, said appraisals must always use as much observable market data as possible.

#### Useful lives of tangible and intangible assets

The Group revises the estimated useful lives of its tangible and intangible assets on each reporting date. The useful lives of the assets depend on several related factors, such as their use, the Group's strategic decisions, as well as the economic surroundings of the several companies included in the consolidation perimeter. Therefore, the Group implemented a process for the revision of the estimated useful lives, which provides for the above-mentioned factors and other factors considered relevant for such purpose.

#### Impairment analyses of investments in associates, tangible and intangible assets

Impairment analyses require the calculation of the fair value and/or the value in use of the assets in question (or of some cash generating units). This process requires a high number of judgments, namely estimated future cash flows associated to the assets or the respective cash generating units, and the determination of an appropriate discount rate for the calculation of the present value of said cash flows. Therefore, the Group established as requirement the use of as much observable market data as possible. The Group also established monitoring mechanisms for calculations based on criticism and challenge to determine the reasonableness, coherence and consistency of the assumptions used (in similar situations).

Information on the most relevant assumptions used in the impairment analysis, as well as the sensitivity analysis of the results achieved against certain changes in assumptions is disclosed in Note 2.

#### Calculation of impairment losses in accounts receivable

Impairment losses in accounts receivable are calculated in accordance with Note 1.4.6. above. Therefore, the calculation of impairment through individual analysis corresponds to the Group's judgment on the economic and financial situation of its customers and to its estimate of the value attributed to potential existing guarantees, with consequent impact on expected future cash flows.

On the other hand, the expected impairment losses on the credit granted are calculated taking into account a set of historical information and assumptions, which may not be representative of the future uncollectability of the Group's debtors.

The information on the main assumptions used in the determination of the impairment losses in accounts receivable is disclosed at Note 6.

#### Revenue recognition in construction contracts in progress

Revenue arising from construction contracts in progress is recognised in relation to its completion stage. The completion stage is very relevant estimate based on the forecast of costs to be incurred until the conclusion of the contract. This process is mainly based on the inputs received from the technicians involved in the works, by virtue of their detailed knowledge of said works, their experience and their technical skills.

#### Determination of the outcome of legal proceedings underway

The outcome of legal proceedings underway, as well as the respective need for provisions, is estimated based on the opinion of the Group's lawyers/legal consultants. The Group's legal consultants have the technical skills and detailed knowledge of the proceedings necessary to deal with the uncertainty inherent in the outcome of such proceedings.

#### Measurement and recognition of deferred tax

The recognition of deferred tax assets implies the existence of taxable profits in the future. Furthermore, deferred tax assets and liabilities are calculated based on the interpretation of the tax legislation in force in the several jurisdictions in which the Group operates. Therefore, changes in tax legislation or in its interpretation by the competent authorities may have an impact on the amount of deferred taxes. Lastly, the recoverability of deferred tax assets also depends on the performance of the operations of the several entities included in the consolidation perimeter, situation over which the Group does not have full

control. In order to mitigate the degree of uncertainty associated with these estimates, particularly regarding the interpretation of applicable tax legislation, the Group and the several companies included in its consolidation perimeter resort to external tax consultants.

The several aforementioned estimates were calculated based on the best available historical information as at the date of preparation of the consolidated financial statements. The underlying judgments to said estimates take into consideration the overall economic surroundings of the sector and of the geography in which the several companies included in the consolidation perimeter operate, as well as their expected future development. Given its nature, those judgments are subject to a reasonable degree of uncertainty. Therefore, in subsequent periods there will be situations which, due to their unforeseeable nature, were not taken into consideration in the estimates and which may produce an outcome different from the expected. Changes in these estimates after the consolidated financial statements date will be corrected in profit and loss prospectively, pursuant to IAS 8.

As at the preparation date of these consolidated financial statements no relevant changes in the estimates produced are foreseen and, therefore, no material changes in recorded assets and liabilities based on those estimates are expected.

#### 1.4.20. Cash flow statement

The consolidated statement of cash flows is prepared in accordance with IAS 7, through the direct method. The Group classifies under the heading “Cash and cash equivalents” investments with maturities of less than three months and for which the risk of change of value is insignificant, excluding captive amounts of term deposits, as well as deposits given in guarantee under contractual clauses.

The consolidated statement of cash flows is classified into operating, investment and financing activities.

Operating activities comprise receipts from customers, payments to suppliers, payments to staff, and others related to operating activities.

The cash flow involved in investment activities include, in particular, acquisitions and disposals of investments in subsidiaries and payments and receipts arising from the purchase and sale of fixed assets.

The cash flow related to financing activities include, namely, payments and receipts associated with to loans received, finance lease contracts and payment of dividends.

## 2. Intangible assets

Information regarding the gross amount of intangible assets, with reference to 31<sup>st</sup> December 2018 and 2017 can be analysed as follows:

	2017			
	Concession operation licenses	Surface land rights	Software and other rights	Total
Opening balance (Note 0.)	8 082 845	3 162 507	-	11 245 352
Increases	-	-	2 250	2 250
Disposals	-	-	-	-
Exchange rate differences	-	(178 699)	-	(178 699)
Transfers and other movements	-	(26 760)	-	(26 760)
	8 082 845	2 957 048	2 250	11 042 143

	2018			
	Concession operation licenses	Surface land rights	Software and other rights	Total
Opening balance	8 082 845	2 957 048	2 250	11 042 143
Increases	35 509	9 348	12 663	57 520
Disposals	-	-	-	-
Exchange rate differences	-	(1 396 473)	-	(1 396 473)
Transfers and other movements	-	-	-	-
	8 118 354	1 569 923	14 913	9 703 190

As at 31<sup>st</sup> December 2018 and 2017, the heading “Concession operation licenses” referred essentially to the concession operation rights granted to the company MCA Marina de Gaia, regarding a recreational marina concession.

The heading “Surface land rights” corresponds to rights to use lands in Angola, namely the Group premises, sites and warehouses in that country. According to Angolan legislation, the land cannot be privately owned, but only used throughout surface land rights, which, in this case, are for a period of 60 years.

The information regarding the amount of accumulated amortisation for intangible assets, with reference to 31<sup>st</sup> December 2018 and 2017 can be analysed as follows:

	2017			
	Concession operation licenses	Surface land rights	Software and other rights	Total
Opening balance (Note 0.)	(641 556)	(203 784)	-	(845 340)
Increases (Note 26.)	(494 383)	(52 053)	(125)	(546 561)
Disposals	-	-	-	-
Exchange rate differences	-	11 613	-	11 613
Transfers and other movements	-	2 966	-	2 966
	(1 135 939)	(241 258)	(125)	(1 377 322)
Net Amount	6 946 906	2 715 790	2 125	9 664 821

	2018			
	Concession operation licenses	Surface land rights	Software and other rights	Total
Opening balance	(1 135 939)	(241 258)	(125)	(1 377 323)
Increases (Note 26.)	(411 656)	(35 997)	(7 802)	(455 455)
Disposals	-	-	-	-
Exchange rate differences	-	113 935	-	113 935
Transfers and other movements	-	12 366	-	12 366
	(1 547 595)	(150 954)	(7 927)	(1 706 476)
Net Amount	6 570 759	1 418 969	6 986	7 996 714

The concession for the recreational marina included in the caption “Concession operation licenses” was obtained in August 2010 for a period of 30 (thirty) years and, as such, as at 31<sup>st</sup> December 2018, there are 22 (twenty-two) years of concession remaining.

The scope of the Concession is to build and operate the Recreation Marina (Port) of Vila Nova de Gaia, including the acquisition and installation of all equipment and accessories necessary for its proper functioning.

Assets allocated to the concession are:

- The concession area / land;
- All unmovable things and the universality of movable things, such as existing installations, equipment and infrastructures attached to the ground for permanence, if they are not included in i) above;

- iii) The assets to be created, constructed, acquired or installed by the Concessionaire in compliance with the Concession Contract, which are indispensable for the adequate development of the authorized activities, according to the program of the tender and proposal presented by the concessionaire, such as:
  - a. Buildings;
  - b. Port infrastructures;
  - c. Networks of water, sewage, fire, energy, communications and lighting services;
  - d. Equipment for handling vessels, mooring structures and parking of dry and swim boats.

During the term of the concession, the Group have an obligation to keep assets and means attached thereto in proper conditions of operation, maintenance and safety, performing all repairs, renewals and adjustments necessary to keep assets in the required technical conditions.

Concessionaire should prepare and keep the inventory of assets and rights related to concessions, sending to the Grantor detailed information thereon on upon request, as well as of write-offs carried out.

The Concessionaire keep the right to use assets related to concession until the end of the concession. Assets related to the concession can only be used for the purpose foreseen in it. The right of ownership over the buildings promoted by the Concessionaire in the dominion zone, will automatically revert to the Portuguese State for nil at the end of the term of the concession.

The supervision of concessions is the responsibility of APDL – Administração dos Portos do Douro, Leixões e Viana do Castelo, S.A., which is empowered to set the tariffs to be applied, as well as to approve investment plans.

It is the responsibility of the Concessionaire to maintain and operate the recreational marina and comply with the following obligations:

- i) Assume, for execution, the technical content in the contract;
- ii) Draw up the organization chart of the staff for the business;
- iii) Indicate those responsible for quality control and the safety of the work on the operation, responding to the proper fulfilment of these obligations;
- iv) To monitor and direct the work related to the preparation, planning and control of the exploration;
- v) To monitor and direct technical matters, including quality control relating to the performance of the exploration;
- vi) To keep the installations in good condition, being in charge of the necessary expenses for the effect, being obliged not to make any innovations or changes without prior written authorization of the Grantor;
- vii) Whenever it proposes any relevant change to the operating program, it shall submit together with it all the elements necessary for its proper assessment, including in particular the report or explanatory memorandum describing the proposed solution, indicating any implications for the uses of personnel and costs and, where appropriate, drawings and supporting calculations and quality specifications thereof.

The measurement of the existence of signs of impairment in intangible assets and the carrying out of the respective tests, if necessary, were carried out on an annual basis as mentioned in Note 1.4.4. above.

As a result of this impairment test, no impairment was recognized on 2018 financial statements.

As at 31<sup>st</sup> December 2018, if it had been used a higher discount rate in 0.25% or a growth rate of cash-flows lower in 10%, the results obtained in the above test would not cause any significant impairment to be recorded.

As at 31<sup>st</sup> December 2018, the Group has neither intangible assets whose ownership was restrained, nor intangible assets given as guarantee for loans obtained. However, the licence for the operation of the concession may not be transferred without the prior approval of the Grantor. Likewise, there are no other contractual commitments for the acquisition of intangible assets.

### 3. Tangible assets

Information regarding the gross amount of tangible assets, with reference to 31<sup>st</sup> December 2018 and 2017, can be detailed as follows:

	2017				Total
	Land and Buildings	Equipment	Other tangible assets	Tangible assets in progress	
Opening balance (Note 0.)	3 705 055	52 339 783	250 607	689 479	56 984 924
Increases	39 051	1 430 834	226 408	-	1 696 293
Disposals	(16 100)	(3 526 422)	-	-	(3 542 522)
Exchange rate differences	(1 703)	(1 631 528)	(3 080)	(36 763)	(1 673 074)
Transfers and other movements	-	(1 955 473)	-	(109 772)	(2 065 245)
	3 726 303	46 657 194	473 935	542 944	51 400 376

In the year ended on 31<sup>st</sup> December 2017, the increase in tangible assets was explained, essentially, by the acquisition of equipment (basic equipment and transport equipment for construction projects) in Portugal (about 982 thousand Euros) and in Angola (nearly 434 thousand Euros).

In the year ended on 31<sup>st</sup> December 2017, the disposals in tangible assets were explained, essentially, by the sale of equipment (basic equipment and transport equipment) in Portugal (about 1,304 thousand Euros), in Mozambique (about 1,578 thousand Euros) and in Angola (about 625 thousand Euros).

In the year ended on 31<sup>st</sup> December 2017, the transfers and other movements in the heading "Equipment" refers to the impact of the affiliated company "RCM Moçambique" that was considered as available for sale in 2017 (being effectively sold in 2018).

	2018				Total
	Land and Buildings	Equipment	Other tangible assets	Tangible assets in progress	
Opening balance	3 726 303	46 657 194	473 934	542 944	51 400 375
Increases	15 644	1 083 246	11 082	-	1 109 972
Disposals	(41 989)	(2 370 079)	(1 838)	-	(2 413 906)
Exchange rate differences	(107 602)	(14 206 629)	(33 055)	(237 227)	(14 584 513)
Transfers and other movements	73	-	1 450	-	1 523
	3 592 429	31 163 732	451 573	305 717	35 513 452

In the year ended on 31<sup>st</sup> December 2018, the increase in tangible assets was explained, essentially, by the acquisition of equipment (basic equipment and transport equipment for construction projects) in Portugal (about 900 thousand Euros) and in Angola (nearly 150 thousand Euros).

In the year ended on 31<sup>st</sup> December 2018, the disposals in tangible assets were explained, essentially, by the sale of equipment (basic equipment and transport equipment) in Mozambique (about 1,417 thousand Euros).

Information regarding the amount of accumulated depreciation and impairment losses of tangible assets, with reference to 31<sup>st</sup> December 2018 and 2017 can be detailed as follows:

	2017				Total
	Land and Buildings	Equipment	Other tangible assets	Tangible assets in progress	
Opening balance (Note 0.)	(1 161 022)	(37 390 582)	(165 919)	-	(38 717 523)
Increases (Note 26.)	(73 235)	(4 602 119)	(72 102)	-	(4 747 456)
Disposals	-	2 989 696	-	-	2 989 696
Exchange rate differences	11 075	1 080 045	90	-	1 091 210
Transfers and other movements	(427)	(17 120)	(24 934)	-	(42 481)
	(1 223 609)	(37 940 079)	(262 865)	-	(39 426 554)
Net Amount	2 502 694	8 717 115	211 070	542 944	11 973 822

	2018				Total
	Land and Buildings	Equipment	Other tangible assets	Tangible assets in progress	
Opening balance	(1 223 608)	(37 940 080)	(262 866)	-	(39 426 553)
Increases (Note 26.)	(147 920)	(1 914 872)	(89 412)	-	(2 152 204)
Disposals	10 497	1 944 548	1 863	-	1 956 908
Exchange rate differences	97 721	11 174 845	12 363	-	11 284 929
Transfers and other movements	-	(34 601)	(469)	-	(35 070)
	(1 263 310)	(26 770 159)	(338 521)	-	(28 371 990)
Net Amount	2 329 119	4 393 573	113 052	305 717	7 141 461

As at 31<sup>st</sup> December 2018 and 2017, the most significant amounts included under the heading “Tangible assets in progress” refer to acquisitions to be completed in Angola.

The measurement of the existence of signs of impairment in tangible assets and the carrying out of the respective tests, if necessary, were carried out on an annual basis as mentioned in Note 1.4.4. above.

Based on these parameters, no indicators of impairment were identified on the Group’s tangible assets.

