CREATING SOLUTIONS FOR 30 YEARS

ANNUAL REPORT
2019

MARTIFER GROUP

MARTIFER GROUP

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

MANAGEMENT REPORT

MARTIFER GROUP

01 | MARTIFER GROUP

MESSAGE FROM THE BOARD

Dear Shareholders,

After another year, it is time to make assessments and to start off even more determined and ambitious for the following year. In 2018 we approved the strategic plan for the 2018-2020 three-year period, and we have sought to be consistent and coherent with the direction we outlined. We believed that, given the situation of the company at that time and the external challenges that were foreseen, that was the best path for the transformation that we intended and to lead us to 2020.

Today, we have enough reasons to say that the path chosen was the best one. We had a net result attributable to the Group of 23.5 million euros (the best result of the last 10 years), we reached an EBITDA of almost 29 million euros, we reduced the gross financial debt by around 65 million euros, and we have an order book amounting to 562 million euros, the most robust of the last few years.

In what concerns the business segments, we highlight some of the projects completed or in progress, completed operations or events that occurred in 2019 of relevance to the Group:

Metallic Constructions – Metallic Structures and Façades

- We produced around 60 million euros in our aluminium factory, the largest volume ever in this area;
- We made wind towers for two new clients. This market has had strong oscillations, but we want to continue to take advantage of our plant's capacity and the accumulated experience to continue to produce wind towers;
- In the countries where we are present, and we want to continue to be, Western Europe (United Kingdom, France and Spain), Saudi Arabia and Angola, we made adjustments to the organisation to become more competitive. These countries, together with Portugal, were responsible for more than 50% of the turnover of the Group;
- We completed the Geneva airport project successfully, which proves that we have managed to keep active our Group's great brand - knowing how to do.

Metal Construction – *Oil & Gas*

- We are doing the pipping and the metallic structure of a tank park in Beira, Mozambique, a project worth approximately 10 million US dollars;
- We are the largest partner of one of the biggest mining companies of the world in the maintenance of train engines that transport coal in northern Mozambique. We adapted our plant to this activity, into a business that can represent a volume of approximately 5 million US dollars with very attractive margins;

Naval Industry

- In construction, we have successfully completed and delivered the first ocean cruise ship built in Portugal, and as a result, we are already building the second and third vessels of the World Explorer series, an order that represents around 120 million Euros. At the beginning of 2019, we also delivered the second Ocean Patrol Vessel to the Portuguese Navy, allowing us to look at military vessels differently, having the legitimate intention to be able to continue to operate in this market and apply to new opportunities that will be made known;

- In Repair, we had the best year ever in our shipyards of Viana do Castelo and Aveiro. In this activity, the clients want the comfort of the deadline, the quality in the execution and like to have a personalised service. Our teams know this and work daily in this sense.

Renewables

- In Poland, we won the auction with the wind and solar projects that we developed with our local teams, totalling around 50 MW;

- We have successfully sold two projects, two wind farms in Portugal with an installed capacity of 18.9 MW and six photovoltaic plants in Spain with an installed capacity of 8.1 MWp;
- We have completed almost all permissions for the construction of a wind farm in Portugal which we are counting on being in operation in 2020. it will have a 12.6 MW capacity, and it will be the first 100% Martifer project since 2009;

We knew that the new year would certainly bring new and great challenges, but the recent COVID 19 pandemic, whose effects on public health and on the world economy are still unpredictable, but will surely be devastating, has further increased the challenges we will have in 2020.