## 4. Financial investments in associated companies

As at 31<sup>st</sup> December 2018 and 2017, the financial investments in associated companies were as follows:

Description	2018	2017
Elan - Electricidade e Montagens de Angola, S.A.	120 368	-
Sines - Sinalização de Estradas, S.A.	577 784	781 884
MCA Agro, Lda.	150 809	54 631
MCA - Pedreiras e Agregados, S.A.	-	-
MCA – Cote D’Ivoire, S.A.	-	-
Development Concept Engenharia, Lda.	-	-
	848 961	836 515

In the years ended on 31<sup>st</sup> December 2018 and 2017, the movement occurred in the financial investments in associated companies was as follows:

2017	Opening balance (Note 0.)	Effect on profit and loss	Share of OCI	Acquisitions / Disposals / Liquidations	Other	Closing balance
Elan - Electricidade e Montagens de Angola, S.A.	-	-	-	-	-	-
Sines - Sinalização de Estradas, S.A.	831 139	29 693	(908)	-	(78 040)	781 884
MCA Agro, Lda.	-	(78 890)	-	16 103	117 418	54 631
	831 139	(49 197)	(908)	16 103	39 378	836 515

2018	Opening balance	Effect on profit and loss	Share of OCI	Transfers (Note 20.)	Other	Closing balance
Elan - Electricidade e Montagens de Angola, S.A.	-	-	-	120 368	-	120 368
Sines - Sinalização de Estradas, S.A.	781 884	191 873	(395 973)	-	-	577 784
MCA Agro, Lda.	54 631	(90 565)	(13 240)	-	199 982	150 809
	836 515	101 308	(409 213)	120 368	199 982	848 961

As at 31<sup>st</sup> December 2018 and 2017, the “Effect on reserves” column includes, essentially, the impact of exchange rate differences.

By its turn, the column “Other” includes increases in loans granted to the associated companies.

As at 31<sup>st</sup> December 2018 and 2017, the summary information on the financial investments in associated companies, taken from their individual financial statements, can be detailed as follows:

2017	% of detention	Non current assets	Current assets	Non current liabilities	Current liabilities	Equity	Sales and services rendered	Net profit
Development Concept Engenharia, Lda.	16,00%	-	870 222	2 263 021	1 374 748	(2 767 548)	-	(105 177)
Elan - Electricidade e Montagens de Angola, S.A.	34,11%	-	2 785 162	-	4 120 034	(1 334 872)	4 210 555	467 083
Sines - Sinalização de Estradas, S.A.	28,00%	14 983	4 864 750	-	2 087 292	2 792 441	2 108 131	106 048
MCA Agro, Lda.	24,00%	-	16 798	-	291 820	(275 022)	10 916	(328 710)
		14 983	8 536 932	2 263 021	7 873 894	(1 585 001)	6 329 602	139 244

2018	% of detention	Non current assets	Current assets	Non current liabilities	Current liabilities	Equity	Sales and services rendered	Net profit
Development Concept Engenharia, Lda.	16,00%	-	459 258	1 194 304	725 520	(1 460 567)	-	(64 488)
Elan - Electricidade e Montagens de Angola, S.A.	34,11%	3 459 484	1 196 813	-	4 303 414	352 882	2 376 311	1 228 480
Sines - Sinalização de Estradas, S.A.	28,00%	2 343 849	1 680 102	-	1 960 439	2 063 513	2 748 168	685 262
MCA Agro, Lda.	24,00%	6 290	13 132	263 593	225 761	(469 932)	41 605	(377 353)
		5 809 623	3 349 305	1 457 897	7 215 134	485 896	5 166 084	1 471 901

The reconciliation of the associated companies summarized financial information to the respective carrying amounts can be presented as follows:

	2018				2017			
	Development Concept Engenharia, Lda.	Elan - Electricidade e Montagens de Angola, S.A.	Sines - Sinalização de Estradas, S.A.	MCA Agro, Lda.	Development Concept Engenharia, Lda.	Elan - Electricidade e Montagens de Angola, S.A.	Sines - Sinalização de Estradas, S.A.	MCA Agro, Lda.
Net assets	(1 460 567)	352 882	2 063 513	(469 932)	(2 767 548)	(1 334 872)	2 792 441	(275 022)
% of detention	16,00%	34,11%	28,00%	24,00%	16,00%	34,11%	28,00%	24,00%
Group's interest in net assets of investee at year end	(233 691)	120 368	577 784	(112 784)	(442 808)	(455 325)	781 884	(66 005)
Group's interest in net assets of investee at the beginning of the year	(442 808)	(437 838)	781 884	54 630	(424 072)	(626 753)	831 139	-
Total comprehensive income attributable to the Group	192 121	558 206	(204 100)	(103 805)	(18 736)	152 139	28 785	(78 890)
Others	75 932	-	-	199 983	-	36 776	(78 040)	133 521
Carrying amount of interest in investee at year end	(174 755)	120 368	577 784	150 809	(442 808)	(437 838)	781 884	54 630

## 5. Other financial investments

As at 31<sup>st</sup> December 2018 and 2017, the detail of other financial investments was as follows:

	2018	2017
Other financial investments recorded at amortized cost		
Angola sovereign bonds	13 256 085	14 775 692
	13 256 085	14 775 692
Other financial investments recorded at fair value through other comprehensive income		
Sun Africa - Angola Solar, B.V.	1 750 700	-
RCM Engenharia, S.A.	-	490 319
CNA - Corporate Finance, S.A.	140 000	140 000
Other	49 225	254 110
	1 939 925	884 429
Total	15 196 010	15 660 121

### Other financial investments recorded at amortized cost

As at 31<sup>st</sup> December 2017, following agreements established with the Angolan State to settle overdue receivables, the Group received Angola sovereign bonds, of which the amount of about 14,776 thousand Euros is in the Group portfolio as at that date. Those bonds are not traded on a regulated market, are indexed to US Dollar and have the following characteristics:

2017	Nominal value	Interest rate	Maturity			
			1 year	1 - 2 years	2 - 5 years	> 5 years
Angola sovereign bonds in Kwanzas (AOTNOI05FO15)	14 775 692	5%	-	14 775 692	-	-
Carrying amount	14 775 692		-	14 775 692	-	-

In the year ended on 31<sup>st</sup> December 2018, following agreements established with the Angolan State to settle overdue debts, the Group received Angola sovereign bonds, of which the amount of about 13,260 thousand Euros is in the Group portfolio as at 31<sup>st</sup> December 2018. Those bonds are not traded on a regulated market and, as at 31<sup>st</sup> December 2018, have the following characteristics:

2018	Nominal value	Interest rate	Maturity			
			1 year	1 - 2 years	2 - 5 years	> 5 years
Angola sovereign bonds in Kwanzas (AOUGDOFO18J7 - 2Y)	10 817 947	12%	-	10 817 947	-	-
Angola sovereign bonds in Kwanzas (AOUGDOFO18J6 - 3Y)	2 438 138	12%	-	-	2 438 138	-
Carrying amount	13 256 085		-	10 817 947	2 438 138	-

As of 31<sup>st</sup> December 2018, the Angolan bonds owned by MCA Group, in the amount of about 13,256 thousand Euros bear interests with at a 12% rate. Taking into consideration that this rate follows market pricing conditions, their fair value does not vary significantly when compared to their amortized cost.

In addition, as at 31<sup>st</sup> December 2018, part of the bonds referred above in an amount of 9,560 thousand Euros (4,021 thousand Euros as at 31<sup>st</sup> December 2017) is being used as a guarantee for overdraft facilities obtained in Angola (Note 15.).

#### Other financial investments recorded at fair value through other comprehensive income

Since the financial investments included in heading “Other financial investments recorded at fair value through other comprehensive income” correspond to shares held in non-listed companies, the Group's Board of Directors considered that their acquisition cost, net of any impairment losses, if any, corresponded to the best estimate of their fair value on 31<sup>st</sup> December 2018 and 2017.

During 2018, the Group acquired a financial holding of 10% in Sun Africa - Angola Solar, B.V.. This financial holding is included in the “Sun Africa Angola” project, regarding the development and installation of solar plants in Angola. In this sense, the recoverability of this financial investment is linked to the development and execution of the mentioned project. The Group's Board of Directors, based on the current status of the project, believes that this financial investment is fully recoverable and, in accordance, did not recorded any impairment loss as of 31<sup>st</sup> December 2018.

The mentioned Sun Africa - Angola Solar, B.V. has performed through non-cash transaction. In fact, the acquisition price of 1,751 thousand Euros was paid directly from the Group's Shareholder to the Seller and the Shareholder made a loan to MCA Holding in the same amount related to this acquisition.

In the years ended 31<sup>st</sup> December 2018 and 2017, the movement in other financial investments was as follows:

	2018			2017		
	At amortized cost	At fair value	Total	At amortized cost	At fair value	Total
Opening balance	14 775 692	884 428	15 660 121	35 477 305	441 572	35 918 877
Increases	48 560 138	1 772 576	50 332 714	-	443 942	443 942
Disposals	(42 218 534)	(490 318)	(42 708 853)	(19 810 685)	(1 085)	(19 811 770)
Write-offs	-	(226 762)	(226 762)	-	-	-
Exchange rate differences	(7 861 211)	-	(7 861 211)	(890 928)	-	(890 928)
	13 256 085	1 939 924	15 196 010	14 775 692	884 429	15 660 121



## 6. Customers and other debtors

The information on customers and other debtors with reference to 31<sup>st</sup> December 2018 and 2017 can be detailed as follows:

	2018		2017	
	Non current	Current	Non current	Current
Customers, current account:				
Gross amount:				
Europe	2 227 308	28 670 717	42 140	13 536 394
Africa	-	52 878 282	-	165 806 358
	2 227 308	81 548 999	42 140	179 342 752
Accumulated impairment losses	-	(31 495 358)	-	(56 014 870)
Net amount	2 227 308	50 053 641	42 140	123 327 882
Customers, warranty retention	-	5 206 666	-	4 257 179
<b>Total customers</b>	2 227 308	55 260 307	42 140	127 585 061
Associates and related companies				
Gross amount	-	132 635	-	2 840 678
Accumulated impairment losses	-	-	-	-
Net amount	-	132 635	-	2 840 678
Advances to suppliers	-	3 095 668	-	5 917 303
State and other public entities (except Corporate income tax)	-	911 680	-	406 568
Other:				
Gross amount:				
Europe	-	3 702 368	-	246 414
Africa	321 200	11 457 906	-	19 176 576
Other	-	4 786	-	-
	321 200	15 165 060	-	19 422 990
Accumulated impairment losses	-	(375 486)	-	(3 168 006)
Net amount	321 200	14 789 574	-	16 254 984
<b>Total other debtors</b>	321 200	18 929 557	-	25 419 533
<b>Total customers and other debtors</b>	<b>2 548 508</b>	<b>74 189 864</b>	<b>42 140</b>	<b>153 004 594</b>

As at 31<sup>st</sup> December 2018, the non current heading “Customers, current account – Europe” in the amount of 2,227,308 Euros corresponds to the deferred price of a sale of land in Spain, the collection of which has maturity on March 2020.

As at 31<sup>st</sup> December 2018, the current assets heading “Other – Europe” includes the amount of 3,254,062 Euros arising as a result of the delivery of a nominative check in favour of a financial institution. The processing of that check by that entity, is pending at the end of the year. Said check was received as a partial payment for a land purchase carried out during the 2018 in Spain. At the date of preparation of these consolidated financial statements, the corresponding procedure has been carried out by the aforementioned financial institution.

As at 31<sup>st</sup> December 2018, the current assets heading “Other – Africa” includes the amount of approximately 9,722 thousand Euros (nearly 12,964 thousand Euros as at 31<sup>st</sup> December 2017) arising from accounts receivable from the Group partner and related entity (company with common shareholders to the Group) Inves2MSV Investimentos Imobiliarios, S.A. (Note 33.).

As at 31<sup>st</sup> December 2018 and 2017, the Group's exposure to current balances with more than one year of aging, net of accumulated impairment losses and credit balances with the respective third parties, was essentially the result of confirmed debts of public entities (State and public institutions in Portugal, Angola and Mozambique), customer balances with debt settlement agreements, balances receivable from Group partners, and warranty retentions from the clients.

The movement in impairment losses of customers and other debtors with reference to the year ended 31<sup>st</sup> December 2018 and 2017 can be analysed as follows:

	2018	2017
Customers and other debtors		
Opening balance (see Note 0. for 2017)	59 182 876	58 375 509
Increase (Note 27.)	2 542 363	4 301 719
Reduction (Note 27.)	(1 675 998)	-
Utilization	(1 296 422)	(27 994)
Exchange rate differences	(26 885 344)	(3 466 218)
Other	3 370	(139)
	31 870 845	59 182 877

When applicable, for accounts receivable whose expected realization time exceeds the one-year period, the Group discounts those balances to its present value, considering a period of one to two years to recover the debt. Additionally, in accordance with IFRS 9, the Group calculates expected impairment losses on its accounts receivable in accordance with the criteria disclosed in Note 1.4.6.

The Group's exposure to credit risk is mainly attributable to the accounts receivable from its operating activity.

The Group's Board of Directors believes that the value at which these assets are recorded in the consolidated statement of financial position is similar to their fair value.

The Group does not charge any interest if the collection periods established with their customers are fulfilled (usually less than a year). After these deadlines, the interest that is defined contractually, according to the law in force and applicable to each situation, is charged.

## 7. Inventories

The inventories caption with reference to 31<sup>st</sup> December 2018 and 2017 can be analysed as follows:

	2018	2017
Gross amount:		
Raw and subsidiary materials and consumables	4 202 331	5 662 424
Products and work in progress	181 700	-
Merchandise	25 455 526	39 244 282
Advances on purchases	41 333	52 355
	29 880 890	44 959 061
Inventories adjustments:		
Merchandise	(280 602)	(55 959)
	(280 602)	(55 959)
Net Amount	29 600 288	44 903 102

As at 31<sup>st</sup> December 2018 and 2017, the balance of the heading "Raw and subsidiaries materials and consumables" included essentially materials necessary for construction projects, being those materials located in Angola (around 3,435 thousand Euros in 2018 and 5,117 thousand Euros in 2017) and in Portugal (around 330 thousand Euros in 2018 and 352 thousand Euros in 2017).

As at 31<sup>st</sup> December 2018, the heading "Merchandise" includes, essentially, plots of land in Spain to sell or to develop logistic real estate projects, in the amount (net of adjustments) of 25,191 thousand Euros (39,177 thousand Euros as at 31<sup>st</sup> December 2017).

On 9<sup>th</sup> February 2018, the Group has signed a framework contract for the sale of land plots and subscription of delegated promotion contracts for the construction of logistic platforms, for a total amount of 60,943 thousand Euros, and a purchase option contract for several land plots, for an amount of 10,444 thousand Euros.

As at 31<sup>st</sup> December 2018, part of the inventories, with a net book value of 11,498 thousand Euros (17,886 thousand Euros as at 31<sup>st</sup> December 2017), were mortgaged as collateral for loans received from credit institutions (Note 15.).

Regarding the inventories related to real estate projects (located in Spain), at the year end, the Group determined its net realizable value considered as reference values the valuations carried out by independent experts. The valuation has been made through the market approach, analysing the evolution of the comparable prices of land of similar characteristics of the last two years.

The market value of the Group's real estate inventories located in Spain as at 31<sup>st</sup> December 2018, calculated as detailed in the previous paragraph, amounts to 32,730 thousand Euros. In any case, the current situation of the real estate sector could cause significant differences between the net realizable value of the Group's real estate inventories and the effective realizable value thereof.

The movement occurred in inventories adjustments in the year ended on 31<sup>st</sup> December 2018 and 2017 was as follows:

	2018	2017
Opening balance (see Note 0. for 2017)	55 959	55 959
Increase (Note 27.)	224 643	-
Reduction	-	-
Exchange rate differences	-	-
Other	-	-
	280 602	55 959

## 8. Assets associated with contracts with customers

Information on assets associated with contracts with customers by geographical area with reference to 31<sup>st</sup> December 2018 and 2017 can be analysed as follows:

	2018	2017
Europe	1 596 140	2 457 893
Africa	4 549 731	28 090 973
	6 145 871	30 548 866

The assets associated with contracts with customers are, essentially, related to production and services rendered not yet invoiced, under construction contracts (accrued income).

The movement in assets and liabilities associated with contracts with customers, excluding the component of advances received from customers, in 2018 and 2017 can be analysed as follows:

	2018	2017
Balance as at 1 <sup>st</sup> January	(29 593 713)	(51 492 853)
Transfers to customers and other debtors heading	(13 344 581)	(911 406)
Increases resulting from meeting new performance obligations not yet invoiced	2 207 610	17 400 225
Transfers to revenue heading (performance obligations invoiced in previous years)	13 090 980	8 635 230
Decreases resulting from new invoicing of performance obligations not yet performed	(9 305 854)	(6 196 616)
Exchange rate differences	14 944 349	2 971 358
Others	-	349
Balance as at 31 <sup>st</sup> December	(22 001 209)	(29 593 713)
Assets associated with contracts with customers	6 145 871	30 548 866
Liabilities associated with contracts with customers - Deferred income (Note 17.)	(28 147 081)	(60 142 579)
	(22 001 209)	(29 593 713)

## 9. Other current assets

As at 31<sup>st</sup> December 2018 and 2017, the heading "Other assets" can be analysed as follows:

	2018	2017
Accrued income:		
Interest receivable	-	413 109
Other accrued income	427 589	-
	427 589	413 109
Deferred costs:		
Insurance	358 001	762 552
Fulfilling costs associated with contracts with customers	4 981 490	9 088 538
Other deferred costs (Construction)	1 598 333	2 289 392
Other deferred costs (Others)	78 287	15 917
	7 016 111	12 156 399
Total other assets	7 443 700	12 569 508

As at 31<sup>st</sup> December 2018 and 2017, the headings "Costs associated with compliance with contracts with customers" and "Other deferred costs" included, essentially, deferred expenses associated with the production carried out in the African region, namely the mobilization / demobilization of equipment and base life construction sites. These deferred costs have no impairment recognised.

## 10. Deferred taxes

Deferred tax assets and liabilities as at 31<sup>st</sup> December 2018 and 2017 may be described as follows, considering the different natures of temporary differences:

	2017			
Deferred tax assets	Opening balance (Note 0.)	Effects in net income	Effects in equity	Closing balance
Tax losses carried forward	-	800 813	-	800 813
Exchange rate differences not accepted for tax purposes	136 670	(41 199)	4 649	100 120
	136 670	759 614	4 649	900 933

Deferred tax assets	2018			
	Opening balance	Effects in net income	Effects in equity	Closing balance
Tax losses carried forward	800 813	396 955	-	1 197 768
Exchange rate differences not accepted for tax purposes	100 120	(70 207)	(397)	29 516
	900 933	326 748	(397)	1 227 284

In the years ended on 31<sup>st</sup> December 2018 and 2017, the exchange rate differences not accepted for tax purposes relate to accounts receivable recognized in the Mozambique subsidiary “MCA Moçambique, S.A.”.

Deferred tax liabilities	2017			
	Opening balance	Effects in net income	Exchange rate differences	Closing balance
Uncertain tax positions	1 709 721	12 452 386	(97 897)	14 064 210
	1 709 721	12 452 386	(97 897)	14 064 210

Deferred tax liabilities	2018			
	Opening balance	Effects in net income	Exchange rate differences	Closing balance
Uncertain tax positions	14 064 210	463 788	(6 579 608)	7 948 389
Temporary differences on inventories	-	377 625	-	377 625
	14 064 210	841 413	(6 579 608)	8 326 014

The provisions for uncertain tax positions (in the years ended on 31<sup>st</sup> December 2018 and 2017) refer, essentially, with estimated costs of tax-related nature in Angola.

In the years ended on 31<sup>st</sup> December 2018 and 2017, the column “Effect in equity” on the deferred tax assets included, essentially, the exchange differences arising from the conversion of financial statements of the affiliated companies expressed in foreign currencies.

As at 31<sup>st</sup> December 2018 and 2017, the tax rates used for the calculation of the deferred tax assets and liabilities were the ones applicable in each company respective jurisdiction, as mentioned in Note 30.

As at 31<sup>st</sup> December 2018, and in accordance with the tax statements presented by companies that recorded deferred tax assets arising from tax losses carried forward and using exchange rates effective at that time, tax losses carried forward can be summarized as follows:

	Country	Tax losses carried forward	Deferred tax assets	Time limit
Generated in 2017	Spain	3 203 253	800 813	Without limited time use
Generated in 2018	Spain	1 587 825	396 956	Without limited time use
		4 791 078	1 197 769	

As at 31<sup>st</sup> December 2018, the deferred taxes to be recognized arising from tax losses were evaluated. In the cases in which they originated deferred tax assets, they were only recorded to the extent that it is probable that future taxable income will occur that could be used to recover the tax losses or tax differences that reverted in the same period and considering the limit of compensation existing by law in the applicable cases. This assessment was based on the business plans of MCA Group's companies, which are periodically reviewed and updated.

The recoverability of the above mentioned deferred tax assets, regarding operations in Spain, is supported by the execution of the projects that already have been awarded by the Group as of this date.

As at 31<sup>st</sup> December 2018, there are reportable tax losses in the amount of 5,112,943 Euros, for which no deferred tax assets are recorded, based on prudence.

	Country	Tax losses carried forward	Deferred tax assets	Time limit
Generated in 2014	Mozambique	697 096	223 071	2 019
Generated in 2017	Mozambique	2 955 786	945 851	2 022
Generated in 2018	Mozambique	227 203	72 705	2 023
Generated in 2014	Portugal	159 467	33 488	2 026
Generated in 2015	Portugal	320 987	67 407	2 027
Generated in 2016	Portugal	172 916	36 312	2 028
Generated in 2017	Portugal	320 316	67 266	2 022
Generated in 2018	Portugal	259 172	54 426	2 023
		<b>5 112 943</b>	<b>1 500 526</b>	

## 11. Corporate income tax

The detail of the assets heading "Corporate income tax" by geographical area, with reference to 31<sup>st</sup> December 2018 and 2017, was as follows:

	2018	2017
Europe	170 670	196 988
Africa	7 312 565	11 893 299
	<b>7 483 235</b>	<b>12 090 287</b>

## 12. Cash and cash equivalents

The information relating to the heading of "Cash and cash equivalents" with reference to 31<sup>st</sup> December 2018 and 2017 can be analysed as follows:

	2018	2017
Bank deposits and cash in hand		
Bank deposits	7 194 519	7 550 312
Cash in hand	38 189	53 143
	<b>7 232 708</b>	<b>7 603 455</b>

The heading "Cash and cash equivalents" include cash held by the Group and short term bank deposits with original maturity equal to or less than three months, for which the risk of alteration of value is insignificant. The value at which this group of assets is recorded is close to its fair value.

As at 31<sup>st</sup> December 2018, there were no amounts recorded under the heading "Cash and cash equivalents" not immediately available, since they were blocked, given as guarantee, being pledged, captive or held under finance contracts entered into with third parties.

As such, the amounts used for the purposes of preparation of the statement of consolidated cash flows as at 31<sup>st</sup> December 2018 and 2017 are the ones detailed in the table above.

As at 31<sup>st</sup> December 2018 and 2017, the amounts included in the heading "Cash and cash equivalents" had the following breakdown by geography:

	2018	2017
Angola	2 282 840	5 405 653
Portugal	2 202 190	1 626 886
Spain	2 063 850	143 709
Netherlands	335 000	-
Mozambique	322 712	396 993
Others	26 116	30 214
	<b>7 232 708</b>	<b>7 603 455</b>

## 13. Share capital and reserves

### Share capital

The share capital of M. Couto Alves Holding B.V. as at 31<sup>st</sup> December 2018, fully subscribed and paid up, amounted to 10,000,000 Euros, and was represented by 10,000,000 shares with a nominal value of 1 Euro each.

### Share premiums

As a consequence of the restructuring process accomplished on October 2018, MCA Holding issued 10,000,000 (ten million) new shares to the Shareholders, in exchange for which the Shareholders transfer the full legal and beneficial right, title and interest in and to all shares held by them in the share capital of MCA PT to the MCA Holding by way of a non-cash contribution (see Note 0.).

In accordance with Section 2:204b of the Dutch Civil Code, the management board of MCA Holding has prepared a written description of the MCA PT Shares. The total value of the MCA PT Shares has been set at 15,246,268 Euros (fifteen million, two hundred and forty six thousand, two hundred and sixty eight Euros).

To the extent to the value of the MCA PT Shares exceeded the amount of share capital issued (10,000,000 Euros), the balance, being 5,246,268 Euros (five million, two hundred and forty six thousand, two hundred and sixty eight Euros), constitutes share premium and was added *pro rata parte* to the separate share premiums reserve which MCA Holding maintains for the benefit of its Shareholders.

### Currency translation reserve

The "Exchange translation reserve" reflects the exchange variation arising from the translation of financial statements of subsidiaries with currencies other than the Euro.

In the year ended 31<sup>st</sup> December 2018, the exchange rate differences significant impact included in the consolidated statement of comprehensive income, was determined based in the exchange rates fluctuations between 31<sup>st</sup> December 2017 and 31<sup>st</sup> December 2018. This impact results, essentially, from the Group's Angolan companies. The impact arising from the Group companies consolidated by the full consolidation method (40,523 thousand Euros) can be detailed as follows:

	Angola Kwanza (AOA)
Exchange rate in the beginning (31 <sup>st</sup> December 2017)	186,303
Exchange rate in the end (31 <sup>st</sup> December 2018)	353,015
Average exchange rate for 2018	303,842

Subsidiary	Currency	Equity at the beginning in local currency	Net profit for the year in local currency	Exchange rate impact (in Euros)
M. Couto Alves Vias, S.A.	Angola Kwanza (AOA)	13 922 629 326	4 671 571 553	37 433 602
M. Couto Alves - Máquinas e Equipamento de Aluguer, S.A.	Angola Kwanza (AOA)	1 276 737 983	(349 503 703)	3 076 124
Other				12 909
				40 522 635

### Capital management policy

The capital structure of MCA Group, determined by the proportion between equity and net debt is managed to ensure the continuity and the carrying on of its operational activities, to maximise the return for shareholders and to optimise finance costs.

MCA Group periodically monitors its capital structure and identifies risks, opportunities and the necessary adjustment measures in order to achieve the goals referred to above. As at 31<sup>st</sup> December 2018, MCA Group has an accounting Gearing (\*) of 224%.

(\*) Gearing = total equity / net debt, where net debt corresponds to the algebraic sum of the following headings of the consolidated statement of financial position: loans; cash and cash equivalents; and other financial investments recorded at amortized cost.

## 14. Non-controlling interests

As at 31<sup>st</sup> December 2018 and 2017, subsidiaries controlled by the Group with the more significant non-controlling interests were as follows:

	2017			Major shareholders
	Percentage of detention held by non controlling interests	Net profit attributable to non controlling interests	Accumulated non controlling interests	
M. Couto Alves Vias, S.A.	20,00%	2 089 861	14 927 612	Manuel António Couto Alves (18,33%)
M. Couto Alves - Máquinas e Equipamento de Aluguer, S.A.	40,00%	172 585	2 741 207	Manuel António Couto Alves (37,48%) Manuel Teixeira dos Santos (2,48%)
Business Center Manzanares, S.L.	23,16%	(670 435)	6 731 324	Inves2MSV Investimentos Imobiliários, S.A. (23,16%)
MCA Moçambique, SA	26,27%	(520 120)	(241 748)	Manuel António Couto Alves (26,25%)
M. Couto Alves - PSS, S.A.	36,00%	(46 601)	49 528	Paulo Luís Mateus Aparício (27,00%) Manuel António Couto Alves (8,00%)
Others		(199)	387	
		1 025 091	24 208 311	



	2018			Major shareholders
	Percentage of detention held by non controlling interests	Net profit attributable to non controlling interests	Accumulated non controlling interests	
M. Couto Alves Vias, S.A.	20,00%	3 075 002	10 524 457	Manuel António Couto Alves (18,33%)
M. Couto Alves - Máquinas e Equipamento de Aluguer, S.A.	40,00%	(460 113)	1 050 645	Manuel António Couto Alves (37,48%) Manuel Teixeira dos Santos (2,48%)
Business Center Manzanares, S.L.	23,16%	41 975	6 771 643	Inves2MSV Investimentos Imobiliários, S.A. (23,16%)
MCA Moçambique, SA	26,27%	(74 221)	(302 574)	Manuel António Couto Alves (26,25%)
M. Couto Alves - PSS, S.A.	36,00%	(37 855)	11 673	Paulo Luís Mateus Aparício (27,00%) Manuel António Couto Alves (8,00%)
Others		(4 986)	(1 962)	
		2 539 802	18 053 883	

As at 31<sup>st</sup> December 2018 and 2017, and in the years then ended, the resumed financial information (contributions) of the major subsidiaries controlled by the Group with non-controlling interests was as follows:

	2017				
	M. Couto Alves Vias, S.A.	M. Couto Alves - Máquinas e Equipamento de Aluguer, S.A.	Business Center Manzanares, S.L.	MCA Moçambique, SA	M. Couto Alves - PSS, S.A.
<b>Financial Position</b>					
Current assets	188 242 663	7 662 197	42 999 249	5 700 173	666 159
Non?current assets	18 350 870	6 710 466	808 473	1 125 816	6 694
Current liabilities	108 844 484	7 519 645	14 749 223	7 746 277	535 274
Non?current liabilities	23 110 990	-	-	-	-
Equity attributable to shareholders	59 710 447	4 111 811	22 327 174	(678 540)	88 050
Non?controlling interests	14 927 612	2 741 207	6 731 324	(241 748)	49 528
	74 638 059	6 853 018	29 058 499	(920 288)	137 579

<b>Income Statement</b>					
Income	107 470 516	2 865 331	18 072 385	2 832 656	1 279 625
Expenses	97 021 210	2 433 867	20 966 590	4 812 653	1 409 071
Net income / (expense)	10 449 306	431 463	(2 894 204)	(1 979 997)	(129 447)
attributable to:					
the shareholders	8 359 445	258 878	(2 223 769)	(1 459 877)	(82 846)
the non?controlling interests	2 089 861	172 585	(670 435)	(520 120)	(46 601)

	2018				
	M. Couto Alves Vias, S.A.	M. Couto Alves - Máquinas e Equipamento de Aluguer, S.A.	Business Center Manzanares, S.L.	MCA Moçambique, SA	M. Couto Alves - PSS, S.A.
<b>Financial Position</b>					
Current assets	57 564 801	5 525 722	36 749 241	1 994 433	793 034
Non?current assets	15 700 203	2 467 447	3 431 061	408 070	94 907
Current liabilities	5 350 716	5 366 556	10 567 228	3 378 078	783 151
Non?current liabilities	15 292 002	-	377 625	176 267	72 363
Equity attributable to shareholders	42 097 829	1 575 968	22 460 909	(849 268)	20 753
Non?controlling interests	10 524 457	1 050 645	6 771 643	(302 574)	11 673
	52 622 286	2 626 613	29 232 552	(1 151 842)	32 426

<b>Income Statement</b>					
Income	61 785 088	6 363 876	27 332 377	2 017 119	559 133
Expenses	46 410 075	7 514 158	27 151 173	2 299 665	664 285
Net income / (expense)	15 375 012	(1 150 282)	181 204	(282 546)	(105 152)
attributable to:					
the shareholders	12 300 010	(690 169)	139 229	(208 325)	(67 297)
the non?controlling interests	3 075 002	(460 113)	41 975	(74 221)	(37 855)

The movement occurred in the heading of non-controlling interests for the years ended at 31<sup>st</sup> December 2018 and 2017 can be presented as follows:

	2018	2017
Opening balance (see Note 0. for 2017)	24 208 310	29 406 679
Net profit attributable to non controlling interests	2 539 802	1 025 091
Items of other comprehensive income that may be reclassified to the income statement		
Exchange differences arising from the conversion of financial statements expressed in foreign currencies	(8 720 044)	(1 102 356)
Other comprehensive income	25 814	473
Dividend distribution	-	(3 242 400)
Others	-	(1 879 176)
	18 053 883	24 208 311

## 15. Loans

The amounts related to loans as at 31<sup>st</sup> December 2018 and 2017 were as follows:

	2017					
	Current	Non current				Total
	Until 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total non current	
Amounts due to credit institutions:						
Bank loans	10 558 881	7 637 815	-	-	7 637 815	18 196 696
Overdraft facilities	17 775 401	-	-	-	-	17 775 401
Leasing	140 708	273 313	-	-	273 313	414 022
Factoring	13 584 956	-	-	-	-	13 584 956
Confirming	1 217 732	-	-	-	-	1 217 732
Other loans obtained:						
Shareholders	13 860 565	-	-	-	-	13 860 565
	57 138 243	7 911 128	-	-	7 911 128	65 049 371

	2018					
	Current	Non current				Total
	Until 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total non current	
Amounts due to credit institutions:						
Bank loans	5 182 942	558 539	-	-	558 539	5 741 481
Overdraft facilities	9 525 265	-	-	-	-	9 525 265
Leasing	245 062	722 968	-	-	722 968	968 030
Factoring	1 121 253	-	-	-	-	1 121 253
Confirming	2 675 072	-	-	-	-	2 675 072
Promissory notes	3 000 000	-	-	-	-	3 000 000
Other loans obtained:						
Shareholders	6 773	5 449 734	-	-	5 449 734	5 456 507
Others	1 341	-	-	-	-	1 341
	21 757 708	6 731 241	-	-	6 731 241	28 488 949

At 31<sup>st</sup> December 2018 and 2017, the movement in indebtedness was as follows:

2017	Bank loans	Overdraft facilities	Leasing	Factoring	Confirming	Promissory notes	Shareholder loans	Others loans	Total
Opening balance (Note 0.)	16 531 245	29 293 554	193 286	10 578 913	1 201 823	-	7 595 243	-	65 394 064
Transactions with impact on cash flow									
Loans obtained	9 604 942	999 186	324 724	8 766 762	1 684 453	-	13 690 316	-	35 070 383
Repayments of loans	(7 403 407)	(10 889 266)	(103 988)	(5 176 752)	(1 668 543)	-	(7 424 994)	-	(32 666 950)
	2 201 535	(9 890 080)	220 736	3 590 010	15 910	-	6 265 321	-	2 403 433
Transactions with no impact on cash flow									
Exchange differences	(536 084)	(1 628 072)	-	(583 967)	-	-	-	-	(2 748 123)
Others	-	-	-	-	-	-	-	-	-
	(536 084)	(1 628 072)	-	(583 967)	-	-	-	-	(2 748 123)
Closing balance	18 196 696	17 775 402	414 022	13 584 956	1 217 732	-	13 860 564	-	65 049 370

2018	Bank loans	Overdraft facilities	Leasing	Factoring	Confirming	Promissory notes	Shareholder loans	Others loans	Total
Opening balance	18 196 696	17 775 402	414 022	13 584 956	1 217 732	-	13 860 564	-	65 049 371
Transactions with impact on cash flow									
Loans obtained	10 966 940	8 074 072	783 722	13 163 767	8 810 348	3 000 000	2 341 670	-	47 140 519
Repayments of loans	(18 747 035)	(10 272 937)	(229 714)	(20 893 246)	(7 353 008)	-	(7 381 727)	-	(64 877 667)
	(7 780 095)	(2 198 865)	554 008	(7 729 479)	1 457 340	3 000 000	(5 040 057)	-	(17 737 148)
Transactions with no impact on cash flow									
Exchange differences	(4 675 119)	(6 051 270)	-	(4 734 223)	-	-	-	-	(15 460 612)
Others	-	-	-	-	-	-	(3 364 000)	1 341	(3 362 659)
	(4 675 119)	(6 051 270)	-	(4 734 223)	-	-	(3 364 000)	1 341	(18 823 271)
Closing balance	5 741 482	9 525 266	968 029	1 121 254	2 675 072	3 000 000	5 456 507	1 341	28 488 952

As at 31<sup>st</sup> December 2018, the main bank loans issued by the Group in force on this date, were as follows:

Issuer	Credit institution	Date of maturity	Other conditions	Amount in debt
Business Center Manzanares, S.L.	Banco BIC Portugués, S.A.	Sep-19	(i)	3 069 750
Business Center Manzanares, S.L.	Banco Sabadell, S.A.	Jun-19	(ii)	1 383 065
M. Couto Alves Vias, S.A.	Banco Keve	Apr-20	(iii)	959 365
				5 412 180

(i) This bank loan, obtained in Spain, has as bank guarantee some of the plots of land registered in inventories (Note 7.).

(ii) This bank loan has a single maturity date of September 2019, but the Group must perform an earlier repayment in case of sale / transfer of the plots of land that guarantee it (registered in inventories – Note 7.).

(iii) This bank loan, obtained in Angola, with maturity at April 2020, has monthly instalments repayments and bears interest at a Libor 6-month rate plus a spread of 4%.

As at 31<sup>st</sup> December 2018, the inventories (plots of land) that were mortgaged as collateral for the loans received from the credit institutions mentioned on (i) and (ii) above, had a net book value of 11,498 thousand Euros (17,886 thousand Euros as at 31<sup>st</sup> December 2017) (Note 7.).

In addition, as at 31<sup>st</sup> December 2018, part of the Angola sovereign bonds referred to in Note 5., in the amount of 9,560 thousand Euros (4,021 thousand Euros as at 31<sup>st</sup> December 2017), is being used as a guarantee for overdraft facilities obtained in Angola.

As at 31<sup>st</sup> December 2018 and 2017, the amounts relative to debt are denominated in the following currencies:

	2018		2017	
	Amounts due to credit institutions	Other loans obtained	Amounts due to credit institutions	Other loans obtained
Euros (EUR)	14 458 370	5 456 507	14 359 752	13 860 564
US Dollars (USD)	-	-	2 471 212	-
Angola Kwanzas (AOA)	8 396 464	1 341	33 995 810	-
Mozambique Metical (MZN)	176 267	-	362 032	-
	23 031 101	5 457 848	51 188 806	13 860 564

As at 31<sup>st</sup> December 2018 and 2017, the net book value of the assets subject to leasing contracts was as follows:

	2018	2017
Land and Buildings	248 516	258 322
Basic equipment	380 245	380 449
Transport equipment	429 870	197 026
Administrative equipment	23 154	-
	1 081 785	835 797

As at 31<sup>st</sup> December 2018, the Group held lease liabilities, recorded under "leasing" heading, related to financial leasing contracts with the following maturity dates:

Lease contracts	Outstanding rents	Present value of rents
1 year	260 132	245 062
2 years	260 034	249 612
3 years	207 534	201 366
4 or more years	275 962	271 990
	1 003 662	968 030
Interest included in the rents	(35 633)	-
Present value of the lease contract rents	968 030	968 030

## 16. Suppliers and sundry creditors

The information regarding suppliers and sundry creditors with reference to 31<sup>st</sup> December 2018 and 2017 can be analysed as follows:

	2018		2017	
	Non current	Current	Non current	Current
Suppliers				
Europe	-	12 813 817	-	10 200 740
Africa	-	13 644 926	-	27 865 532
Other	-	1 735	-	-
	-	26 460 478	-	38 066 272
Sundry creditors				
Suppliers of fixed assets	-	145 420	-	763 385
Associates and shareholders	5 796 258	4 238 884	56 250	5 492 155
State and other public entities (except Corporate income tax)	-	3 334 183	-	3 442 182
Other creditors	-	4 281 563	-	2 278 167
	5 796 258	12 000 050	56 250	11 975 889
Total suppliers and sundry creditors	5 796 258	38 460 528	56 250	50 042 161

As at 31<sup>st</sup> December 2018, the non-current liabilities caption "Associates and shareholders" includes the amounts payable to the related parties companies (companies with common shareholders to the Group) Elan - Electricidade e Montagens de Angola, S.A. (about 3,460 thousand Euros) and Sines - Sinalização de Estradas, S.A. (nearly 2,337 thousand Euros) (Note 33.).

As at 31<sup>st</sup> December 2018 and 2017, the current liabilities caption "Associates and shareholders" refers to amounts payable to the shareholder Mr. Manuel Couto Alves.

As at 31<sup>st</sup> December 2018, the current liabilities heading "Other creditors" includes, essentially, the amount of approximately 1,030 thousand Euros payable to the Angolan Court of Auditors ("*Tribunal de Contas de Angola*") related to ordinary contract tender and adjudication costs, amounts payable to employees and amounts payable other creditors.

The Group's Board of Directors believes that the value at which the abovementioned financial liabilities are recorded in the consolidated statement of financial position is similar to their fair value, except for the "Associates and shareholders" non-current amounts that do not bear interests.

## 17. Liabilities associated with contracts with customers

The information on liabilities associated with contracts with customers by geographical area with reference to 31<sup>st</sup> December 2018 and 2017 can be analysed as follows:

	2018	2017
Advances received from customers:		
Europe	4 549 849	163 242
Africa	17 356 586	40 792 620
	21 906 435	40 955 862
Deferred income:		
Europe	6 799 119	406 761
Africa	21 347 961	59 735 818
	28 147 080	60 142 579
<b>Total liabilities associated with contracts with customers</b>	<b>50 053 515</b>	<b>101 098 441</b>

The movement in advances received from customers in 2018 and 2017 can be analysed as follows:

	2018	2017
Balance as at 1 <sup>st</sup> January	40 955 862	28 216 850
Revenue recognized in the year associated with liabilities recorded in previous years	(4 420 534)	(17 220 816)
Advances received in the year, net of revenue recognized in this same year	4 623 161	31 503 162
Exchange rate differences and others	(19 252 054)	(1 543 335)
<b>Balance as at 31<sup>st</sup> December</b>	<b>21 906 435</b>	<b>40 955 861</b>

The heading “deferred income” is, essentially, related to production and services invoiced but not yet rendered, under construction contracts.

## 18. Other current liabilities

The information on other current liabilities with respect to 31<sup>st</sup> December 2018 and 2017 can be summarised as follows:

	2018	2017
Accrued costs:		
Holiday pay and holiday bonus	1 319 614	1 108 842
Interest payable	753 863	3 029 510
Work in progress not billed by suppliers	2 191 293	4 249 428
Other accrued costs	1 221 588	2 504 928
	5 486 358	10 892 708
<b>Total other current liabilities</b>	<b>5 486 358</b>	<b>10 892 708</b>

As at 31<sup>st</sup> December 2018, the heading “Work in progress not billed by suppliers” had the following breakdown by geographical area: 695 thousand Euros in Africa and 1,497 thousand Euros in Europe.

As at 31<sup>st</sup> December 2017, the heading “Work in progress not billed by suppliers” had the following breakdown by geographical area: 2,899 thousand Euros in Africa and 1,350 thousand Euros in Europe.

## 19. Corporate income tax

The detail of the liabilities heading "Corporate income tax" by geographical area, with reference to 31<sup>st</sup> December 2018 and 2017, was as follows:

	2018	2017
Europe	225 179	620 755
Africa	6 495 043	5 255 782
Other	31	-
	6 720 253	5 876 537

## 20. Provisions

The information regarding provisions, as at 31<sup>st</sup> December 2018 and 2017 can be summarised as follows:

	2018	2017
Provisions for investments accounted for using the equity method		
Development Concept Engenharia, Lda. ("DCE")	174 755	442 808
Elan - Electricidade e Montagens de Angola, S.A. ("Elan")	-	437 838
	174 755	880 646
Other provisions:		
Provisions for construction warranties	1 638 854	2 448 500
	1 638 854	2 448 500
Total provisions	1 813 609	3 329 146

Provisions for construction warranties arise from the construction contracts carried out by the Group and refer essentially to M. Couto Alves, S.A. and M. Couto Alves Vias, S.A..

The information regarding the movement occurred in provisions in the year ended on 31<sup>st</sup> December 2018 and 2017 was as follows:

	2017		
	DCE	Elan	Total
Provisions for investments accounted for using the equity method:			
Opening balance - MCA Holding restructuring effect (Note 0.)	424 072	626 753	1 050 825
Equity method impact of the year - through income statement (Note 29.)	16 828	(153 203)	(136 375)
Equity method impact of the year - through retained earnings	1 908	1 064	2 972
Others	-	(36 776)	(36 776)
Transfers (Note 4.)	-	-	-
	442 808	437 838	880 646
Other provisions:			
Opening balance			49 474
Increase in provisions for construction warranties (Note 22.)			2 399 114
Exchange rate differences and others			(89)
			2 448 500

	2018		
	DCE	Elan	Total
Provisions for investments accounted for using the equity method:			
Opening balance	442 808	437 838	880 646
Equity method impact of the year - through income statement (Note 29.)	10 318	(419 034)	(408 716)
Equity method impact of the year - through retained earnings	(202 439)	(139 172)	(341 611)
Others	(75 932)	-	(75 932)
Transfers (Note 4.)	-	120 368	120 368
	174 755	-	174 755
Other provisions:			
Opening balance			2 448 500
Increase in provisions for construction warranties (Note 22.)			478 479
Reduction in provisions for construction warranties (Note 22.)			(4 025)
Exchange rate differences and others			(1 284 100)
			1 638 854

As at 31<sup>st</sup> December 2018 and 2017, the line “Equity method impact of the year - through retained earnings” includes, essentially, the impact of exchange rate differences.

As of 31<sup>st</sup> December 2018, the date of use of the provisions cannot be reliably estimated, reason why they were not financially discounted.

Likewise, given the uncertainty as to when the aforementioned provisions will be converted into liabilities, it was not possible to disclose the expected moments for the occurrence of their respective future resources outflows, which is why they were classified as non-current.

## 21. Sales and services rendered

The breakdown of the sales and services rendered during the years ended on 31<sup>st</sup> December 2018 and 2017 was as follows:

	2018	2017
Sales:		
Real estate	17 594 055	7 495 600
Inert materials	1 019 213	931 978
Others	245 916	203 445
	18 859 184	8 631 023
Services rendered:		
Construction contracts	60 678 004	128 572 612
Equipment rentals	1 649 407	4 778 318
Assignment of staff and materials	342 405	683 225
Others	2 083 064	1 002 154
	64 752 880	135 036 309
Total sales and services rendered	83 612 064	143 667 332

For the years ended 31<sup>st</sup> December 2018 and 2017, sales and services rendered by geographical area can be detailed as follows:

	2018	2017
Europe	69 144 504	36 595 866
Africa	14 467 560	107 071 466
	83 612 064	143 667 332

In the year ended on the 31<sup>st</sup> December 2018 there were two customers who represented more than 10% of the heading 'Sales and services rendered'.

In the years ended on 31<sup>st</sup> December 2018 and 2017, there was no significant discontinuation in the business activities carried out by the Group.

## 22. Cost of goods sold and materials consumed, Changes in production and Subcontractors

The cost of goods sold and materials consumed, changes in production and subcontractors, for the years ended on 31<sup>st</sup> December 2018 and 2017, can be analysed as follows:

	2017		
	Merchandise	Raw and Subsidiary materials and consumables	Total
Inventories opening balance - MCA Holding restructuring effect (Note 0.)	51 776 642	2 577 438	54 354 079
Purchases	220 087	17 654 557	17 874 643
Exchange differences and other movements	-	(95 105)	(95 105)
Transfers and others	(4 922)	(389 652)	(394 574)
Inventories closing balance (Note 7.)	(39 240 678)	(5 662 424)	(44 903 101)
Cost of goods sold and materials consumed	12 751 129	14 084 813	26 835 942
Provisions for construction warranties (Note 20.)			2 399 114
Subcontractors			34 118 035
			63 353 092

	2018		
	Merchandise	Raw and Subsidiary materials and consumables	Total
Inventories opening balance	39 240 678	5 662 424	44 903 102
Purchases	685 908	13 739 233	14 425 140
Exchange differences and other movements	-	(2 415 237)	(2 415 237)
Transfers and others	(167 074)	(361 828)	(528 902)
Inventories closing balance (Note 7.)	(25 455 526)	(4 202 331)	(29 657 857)
Cost of goods sold and materials consumed	14 303 986	12 422 260	26 726 246
Changes in production			(158 468)
Provisions for construction warranties (Note 20.)			474 454
Subcontractors			24 567 528
			51 609 760



## 23. Third-party supplies and services

Third party supplies and services for the years ended on 31<sup>st</sup> December 2018 and 2017 can be analysed as follows:

	2018	2017
Specialised works and recharging	5 137 972	5 964 165
Transport, travel and lodging	3 122 557	3 944 467
Fuel	2 318 309	1 241 470
Leases and rents	1 513 394	2 063 975
Commissions and fees	1 532 868	906 557
Insurance	1 354 178	955 785
Maintenance and repair	1 140 274	1 254 717
Vigilance and security	697 380	895 393
Transport of goods	622 202	928 073
Communications	422 022	557 305
Water and electricity	199 815	356 061
Utensils, other materials and office equipment	175 664	62 153
Cleaning	84 717	108 842
Advertising and publicity	60 378	128 208
Other supplies and services	111 950	286 978
	18 493 680	19 654 149

In the year ended on 31<sup>st</sup> December 2018 and 2017 the heading “Specialised works and recharging” included technical assistance works, outsourcing and consulting. In particular, it has included the amount of approximately 568 thousand Euros in 2018 (nearly 2,265 thousand Euros in 2017) related to technical projects and assistance in logistic platforms construction in Spain, and the amount of about 3,164 thousand Euros in 2018 (about 3,100 thousand Euros in 2017) regarding studies and technical support for construction projects in Angola. The remaining corresponds, essentially, to technical assistance works, outsourcing and consulting in Portugal.

In the year ended on 31<sup>st</sup> December 2018 and 2017, the heading “Leases and rents” included the amount of approximately 793 thousand Euros in 2018 (about 1,440 thousand Euros in 2017) corresponding to the rent costs incurred in the utilization of the Group’s offices and premises in Angola. In addition, this heading referred essentially to costs incurred with the lease of equipment, machines vehicles and premises in other countries, the majority of which by a short-term period.

As at 31<sup>st</sup> December 2018 future rents to be paid associated with operating lease contracts entered into by the Group with financial and credit institutions, were as follows:

Year of reimbursement	2018
1 year	478 040
Between 2 and 3 years	168 412
More than 3 years	15 157
	661 609

The main operating lease contracts entered into by the Group referred above are associated essentially with the Group’s offices in Angola (approximately 280 thousand Euros) and the lease of vehicles and equipment. The leases of equipment are associated essentially with the execution of the construction contracts awarded to the Group.

In the year ended on 31<sup>st</sup> December 2018, the heading “Commissions and fees” included, essentially, the amount of approximately 1,032 thousand Euros related to real estate advisory services (commissions) incurred in connection with the sale during 2018 of the plots of land in Spain.

## 24. Wages and salaries

The breakdown of wages and salaries heading for the years ended on 31<sup>st</sup> December 2018 and 2017 was as follows:

	2018	2017
Payroll	14 496 139	13 657 592
Social security charges	1 356 471	1 042 945
Others	625 892	608 680
	16 478 502	15 309 217

As at 31<sup>st</sup> December 2018, the heading “Others” included, essentially, the amounts of approximately 384 thousand Euros (456 thousand Euros as at 31<sup>st</sup> December 2017) related to occupational accident insurances, and about 103 thousand Euros (104 thousand Euros as at 31<sup>st</sup> December 2017) concerning indemnities. The additional amounts in this heading include the expenditures incurred in relation to meals allowances and cash sickness benefits, among others.

For the years ended 31<sup>st</sup> December 2018 and 2017, personnel expenses by geographical area can be analysed as follows:

	2018	2017
Europe	6 728 498	4 157 007
Africa	9 750 004	11 152 210
	16 478 502	15 309 217

### Number of employees

As at 31<sup>st</sup> December 2018 and 2017, the number of employees working for the Group (taking into account the region in which said employees are effectively carrying out their activity) can be analysed as follows:

	2018	2017
Management	33	22
Technical and operational coordination	99	86
Technical, operational and administrative	539	555
Undifferentiated	171	208
	842	871
Europe	166	121
Africa	676	750
	842	871

## 25. Other operating (expenses) / income

Other operating (expenses) / income for the years ended on 31<sup>st</sup> December 2018 and 2017, can be analysed as follows:

	2018	2017
Operating gains and income:		
Gains on the sale of tangible assets	816 992	176 070
Other operating income	2 477 242	3 939 717
	3 294 234	4 115 787
Operating losses and expenses:		
Taxes	1 946 369	2 798 355
Losses on the sale of tangible assets	226 962	60 287
Other operating expenses	1 647 246	940 456
	3 820 577	3 799 098
Other operating (expenses) / income	(526 343)	316 689

In the year ended on 31<sup>st</sup> December 2018, the heading “Other operating income” included the amount of approximately 1,000 thousand Euros related to a balance correction between a Portuguese and an Angolan company accounted for under the equity method. It also included gains from inventories surplus in Angola, amounting to nearly 585 thousand Euros.

In the years ended on 31<sup>st</sup> December 2018 and 2017, the heading “Taxes” included several taxes borne by the several companies of the Group, namely: (i) taxes on real estate ownership and on capital gains from real estate sales (from national and municipal levels) in Spain (approximately 1,195 thousand Euros in 2018 and 721 thousand Euros in 2017); (ii) stamp duty in Angola (nearly 340 thousand Euros in 2018 and 444 thousand Euros in 2017); and (iii) other taxes (including charges paid to the Angolan government in 2017 amounting to 1,345 thousand Euros).

## 26. Amortisation and depreciation

Amortisation and depreciation in the years ended on 31<sup>st</sup> December 2018 and 2017 were as follows:

	2018	2017
Amortisation of intangible assets for the year (Note 2.):		
Concession operation licenses	411 656	494 383
Surface land rights	35 997	52 053
Software and other rights	7 802	125
	455 455	546 561
Depreciation of tangible assets for the year (Note 3.):		
Land and Buildings	147 920	73 235
Equipment	1 914 872	4 602 119
Other tangible assets	89 412	72 102
	2 152 204	4 747 456
Total amortization and depreciation	2 607 658	5 294 018

## 27. Provisions and impairment losses

Provisions and impairment losses for the year ended 31<sup>st</sup> December 2018 and 2017 can be analysed as follows:

	2017		
	Increases	Reduction	Net amount
Provisions	-	-	-
Adjustments and impairment losses:			
In customers and other debtors (Note 6.)	4 301 719	-	4 301 719
In inventories (Note 7.)	-	-	-
Total provisions and impairment losses	4 301 719	-	4 301 719

	2018		
	Increases	Reduction	Net amount
Provisions	-	-	-
Adjustments and impairment losses:			
In customers and other debtors (Note 6.)	2 542 363	(1 675 998)	866 364
In inventories (Note 7.)	224 643	-	224 643
Total provisions and impairment losses	2 767 006	(1 675 998)	1 091 007

## 28. Financial income and gains and Financial costs and losses

The financial income and gains and the financial costs and losses (financial results) in the years ended on 31<sup>st</sup> December 2018 and 2017 can be analysed as follows:

	2018	2017
<b>Financial income and gains</b>		
Debt instruments and accounts receivable:		
Interest income	110 074	482 803
Favourable exchange differences	48 894 335	3 064 114
Other financial assets:		
Interest income: Other financial investments	426 855	1 030 576
Other financial income and gains	4 171	-
	<b>49 435 435</b>	<b>4 577 493</b>
<b>Financial costs and losses</b>		
Loans and accounts payable:		
Interest expenses	6 737 190	10 746 063
Unfavorable exchange differences	9 725 908	6 075 905
Other financial liabilities:		
Expenses resulting from other financial investments	5 642 488	3 381 527
Guarantees expenses and other bank commissions	981 038	2 477 557
Other financial costs and losses	180 536	443 887
	<b>23 267 160</b>	<b>23 124 939</b>
<b>Financial results</b>	<b>26 168 275</b>	<b>(18 547 446)</b>

In the years ended on 31<sup>st</sup> December 2018 and 2017, the favourable and unfavourable exchange differences arise essentially in the Africa region, specifically in Angola. Regarding the year ended as of 31<sup>st</sup> December 2018, one of the main items that contributed to this exchange rate differences relates to a loan granted by an Angolan subsidiary to a Portuguese subsidiary. This loan was rendered in Euros and the respective exchange rate impact was recognized in the Angolan subsidiary.

In the years ended on 31<sup>st</sup> December 2018 and 2017, the caption "Interest income: Other financial investments" relates to the interests received from the Angola sovereign bonds held by the Group (Note 5.).

In the years ended on 31<sup>st</sup> December 2018 and 2017, the amounts included in the heading "Expenses resulting from other financial investments" arise from the disposal during 2018 and 2017, respectively, of Angola sovereign bonds held by the Group to financial institutions, which was performed by an amount below its nominal value (Note 5.).

In the years ended on 31<sup>st</sup> December 2018 and 2017, the heading "Other financial cost and losses" included, essentially, expenses with loans issuance, as well as various costs charged by financial institutions, which are being recognized by the effective interest rate method.

In the years ended on 31<sup>st</sup> December 2018 and 2017, no financial costs have been capitalised to assets.

## 29. Gains / (losses) in associated companies

Gains / (losses) in associated companies for the years ended on 31<sup>st</sup> December 2018 and 2017 can be analysed as follows:

	2018	2017
<b>Gains in associated companies</b>		
Elan - Electricidade e Montagens de Angola, S.A. (Note 20.)	419 034	153 203
Sines - Sinalização de Estradas, S.A. (Note 4.)	191 874	29 693
	610 908	182 896
<b>Losses in associated companies</b>		
Development Concept Engenharia, Lda. (Note 20.)	10 318	16 828
MCA Agro, Lda. (Note 4.)	90 565	78 890
	100 883	95 718
<b>Gains/(Losses) in associated companies</b>	<b>510 025</b>	<b>87 178</b>

## 30. Income tax

As at 31<sup>st</sup> December 2018 and 2017, income tax is made up as follows:

	2018	2017
Current tax	6 045 955	502 540
Deferred tax (Note 10.)	50 877	(759 614)
<b>Total current and deferred tax</b>	<b>6 096 832</b>	<b>(257 074)</b>
Provisions for uncertain tax positions (Note 10.)	463 788	12 452 386
	6 560 620	12 195 312

The reconciliation between income before taxes and "Total current and deferred tax" for the periods ended 31<sup>st</sup> December 2018 and 2017 is as follows:

	2018	2017
Income before taxes	19 483 414	17 611 559
Income tax (theoretical tax rate of 25%)	4 768 742	4 402 890
Effect of different income tax rates in other countries	1 036 507	1 046 937
Exchange rate differences not accepted for tax purposes	70 207	41 199
Gains or losses in associated companies (Notes 4. and 29.)	(127 506)	(21 794)
Provisions and impairment losses not accepted for tax purposes	65 381	-
Temporary differences on inventories	(19 330)	122 941
Income tax exemption	-	(6 870 508)
Recognition of tax losses that have not originated deferred tax assets	609 873	744 478
Autonomous taxes and tax benefits	133 956	64 961
Municipality surcharge	1 182	16 844
Others	(442 179)	194 978
<b>Total current and deferred tax</b>	<b>6 096 832</b>	<b>(257 074)</b>
<b>Effective income tax rate</b>	<b>31,3%</b>	<b>-1,5%</b>

Current tax is calculated based on the respective taxable profit or loss, pursuant to the tax rules in force at the location of the head office of each affiliated company.

As at 31<sup>st</sup> December 2018 and 2017, the standard nominal income tax rate in the Netherlands, where the head office of the Group's holding company is located, is 25%.

As at the same dates, the nominal tax rates in force in the main countries where the Group operates and which also served as the basis for the quantification of the deferred tax assets and liabilities, since these are the rates expected to be in force at the date of the reversal of the respective temporary differences are as follows:

Country	Tax rate
Angola	30%
Mozambique	32%
Portugal	21%
Sao Tome and Principe	25%
Spain	25%

With effect from January 2006, the Angolan Group company “M. Couto Alves Vias, S.A.” was exempt from income tax, for a period of 12 years, as a consequence as being registered under foreign private investment with the National Agency for Private Investment of Angola (*Agência Nacional de Investimento Privado* - “ANIP”), and its activity is eligible for the tax benefits provided for in the Private Investment Incentives Law of Angola. This exemption ended in 2018, leaving the mentioned Group company being subject to income tax, with effect from the fiscal year 2018 onwards.

Additionally, it is the belief of the Group's Board of Directors, supported by its legal and tax advisors, that there are no material liabilities associated with tax contingencies that should give rise to the registration of provisions or the need its disclose in the accompanying consolidated financial statements.

## 31. Contingent assets and liabilities

As at 31<sup>st</sup> December 2018 and 2017, the guarantees provided by the Group to third parties in the form of bank guarantees, credit insurances and mortgages, particularly to customers whose contracts are being executed by the several companies of the Group, detailed by currency, were as follows:

	2018	2017
Euros (EUR)	14 670 908	14 116 089
US Dollars (USD)	5 051 432	7 662 515
Angola Kwanza (AOA)	22 947 704	51 684 924
	42 670 044	73 463 528

As at 31<sup>st</sup> December 2018 and 2017, the breakdown of the guarantees provided by Group company was as follows:

Company	Country	2018	2017
Business Center Manzanares, S.L.	Spain	4 950 680	7 238 876
M. Couto Alves Vias, S.A.	Angola	27 999 136	59 347 439
M. Couto Alves, S.A.	Portugal	9 720 228	6 877 213
		42 670 044	73 463 528

As at 31<sup>st</sup> December 2018, the Group company “Business Center Manzanares, S.L.” has constituted unilateral real estate mortgages in favour of the Getafe City Council and several financial institutions, amounting to 4,951 thousand Euros (7,239 thousand Euros in 2017), in respect to the execution and fulfilment of contractual obligations.

As at 31<sup>st</sup> December 2018 and 2017, the guarantees provided by the Group company “M. Couto Alves Vias, S.A.” were granted to customers, under construction contracts obligations (advance payment guarantees and guarantees for project execution).

As at 31<sup>st</sup> December 2018, the guarantees provided by the Group company “M. Couto Alves, S.A.” include: (i) guarantees granted to customers, under construction contracts obligations (advance payment guarantees and guarantees for project execution), in the amount of approximately 8,465 thousand Euros (6,025 thousand Euros in 2017); and (ii) guarantees provided

to suppliers to enable the supply of goods and services on credit, amounting to nearly 1,255 thousand Euros (852 thousand Euros in 2017).

## 32. Related parties

As at 31<sup>st</sup> December 2018 and 2017 and in the years then ended, balances and transactions with related parties, corresponding to associated companies (accounted for under the equity method) and to the Group's shareholders with qualifying holdings, or with other companies held by the shareholders are as follows:

2017	Accounts receivable	Accounts payable	Loans granted (Note 6.)	Loans obtained (Note 16.)
Associated companies	6 041 711	1 002 482	806 567	2 005 622
Companies with common shareholders to the Group	740 424	490 367	12 963 542	-
	6 782 135	1 492 849	13 770 109	2 005 622

2018	Accounts receivable	Accounts payable	Loans granted (Note 6.)	Loans obtained (Note 16.)
Associated companies	1 072 993	155 981	671 812	5 796 320
Companies with common shareholders to the Group	1 317 190	694 199	9 722 079	-
	2 390 183	850 180	10 393 891	5 796 320

2017	Sales and services rendered	Purchases and services obtained	Interest income	Interest expenses
Associated companies	1 118 346	362 783	-	-
Companies with common shareholders to the Group	2 263 052	-	-	-
	3 381 398	362 783	-	-

2018	Sales and services rendered	Purchases and services obtained	Interest income	Interest expenses
Associated companies	685 697	222 435	-	-
Companies with common shareholders to the Group	2 263 052	-	-	-
	2 948 749	222 435	-	-

As at 31<sup>st</sup> December 2018 and 2017, the only Group's shareholder with qualifying holdings is Mr. Manuel António Couto Alves.

As at 31<sup>st</sup> December 2018 and 2017, the companies with common shareholders to the Group, and included in the table above, were the following:

Blue Park, Lda.
Eixo - Compras, Vendas e Serviços, S.A.
Euro Bridge - Sociedade Imobiliária, Lda.
Inves2MSV Investimentos Imobiliários, S.A.
Lexivarius, S.A.
Variações Infinitas, S.A.

### Key management personnel of the entity or its parent

The remuneration attributed to the members of the Board of Directors of the Company during the year ended on 31<sup>st</sup> December 2018, reached the amount of 679 thousand Euros, representing fixed remuneration.

The remuneration attributed to the members of the Key Management of the Group during the year ended on 31<sup>st</sup> December 2018, reached the amount of 944 thousand Euros (1,035 thousand Euros in 2017), representing fixed remuneration.

### 33. Consolidation perimeter

As at 31<sup>st</sup> December 2018 and 2017, the companies/entities included in the consolidation, respective consolidation methods, head offices, effective percentages holding, businesses, dates of incorporation and of acquisition are presented in Appendix A.

In the year ended 31<sup>st</sup> December 2018, changes in the consolidation perimeter were as follows:

#### Incorporation of companies

Arcairal S.L.
M. Couto Alves Corporate Services, S.A.
M. Couto Alves Kenya Limited
M. Couto Alves, S.A. - Branch in Spain
MCA Cameroun SARL
MCA Colombia SAS

#### Disposal of companies

RCM Engenharia, S.A.
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In the year ended 31<sup>st</sup> December 2017, changes in the consolidation perimeter were as follows:

#### Incorporation of companies

MCA Uganda Limited
M. Couto Alves, S.A. - Branch in Bolivia
M. Couto Alves Construcciones, S.L. - Branch in Bolivia

### 34. Notes to the consolidated statement of cash-flows statement

In the years ended on 31<sup>st</sup> December 2018 and 2017, the receipts arising from financial investments can be detailed as follows:

	2018	2017
Angola sovereign bonds converted into cash during the year	42 218 534	18 682 411
Disposal of RCM Engenharia, S.A.	486 149	(292 889)
	42 704 683	18 389 522

The movements occurred in the years ended as at 31<sup>st</sup> December 2018 and 2017 related to the Angola sovereign bonds (see Note 5.), including the amounts which were converted into cash during the year were as follows:

	2018	2017
Balance as at 1 <sup>st</sup> January	14 775 692	35 477 305
Amounts converted into bonds following agreements established in the year	48 560 138	-
Amounts converted into cash during the year	(42 218 534)	(18 682 411)
Exchange rate differences	(7 861 211)	(2 019 201)
Balance as at 31 <sup>st</sup> December (Note 5.)	13 256 085	14 775 692



As mentioned in Note 5, the above mentioned bonds emerge following agreements established with the Angolan State to settle overdue receivables. As such, despite such cash flows stem originally from accounts receivable, they are classified as investing cash flows because the Group receives the corresponding cash in the moment when the bonds (a financial investment) is converted into cash.

As at 31<sup>st</sup> December 2018, the amount included in the heading “Disposal of RCM Engenharia, S.A.” respects to the amount received in the year regarding the sale of the 47,93% holding that the Group had in the mentioned company, through the Group’s subsidiary “MCA Moçambique, S.A.”. Even though the sale price was received during 2018, the sale agreements were concluded during 2017 and, as such, this holding was accounted as held for sale.

As at 31<sup>st</sup> December 2018, the amount of 3,242 thousand Euros included in the Consolidated Statement of Cash-Flows heading “Financing activities - Payments arising from: Dividends” refers to the dividends paid by the Group company “Business Center Manzanares, S.L.” to its respective non-controlling interests.

## 35. Financial instruments

### Categories of financial instruments

Financial instruments, as at 31<sup>st</sup> December 2018 and 2017, in accordance with the accounting policies described in Note 1.4.9., were classified as follows:

Financial assets	Notes	2017			Total
		Loans and accounts receivable	Assets at fair value through profit or loss	Others non-financial assets	
Non current assets					
Other financial investments	5	14 775 692	884 429	-	15 660 121
Customers and other debtors					
Customers	6	42 140	-	-	42 140
Other debtors	6	-	-	-	-
		14 817 832	884 429	-	15 702 261
Current assets					
Customers and other debtors					
Customers	6	127 585 061	-	-	127 585 061
Other debtors	6	25 419 533	-	-	25 419 533
Cash and cash equivalents	12	7 603 455	-	-	7 603 455
		160 608 050	-	-	160 608 050
<b>Book value of financial assets</b>		<b>175 425 882</b>	<b>884 429</b>	<b>-</b>	<b>176 310 311</b>

Financial assets	Notes	2018			Total
		Financial assets recorded at amortized cost	Assets at fair value through the other comprehensive income	Assets at fair value through the income statement	
Non current assets					
Other financial investments	5	13 256 085	1 939 925	-	15 196 010
Customers and other debtors					
Customers	6	2 227 308	-	-	2 227 308
Other debtors	6	321 200	-	-	321 201
		15 804 593	1 939 925	-	17 744 519
Current assets					
Customers and other debtors					
Customers	6	55 260 307	-	-	55 260 307
Other debtors	6	18 929 557	-	-	18 929 557
Cash and cash equivalents	12	7 232 708	-	-	7 232 708
		81 422 572	-	-	81 422 572
<b>Book value of financial assets</b>		<b>97 227 165</b>	<b>1 939 925</b>	<b>-</b>	<b>99 167 091</b>

2017					
Financial liabilities	Notes	Financial liabilities recorded at amortized cost	Liabilities at fair value through the income statement	Others non-financial liabilities	Total
Non current liabilities					
Loans					
Amounts due to credit institutions	15	7 911 128	-	-	7 911 128
Other loans obtained	15	-	-	-	-
Suppliers and sundry creditors					
Suppliers	16	-			-
Sundry creditors	16	56 250			56 250
		7 967 378	-	-	7 967 378
Current liabilities					
Loans					
Amounts due to credit institutions	15	43 277 678	-	-	43 277 678
Other loans obtained	15	13 860 564	-	-	13 860 564
Suppliers and sundry creditors					
Suppliers	16	38 066 272			38 066 272
Sundry creditors	16	11 975 889			11 975 889
		107 180 403	-	-	107 180 403
<b>Book value of financial liabilities</b>		<b>115 147 781</b>	-	-	<b>115 147 781</b>

2018					
Financial liabilities	Notes	Financial liabilities recorded at amortized cost	Liabilities at fair value through the income statement	Others non-financial liabilities	Total
Non current liabilities					
Loans					
Amounts due to credit institutions	15	1 281 507	-	-	1 281 507
Other loans obtained	15	5 449 734	-	-	5 449 734
Suppliers and sundry creditors					
Suppliers	16	-			-
Sundry creditors	16	5 796 258			5 796 258
		12 527 499	-	-	12 527 499
Current liabilities					
Loans					
Amounts due to credit institutions	15	21 749 594	-	-	21 749 594
Other loans obtained	15	8 114	-	-	8 114
Suppliers and sundry creditors					
Suppliers	16	26 460 478			26 460 478
Sundry creditors	16	12 000 050			12 000 050
		60 218 236	-	-	60 218 236
<b>Book value of financial liabilities</b>		<b>72 745 735</b>	-	-	<b>72 745 735</b>

The impacts on the consolidated statement of comprehensive income resulting from the above mentioned financial instruments can be summarized as follows:

2017			
	Income statement		Other comprehensive income
	Financial expenses (Note 28.)	Financial income (Note 28.)	Fair value reserve
Financial assets			
At amortized cost	-	1 513 378	-
At fair value	-	-	-
	-	1 513 378	-
Financial liabilities			
At amortized cost	10 746 063	-	-
At fair value	-	-	-
	10 746 063	-	-

	2018		
	Income statement		Other comprehensive income
	Financial expenses (Note 28.)	Financial income (Note 28.)	Fair value reserve
Financial assets			
At amortized cost	-	536 929	-
At fair value	-	-	-
	-	536 929	-
Financial liabilities			
At amortized cost	6 737 190	-	-
At fair value	-	-	-
	6 737 190	-	-

## Financial risks

The MCA Group is exposed to a variety of financial risks, with special focus given to the risks of interest rate, foreign exchange rate for transactions, liquidity and credit.

Detailed information regarding the policy on financial risk management can be consulted in the Management Report.

### Interest rate risk

In the year ended on 31<sup>st</sup> December 2018, the sensitivity of the Group's financial results to changes in the index of the interest rate of the loans obtained can be analysed as follows: the variation in interest expenses due to a 1% change in the interest rate applied to the entire debt amounts to, approximately, 317 thousand Euros.

The average interest rates bear in the main loans obtained by the Group in the year ended on 31<sup>st</sup> December 2018 were as follows:

	Average rates (%)	Rates range (%)
Amounts due to credit institutions:		
Bank loans	19,44%	[5,00% to 31,00%]
Overdraft facilities	15,61%	[3,50% to 26,22%]
Leasing	2,00%	[1,00% to 2,75%]
Factoring	20,91%	[1,50% to 23,30%]
Confirming	2,13%	[1,50% to 2,90%]

As at 31<sup>st</sup> December 2018, all the amounts of debt due to credit institutions were contracted at variable rate and its average cost amounted to 17,4%.

### Exchange rate risk

As at 31<sup>st</sup> December 2018 and 2017, the assets and liabilities of the Group expressed in accordance with the functional currency of the country in which each affiliate operates, were as follows:

Currency	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Euros (EUR)	82 857 625	114 808 689	70 767 024	101 467 467
Angola Kwanzas (AOA)	81 741 888	26 009 274	221 633 337	139 475 119
Mozambique Metical (MZN)	2 402 502	3 554 345	6 825 989	7 746 277
Others	52 589	773 175	571 813	1 719 961
	167 054 604	145 145 483	299 798 163	250 408 824

In the years ended on 31<sup>st</sup> December 2018 and 2017, the sensitivity of the Group's net profit and equity to exchange rate changes in the major currencies to which it is exposed can be analysed as follows:

	2018		2017	
	Net profit	Equity	Net profit	Equity
Estimated impact of the appreciation by 10%				
of Angola Kwanzas (AOA) to Euros (EUR)	1 580 526	4 783 982	1 208 974	8 978 733
of Mozambique Metical (MZN) to Euros (EUR)	(31 394)	(104 536)	(220 000)	123 345
	1 549 132	4 679 446	988 975	9 102 078

For the purposes of the abovementioned analysis, it was considered the impact of a +10% change in the exchange rate in the conversion of the financial statements of the subsidiaries with a currency different from Euro into Euro in the net profit and in the equity.

#### Liquidity risk

As at 31<sup>st</sup> December 2018 and 2017, the liquidity position of the Group can be detailed as follows:

	2017				
	< 1 year	Between 1 and 3 years	More than 3 years	Undetermined	Total
Financial liabilities					
Loans	57 138 242	7 911 128	-	-	65 049 370
Suppliers and sundry creditors	50 042 161	56 250	-	-	50 098 411
	107 180 403	7 967 378	-	-	115 147 781

	2018				
	< 1 year	Between 1 and 3 years	More than 3 years	Undetermined	Total
Financial liabilities					
Loans	21 757 708	6 731 241	-	-	28 488 949
Suppliers and sundry creditors	38 460 528	5 796 258	-	-	44 256 786
	60 218 236	12 527 499	-	-	72 745 735

Moreover, as at 31<sup>st</sup> December 2018 the Group had contracted but unused credit lines amounting to 3,513 thousand Euros.

#### Credit risk

As at 31<sup>st</sup> December 2018 and 2017, the exposure of the Group to credit risk was as follows:

	2018	2017
Financial assets		
Cash and cash equivalents	7 232 708	7 603 455
Customers and other debtors	76 738 372	153 046 734
Other financial investments	15 196 010	15 660 120
Book value of financial assets	99 167 090	176 310 309

The Group's credit risk results essentially from: (i) the risk of recovery of the monetary assets entrusted to the custody of third parties; and (ii) the risk of recovery of loans granted to entities outside the Group. Credit risk is assessed at baseline and over time in order to monitor its evolution.

A significant part of the balance's receivable from customers and other debtors is dispersed by a large number of entities, a factor that contributes to the reduction of credit concentration risk. As a general rule, a significant part of the Group's customers does not have an external credit rating attributed.

For financial assets other than those recorded under "Clients and other debtors" and "Assets associated with contracts with customers", the Group considers the probability of non-compliance with the initial recognition of the asset and depending on the occurrence of significant increases in the risk of on a continuous basis in each reporting period.

In order to assess whether there was a significant increase in credit risk, the Group takes into account, inter alia, the following indicators:

- Internal credit rating;
- External credit rating (if available);
- Current or expected adverse changes in the debtor's operating results;
- Significant increases in the credit risk of the other financial instruments of the debtor;
- Significant changes in the value of the collateral on the liabilities, or in the quality of the guarantees of third parties; and
- Significant changes in the performance and expected behaviour of the debtor, including changes in the debtor's payment conditions at the level of the group to which it belongs, as well as changes in its operating results performance.

For the financial assets recorded under "Customers and other debtors" and "Assets associated with customer contracts", the MCA Group applies the simplified approach to calculate and record the expected credit losses required by IFRS 9 (Note 1.4.6.).

## 36. Impact of Hyperinflation in Angola

As stated in Note 1.3.9., the Angolan economy was considered to be a hyperinflationary economy. Therefore, the MCA Group performed a calculation of the impacts resulting from the restatement of the financial statements of the Group companies/entities whose functional currency was the Kwanza. This calculation was performed in accordance with IAS 29, and was carried out as described in Note 1.3.6. above.

As at 31<sup>st</sup> December 2018, the impact of the restatement of the financial statements of the entities and companies whose functional currency was the Angolan kwanza for the current measurement unit as well as the impact on the income statement of the year where immaterial, and the Group's Board of Directors decided not to recognize it on the consolidated financial statements.

In summary, the impact of the consideration of Angola as a hyperinflationary economy would be as follows:

<i>Amounts in thousand Euros</i>	
Caption	Impact on consolidated financial statements [Db/(Cr)]
Non current assets	1 096
Current assets	526
Equity	200
Non current liabilities	(369)
Current liabilities	(380)
Income statement	(1 073)

## 37. Subsequent events

In 2019, up to the date of issuance of this report, we highlight as relevant facts the incorporation of two new companies, under partnerships controlled by the MCA Group, in the waste treatment / renewable energies area.

One of the companies was incorporated in Portugal and will be dedicated to the production of biodiesel from the use of waste oils (of all kind of oils).

The other company was incorporated in Austria and will be dedicated to the execution of engineering, procurement and construction ("EPC") contracts regarding the installation and commissioning of biogas and organic compost production plants, based on urban solid waste.

### 38. Fees paid to the independent auditor / statutory auditor

In the year ended 31<sup>st</sup> December 2018, the amount of fees paid to the independent auditors / statutory auditors of the Group was as follows:

Nature of the service	MCA Holding BV	Other group entities / companies	Total
Audit services	75 000	109 838	184 838
Other assurance services	-	-	-
Tax consultancy services	-	-	-
Other consultancy services	-	-	-
	75 000	109 838	184 838

The Group independent auditor is PricewaterhouseCoopers Accountants N.V., which is also the preferential (but not exclusive) independent auditor / statutory auditor of the group companies.

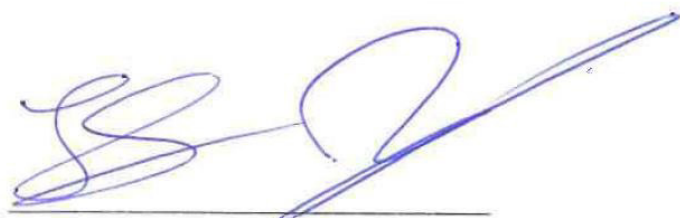
### 39. Approval of the financial statements

These consolidated financial statements were approved by the Group's Board of Directors on 15<sup>th</sup> July 2019. However, they are still pending approval by the General Shareholders' Meeting, with the conviction of the Group's Board of Directors that they will be approved without amendment.

Amsterdam, 15<sup>th</sup> July 2019.



Manuel António Couto Alves  
Director and Chairman of the Board of Directors



IQ EQ Management (Netherlands) B.V.  
Director

## 2.7 Appendix A

### Companies included in the consolidation by the full consolidation method

Companies included in the consolidation by the full consolidation method, their headquarters, the effective holding percentage, their activity and their incorporation / acquisition date, were as follows:

Company	Headquarters	Effective percentage of participation	Activity	Date of incorporation	Date of acquisition
<b>Holding e other</b>					
<b>M. Couto Alves Holding BV</b>	Netherlands (Amsterdam)	<b>Parent-company</b>	Management of financial investments	nov/17	-
<b>M. Couto Alves Corporate Services, S.A.</b> Through M. Couto Alves Holding BV	Portugal (Guimarães)	<b>100,00</b> 100,00	Provision of corporate / shared services	jan/18	-
<b>Europe</b>					
<b>Engineering and construction</b>					
<b>M. Couto Alves, S.A.</b> Through M. Couto Alves Holding BV	Portugal (Guimarães)	<b>100,00</b> 100,00	Execution of public works and civil construction	jul/98	-
<b>M. Couto Alves - PSS, S.A.</b> Through M. Couto Alves, S.A.	Portugal (Guimarães)	<b>64,00</b> 64,00	Execution of public works and civil construction	jan/09	-
<b>M. Couto Alves Construcciones, S.L.</b> Through M. Couto Alves, S.A. Through Business Center Manzanares, S.L.	Spain (Madrid)	<b>75,37</b> 60,00 15,37	Execution of public works and civil construction	jan/16	-
<b>M. Couto Alves, S.A. - Branch in Spain</b> Through M. Couto Alves, S.A.	Spain (Madrid)	<b>100,00</b> 100,00	Execution of public works and civil construction	dez/18	-
<b>Other sectors</b>					
<b>Business Center Manzanares, S.L.</b> Through M. Couto Alves, S.A.	Spain (Madrid)	<b>76,84</b> 76,84	Real estate development	fev/08	-
<b>Business Center Manzanares, S.L. - Branch in Portugal</b> Through Business Center Manzanares, S.L.	Portugal (Vila Nova de Gaia)	<b>76,84</b> 76,84	Real estate development	out/16	-
<b>M. Couto Alves - Marina de Gala, Lda.</b> Through M. Couto Alves, S.A.	Portugal (Guimarães)	<b>99,99</b> 99,99	Design, construction, management and operation of recreational ports	out/10	-
<b>Arcairal S.L.</b> Through Business Center Manzanares, S.L.	Spain (Madrid)	<b>76,84</b> 76,84	Promotion, construction, restoration and sale of real estate developments and all kinds of buildings intended for industrial, commercial or housing purposes.	fev/18	-
<b>Africa</b>					
<b>Engineering and construction</b>					
<b>M. Couto Alves Vias, S.A.</b> Through M. Couto Alves, S.A.	Angola (Luanda)	<b>80,00</b> 80,00	Execution of public works and civil construction	fev/06	-
<b>M. Couto Alves - Máquinas e Equipamento de Aluguer, S.A.</b> Through M. Couto Alves Vias, S.A. Through M. Couto Alves, S.A.	Angola (Hauambo)	<b>60,00</b> 40,00 20,00	Execution of works and rental of equipment	nov/07	-
<b>MCA Moçambique, S.A.</b> Through M. Couto Alves, S.A.	Mozambique (Maputo)	<b>73,73</b> 73,73	Execution of public works and civil construction	set/09	-
<b>MCA - São Tomé e Príncipe, Unipessoal, Lda.</b> Through M. Couto Alves, S.A.	Sao Tome and Principe (Sao Tome)	<b>100,00</b> 100,00	Execution of public works and civil construction	mar/16	-
<b>M. Couto Alves, S.A. - Branch in Sao Tome and Principe</b> Through M. Couto Alves, S.A.	Sao Tome and Principe (Sao Tome)	<b>100,00</b> 100,00	Execution of public works and civil construction	abr/16	-
<b>MCA Uganda Limited</b> Through M. Couto Alves, S.A. Through M. Couto Alves Vias, S.A.	Uganda (Kampala)	<b>70,20</b> 51,00 19,20	Execution of public works and civil construction	nov/17	-
<b>M. Couto Alves Kenya Limited</b> Through M. Couto Alves Holding BV	Kenya	<b>70,00</b> 70,00	Execution of public works and civil construction	jun/18	-
<b>MCA Cameroun SARL</b> Through M. Couto Alves Holding BV	Cameroon	<b>70,00</b> 70,00	Execution of public works and civil construction	jul/18	-
<b>Asia</b>					
<b>Engineering and construction</b>					
<b>M. Couto Alves, S.A. - Branch in East Timor</b> Through M. Couto Alves, S.A.	East Timor (Dili)	<b>100,00</b> 100,00	Execution of public works and civil construction	jan/16	-
<b>America</b>					
<b>Engineering and construction</b>					
<b>MCA Colombia SAS</b> Through M. Couto Alves Construcciones, S.L.	Colombia (Bogota)	<b>75,37</b> 75,37	Execution of public works and civil construction	fev/18	-
<b>M. Couto Alves, S.A. - Branch in Bolivia</b> Through M. Couto Alves, S.A.	Bolivia (La Paz)	<b>100,00</b> 100,00	Execution of public works and civil construction	mar/17	-
<b>M. Couto Alves Construcciones, S.L. - Branch in Bolivia</b> Through M. Couto Alves Construcciones, S.L.	Bolivia (La Paz)	<b>75,37</b> 75,37	Execution of public works and civil construction	mar/17	-

## Companies/entities included in the consolidation by the equity method

Companies/entities included in the consolidation by the equity method as at 31<sup>st</sup> December 2018, their headquarters and effective holding percentage, their activity and their incorporation / acquisition date, were as follows:

Company	Headquarters	Effective percentage of participation	Activity	Date of incorporation	Date of acquisition
<b>Africa</b>					
<b>Engineering and construction</b>					
<b>Development Concept Engenharia, Lda.</b> Through M. Couto Alves Vias, S.A.	Angola (Luanda)	<b>16,00</b> 16,00	Execution of public works and civil construction		-
<b>Elan - Electricidade e Montagens de Angola, S.A.</b> Through M. Couto Alves Vias, S.A. Through Development Concept Engenharia, Lda.	Angola (Huambo)	<b>34,11</b> 32,80 1,31	Execution of electrical installations and telecommunications and security infrastructures	mar/07	-
<b>MCA - Pedreiras e Agregados, S.A.</b> Through M. Couto Alves Vias, S.A.	Angola (Luanda)	<b>2,40</b> 2,40	Exploration of quarries to obtain aggregates		-
<b>Sines - Sinalização de Estradas, S.A.</b> Through M. Couto Alves Vias, S.A.	Angola (Luanda)	<b>28,00</b> 28,00	Signs, maintenance and repair of roads	mai/07	-
<b>MCA – Cote D'Ivoire, S.A.</b> Through M. Couto Alves, S.A.	Ivory Coast	<b>20,00</b> 20,00	Execution of public works and civil construction	jun/16	-
<b>Other sectors</b>					
<b>MCA Agro, Lda.</b> Through M. Couto Alves Vias, S.A.	Angola (Luanda)	<b>24,00</b> 24,00	Agriculture business	2017	-



03

COMPANY  
FINANCIAL  
INFORMATION



## 3. Company Financial Information

### 3.1 Company Statement of Financial Position

Company Statement of Financial Position as at 31<sup>st</sup> December 2018  
(Amounts in Euros)

	Notes	31-12-2018
<b>Assets</b>		
Non current assets		
Financial investments in group companies	2	15 297 940
Other financial investments	3	1 750 700
Total non current assets		17 048 640
Current assets		
Cash and cash equivalents	4	335 000
Total current assets		335 000
<b>TOTAL ASSETS</b>		<b>17 383 640</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	5	10 000 000
Share premiums	5	5 246 268
Net profit for the period		(237 637)
<b>TOTAL EQUITY</b>		<b>15 008 631</b>
<b>Liabilities</b>		
Current liabilities		
Loans	6	2 178 296
Suppliers and sundry creditors	7	124 113
Other current liabilities	8	72 600
Total current liabilities		2 375 009
<b>TOTAL LIABILITIES</b>		<b>2 375 009</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>17 383 640</b>

## 3.2 Company Income Statement

Company Income Statement for the period ended 31<sup>st</sup> December 2018  
(Amounts in Euros)

	Notes	31-12-2018
Third-party supplies and services	9	(205 919)
Wages and salaries	10	(31 720)
Financial incomes and gains		2
<b>Loss before tax</b>		<b>(237 637)</b>
Income tax		-
<b>Net loss for the period</b>		<b>(237 637)</b>

### 3.3 Company Statement of Comprehensive Income

Company Statement of Comprehensive Income for the period ended 31<sup>st</sup> December 2018  
(Amounts in Euros)

	31-12-2018
Net loss of the period	(237 637)
Items that may be reclassified subsequently to income statement	-
Items that will not be reclassified subsequently to income statement	-
Total other comprehensive income for the period	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(237 637)</b>

## 3.4 Company Statement of Changes in Equity

### Company Statement of Changes in Equity for the period ended 31<sup>st</sup> December 2018 (Amounts in Euros)

	Share capital	Share premiums	Net loss	Total Equity
Balance as at 12 <sup>th</sup> December 2017 (date of incorporation)	-	-	-	-
Total comprehensive loss for the period	-	-	(237 637)	(237 637)
Capital and share premiums increase (Notes 0. and 5.)	10 000 000	5 246 268	-	15 246 268
Others	-	-	-	-
<b>Balance as at 31<sup>st</sup> December 2018</b>	<b>10 000 000</b>	<b>5 246 268</b>	<b>(237 637)</b>	<b>15 008 631</b>

## 3.5 Company Statement of Cash-Flows

### Company Statement of Cash-Flows for the period ended 31<sup>st</sup> December 2018 (Amounts in Euros)

	Notes	31-12-2018
<b>OPERATING ACTIVITIES</b>		
Payments to suppliers		(11 284)
Cash paid to employees		(29 843)
Cash flow used by operating activities		(41 127)
Other cash receipts/(payments) relating to operating activities		-
<b>Net cash flow used in operating activities (1)</b>		<b>(41 127)</b>
<b>INVESTMENT ACTIVITIES</b>		
<b>Net cash from investment activities (2)</b>		<b>-</b>
<b>FINANCING ACTIVITIES</b>		
Receipts arising from:		
Loans obtained		376 127
Other		-
<b>Net cash generated from financing activities (3)</b>		<b>376 127</b>
<b>Variation of cash and cash equivalents (4)= (1) + (2) + (3)</b>		<b>335 000</b>
Cash and cash equivalents at the beginning of the period		-
<b>Cash and cash equivalents at the end of the period</b>	<b>4</b>	<b>335 000</b>

## 3.6 Notes to the Company Financial Statements

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### 0. Introduction

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M. Couto Alves Holding B.V. with head office at Hoogoorddreef 15, Amsterdam, The Netherlands (“MCA Holding” or “Company”) was incorporated on 12<sup>th</sup> December 2017 and has the registration number 70291457 with the Dutch Chamber of Commerce. The Company’s country of incorporation and domicile is the Netherlands. MCA Holding activity consists in the management of financial holdings and, together with its subsidiaries (“MCA Group” or “Group”), have as its principle activities the execution of public and private construction works and related activities, as well as logistic real estate development and marine management, among others. It is currently in the process of entering into new activities in the scope of Energy and Environment sectors.

MCA Holding was incorporated following the strategic decision of the Group’s Shareholders to set up a holding company in the Netherlands. There were two main reasons for this decision:

- Firstly, the previous holding company of the Group (M. Couto Alves, S.A. (“MCA PT”) – a private company with limited liability incorporated under the laws of Portugal, having its registered office address at Guimarães, Portugal), is also an operational company. The Shareholders believe that it is preferable to separate the operational activity from the holding and management activity – from a risk management perspective, but also from an increased efficiency perspective. These activities are very different and require different expertise, personnel, assets and monitoring. Separating them into two different legal entities will allow the Board members of each one to focus on the corresponding activities separately. It will also allow the Shareholders to have a better perception of the performance of each activity, which shall be reflected in each legal entity’s accounts separately as well. For reasons connected with the history and curriculum of MCA PT, it is preferable that this legal entity continues pursuing its operational activity, and a new holding company is created within the Group.
- Secondly, once it was established that there should be a new holding company for the MCA Group, it was also established that such new holding company should not be set up in Portugal, given that the Group is becoming increasingly international, but should rather be located at a jurisdiction which: (i) is part of the European Union, thus benefiting from the advanced protection granted by EU law; (ii) is respected and reputable as a business hub; (iii) is central, thus allowing for easy travel thereto whenever necessary; (iv) has access to financial markets; (v) is known for its legal and fiscal stability. Ultimately, it was decided that The Netherlands was a fit choice and thus it was here the holding company has incorporated.

The next step of this restructuring process was the transfer of shares representing MCA PT share capital (and its direct and indirect subsidiaries) to the MCA Holding. This transfer was performed on October 2018, when the MCA Holding issued 10,000,000 (ten million) new shares to the Shareholders, in exchange for which the Shareholders transfer the full legal and beneficial right, title and interest in and to all shares held by them in the share capital of MCA PT to the MCA Holding by way of a non-cash contribution.

As a consequence of MCA Holding date of incorporation and this mentioned restructuring process, it was stated in the Company’s Deed of Incorporation and Articles of Association that the first financial year of the Company shall end on the thirty-first day of December two thousand eighteen, as such, presenting this year for the first time: (i) Company-only financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union; and (ii) consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union.

All the amounts presented in these notes are expressed in Euros, rounded off to the unit, unless explicitly stated otherwise.

## 1. Basis of presentation and main accounting policies

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### 1.1. Basis of presentation

The financial statements of the Company were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and according to the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standards Interpretations Committee (SIC), as adopted and effective by the European Union as of 1<sup>st</sup> January 2018.

These financial statements also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code.

These accounting principles are disclosed in note 1 of the consolidated financial statements, unless stated otherwise below.

The financial statements are presented in Euros since this is the main currency of the Company's operations.

The attached financial statements were prepared for appreciation and approval at the General Shareholders Meeting. The Company's Board of Directors believes that they will be approved without amendment.

### 1.2. Main accounting policies

The main accounting policies adopted in the preparation of the Company's financial statement, different than the ones disclosed on the notes to the consolidated financial statements, were as follows:

#### 1.2.1. Financial investments in group companies

Financial investments in group companies are carried at cost.

Where there is a permanent diminution in the value of an investment in a group company, the net book value is written down to the estimated recoverable amount. This may be done, even if the participation itself has not recognised the losses in its own books. In the event that the reasons for making such an impairment cease to exist, the impairment is reversed.

#### 1.2.2. Dividends

Dividends are recognised as income when the shareholders' right to receive payment is established by in the statement of financial position date. Dividends from subsidiaries are recognised even if they are declared after the statement of financial position date but pertains to period on or before the statement of financial position date.

#### 1.2.3. Amounts due from group companies

Amounts due from group companies are stated initially at fair value and subsequently at amortized cost, using the effective interest rate, less impairments.



#### 1.2.4. Amounts due to group companies

Amounts due to group companies are stated initially at fair value and subsequently at amortized cost, using the effective interest rate.

## 2. Financial investments in group companies

As at 31<sup>st</sup> December 2018, the financial investments in group companies was detailed as follows:

Description	2018	
	% of detention	Book value
M. Couto Alves, S.A.	100,00%	15 246 268
M. Couto Alves Corporate Services, S.A.	100,00%	50 000
MCA Cameroun SARL	70,00%	1 067
M. Couto Alves Kenya Limited	70,00%	605
		15 297 940

The investment in the group company “M. Couto Alves, S.A.” was obtained by the Company under the transaction of issuance of 10,000,000 (ten million) new shares, by way of a non-cash contribution (see Note 0. above).

The group companies “M. Couto Alves Corporate Services, S.A.”, “MCA Cameroun SARL” and “M. Couto Alves Kenya Limited” were incorporated by the Company during 2018.

See Appendix A of the Consolidated Financial Statements for an overview of the most important directly and indirectly held group companies.

## 3. Other financial investments

As at 31<sup>st</sup> December 2018, the heading “Other financial investments” refers to an investment representing 10% of the share capital of the company “Sun Africa - Angola Solar, B.V.”.

This investment was acquired by the Company during 2018.

## 4. Cash and cash equivalents

The information relating to the heading of “Cash and cash equivalents” with reference to 31<sup>st</sup> December 2018 can be analysed as follows:

	2018
Bank deposits and cash in hand	
Bank deposits	335 000
	335 000

The heading “Cash and cash equivalents” include short-term bank deposits with original maturity equal to or less than three months, for which the risk of alteration of value is insignificant. The value at which this group of assets is recorded is close to its fair value.

As at 31<sup>st</sup> December 2018, there were no amounts recorded under the heading “Cash and cash equivalents” not immediately available, since they were blocked, given as guarantee, being pledged, captive or held under finance contracts entered into with third parties.

## 5. Share capital and reserves

### Share capital

The share capital of M. Couto Alves Holding B.V. as at 31<sup>st</sup> December 2018, fully subscribed and paid up, amounted to 10,000,000 Euros, and was represented by 10,000,000 shares with a nominal value of 1 Euro each.

### Share premiums

As a consequence of the restructuring process accomplished on October 2018, MCA Holding issued 10,000,000 (ten million) new shares to the Shareholders, in exchange for which the Shareholders transfer the full legal and beneficial right, title and interest in and to all shares held by them in the share capital of M. Couto Alves, S.A. (“MCA PT”) to the MCA Holding by way of a non-cash contribution (see Note 0.).

In accordance with Section 2:204b of the Dutch Civil Code, the management board of MCA Holding has prepared a written description of the MCA PT Shares. The total value of the MCA PT Shares has been set at 15,246,268 Euros (fifteen million, two hundred and forty six thousand, two hundred and sixty eight Euros).

To the extent to the value of the MCA PT Shares exceeded the amount of share capital issued (10,000,000 Euros), the balance, being 5,246,268 Euros (five million, two hundred and forty six thousand, two hundred and sixty eight Euros), constitutes share premium and was added *pro rata parte* to the separate share premiums reserve which MCA Holding maintains for the benefit of its Shareholders.

### Legal reserves

As of 31<sup>st</sup> December 2018, the Company did not have any legal reserves. None of the provisions under articles 2:67a sub 2, 2:67a sub 3, 2:94a sub 6 under f, 2:365 sub 2, 2:389 sub 6, 2:389 sub 8, 2:390, 2:401 sub 2 and 2:423 sub 4, where applicable as of that date.

The differences between the Company standalone and the consolidated equity and result are explained solely by the fact that the Company in its standalone accounts do not account its investments using the equity method, but rather at cost. IN this sense, the contributions that these group companies have in the consolidated accounts are not transposed to the standalone accounts.

## 6. Loans

The amounts related to loans as at 31<sup>st</sup> December 2018 were as follows:

Description	Related party	2018
Manuel António Couto Alves	Shareholder	1 766 375
M. Couto Alves - Marina de Gaia, Lda.	Group company	335 000
M. Couto Alves, S.A.	Group company	76 921
		<u>2 178 296</u>

## 7. Suppliers and sundry creditors

As at 31<sup>st</sup> December 2018, the heading “Suppliers and sundry creditors” refers to amounts payable third-party supplies and services (namely specialized works) incurred by the Company.

## 8. Other current liabilities

As at 31<sup>st</sup> December 2018, the heading “Other current liabilities” refers to accrued costs for third-party supplies and services provided to the Company during 2018.

## 9. Third-party supplies and services

Third party supplies and services for the year ended on 31<sup>st</sup> December 2018 can be analysed as follows:

	2018
Specialised works and consultancy	118 469
Administration and auditors fees	73 689
Other supplies and services	13 761
	205 919

## 10. Wages and salaries

The breakdown of wages and salaries heading for the year ended on 31<sup>st</sup> December 2018 was as follows:

	2018
Payroll	26 400
Social security charges	5 118
Others	202
	31 720

As at 31<sup>st</sup> December 2018, the heading “Wages and salaries” comprise the remuneration of one of the members of the Board of Directors.

As at 31<sup>st</sup> December 2018, the Company has any employee employed outside the Netherlands.

As at 31<sup>st</sup> December 2018, the Company’s Board of Directors is comprised by two members (one natural person and a person outside the Netherlands). These two persons are men. During 2019, the natural person Director has resigned, being substituted by a Dutch based Company (IQ EQ Management (Netherlands) B.V.) In order to comply with balancing distribution of seats referred to in art. 2:166 DCC and 2:276 DCC, the Company will make efforts for that the representative of IQ EQ Management (Netherlands) B.V. to be a woman.

## 11. Financial instruments

### Categories of financial instruments

Financial instruments, as at 31<sup>st</sup> December 2018 were classified as follows:

Financial assets	Notes	2018				Total
		Financial assets recorded at amortized cost	Assets at fair value through the other comprehensive income	Assets at fair value through the income statement	Others non-financial assets	
Non current assets						
Other financial investments	3	-	1 750 700	-	-	1 750 700
		-	1 750 700	-	-	1 750 700
Current assets						
Cash and cash equivalents	4	335 000	-	-	-	335 000
		335 000	-	-	-	335 000
<b>Book value of financial assets</b>		<b>335 000</b>	<b>1 750 700</b>	<b>-</b>	<b>-</b>	<b>2 085 700</b>

Financial liabilities	Notes	2018			Total
		Financial liabilities recorded at amortized cost	Liabilities at fair value through the income statement	Others non-financial liabilities	
Current liabilities					
Loans	6	2 178 296	-	-	2 178 296
Suppliers and sundry creditors	7	124 113	-	-	124 113
		2 302 409	-	-	2 302 409
<b>Book value of financial liabilities</b>		<b>2 302 409</b>	<b>-</b>	<b>-</b>	<b>2 302 409</b>

No relevant impacts on the statement of comprehensive income have occurred, as a result of the above mentioned financial instruments.

### Financial risks

#### Interest rate risk

During 2018 the Company has not exposed to interest rate risk as the loans obtained (Note 6) where from related parties and bear no interests.

#### Exchange rate risk

During 2018 the Company has not exposed to exchange rate risk. All of its assets and liabilities are expressed in Euro.

#### Liquidity risk

As of 31<sup>st</sup> December 2018, the liquidity position of the Company can be detailed as follows:

	2018				
	< 1 year	Between 1 and 3 years	More than 3 years	Undetermined	Total
Financial liabilities					
Loans	2 178 296	-	-	-	2 178 296
Suppliers and sundry creditors	124 113	-	-	-	124 113
	2 302 409	-	-	-	2 302 409

## Credit risk

As of 31<sup>st</sup> December 2018, the exposure of the Company to credit risk was as follows:

	2018
Financial assets	
Cash and cash equivalents	335 000
Other financial investments	1 750 700
Book value of financial assets	2 085 700

The Company is not exposed to any significant credit risk.

## 12. Commitments and contingent liabilities

As at 31<sup>st</sup> December 2018, the Company has not issued any guarantee neither is liable for any commitment or contingent liability (solely or jointly with its subsidiaries or other participants).

The guarantees and commitments assumed by the MCA Group are identified in the Note 32 of the Consolidated Financial Information.

Amsterdam, 15<sup>th</sup> July 2019.



Manuel António Couto Alves  
Director and Chairman of the Board of Directors



IQ EQ Management (Netherlands) B.V.  
Director

## Other information

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### Appropriation of profits

Pursuant to art. 2:392 sub 1 under b DCC, the provisions included in the company's articles of association regarding profits and distributions can be summarized as follows:

- a) The Company shall maintain a share premium reserve and a dividend reserve (such a share premium reserve and dividend reserve, jointly as well as individually: a **Class Reserve**) for each class of Shares, for the exclusive benefit of the holders of Shares of the applicable class, bearing the same letter as the corresponding Shares. If upon or after the issuance of Shares of a certain class more than the nominal value of such Shares is paid, in cash or in kind, the excess shall be considered to be share premium for the exclusive benefit of holders of Shares of the applicable class and shall be allocated to the applicable Class Reserve.
- b) The General Meeting has the authority to make distributions or to allocate the profits determined by adoption of the annual accounts. If the General Meeting does not adopt a resolution regarding the allocation of the profits prior to or at the latest immediately after the adoption of the annual accounts, the profits will be reserved.
- c) The General Meeting may, but only at the proposal of a Class Meeting, resolve to entirely or partially terminate the Class Reserve of the applicable class for the benefit of the holders of Shares of such class. In that case, the amount up to which a Class Reserve is terminated shall be distributed to the holders of the applicable class concerned in proportion to the aggregate nominal value of the Shares of such class each of them holds, subject to the provisions of Article 18.6.
- d) Termination, entirely or partially, of a Class Reserve can only take place if and to the extent that (i) at the same time, a proportionate part of the other Class Reserves is terminated or (ii) the other Class Meetings have approved the termination.
- e) The General Meeting may resolve to make interim distributions on Shares or distributions on Shares at the expense of any reserve of the Company other than a Class Reserve.
- f) If the Company is required by law to maintain reserves, this authority only applies to the extent that the equity exceeds these reserves. No resolution of the General Meeting to distribute shall have effect without the consent of the Management Board. The Management Board may withhold such consent only if it knows or reasonably should expect that after the distribution, the Company will be unable to continue the payment of its due debts.

### Branch establishments

Pursuant to art. 2:392 sub 1 under f DCC, s of 31<sup>st</sup> December 2018, the Company did not have any branch establishments.

04

# EXTERNAL AUDIT REPORT





## *Independent auditor's report*

To: the general meeting of M. Couto Alves Holding B.V.

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### *Report on the financial statements 2018*

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#### *Our opinion*

In our opinion, M. Couto Alves Holding B.V.'s financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2018, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

#### *What we have audited*

We have audited the accompanying financial statements 2018 of M. Couto Alves Holding B.V., Amsterdam ('the Company'). The financial statements include the consolidated financial statements of M. Couto Alves Holding B.V. together with its subsidiaries ('the Group') and the company financial statements.

The financial statements comprise:

- the consolidated and company statement of financial position as at 31 December 2018;
- the following statements for 2018: the consolidated and company income statement, the consolidated and company statements of comprehensive income, changes in equity and cash-flows; and
- the notes, comprising the significant accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

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#### *The basis for our opinion*

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

TC26THERAKRU-313568641-14

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### *Independence*

We are independent of M. Couto Alves Holding B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

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### *Unaudited corresponding figures*

We have not audited the financial statements 2017. Consequently, we have not audited the corresponding figures included in the consolidated and company income statement, the consolidated and company statement of comprehensive income, changes in equity and cash-flows and the related notes.

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### *Report on the other information included in the annual report*

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- management report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

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### *Responsibilities for the financial statements and the audit*

#### *Responsibilities of the board of directors*

The board of directors is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.



As part of the preparation of the financial statements, the board of directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of directors should prepare the financial statements using the going-concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

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### ***Our responsibilities for the audit of the financial statements***

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 16 July 2019  
PricewaterhouseCoopers Accountants N.V.



M.J.J. Verbeek RA EMITA

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## ***Appendix to our auditor's report on the financial statements 2018 of M. Couto Alves Holding B.V.***

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In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

### ***The auditor's responsibilities for the audit of the financial statements***

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

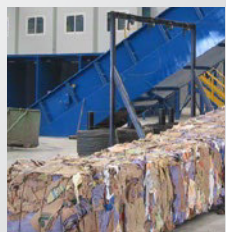
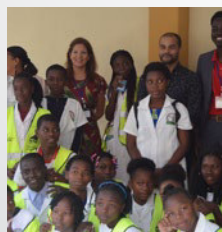
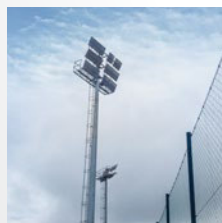
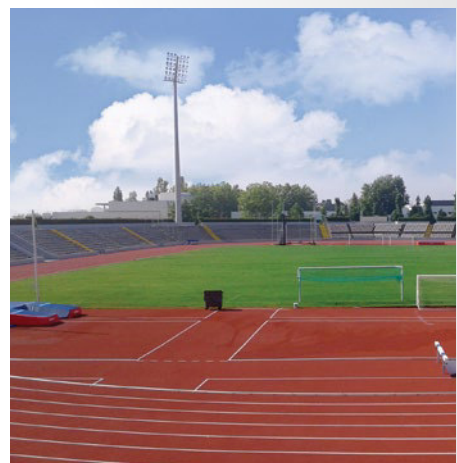
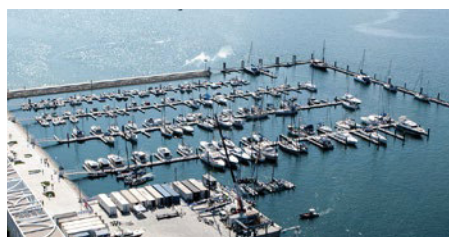
- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk 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 intentional override of internal control.
- Obtaining 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 Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Concluding on the appropriateness of the board of directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company'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 and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.



We communicate with the board of directors 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.





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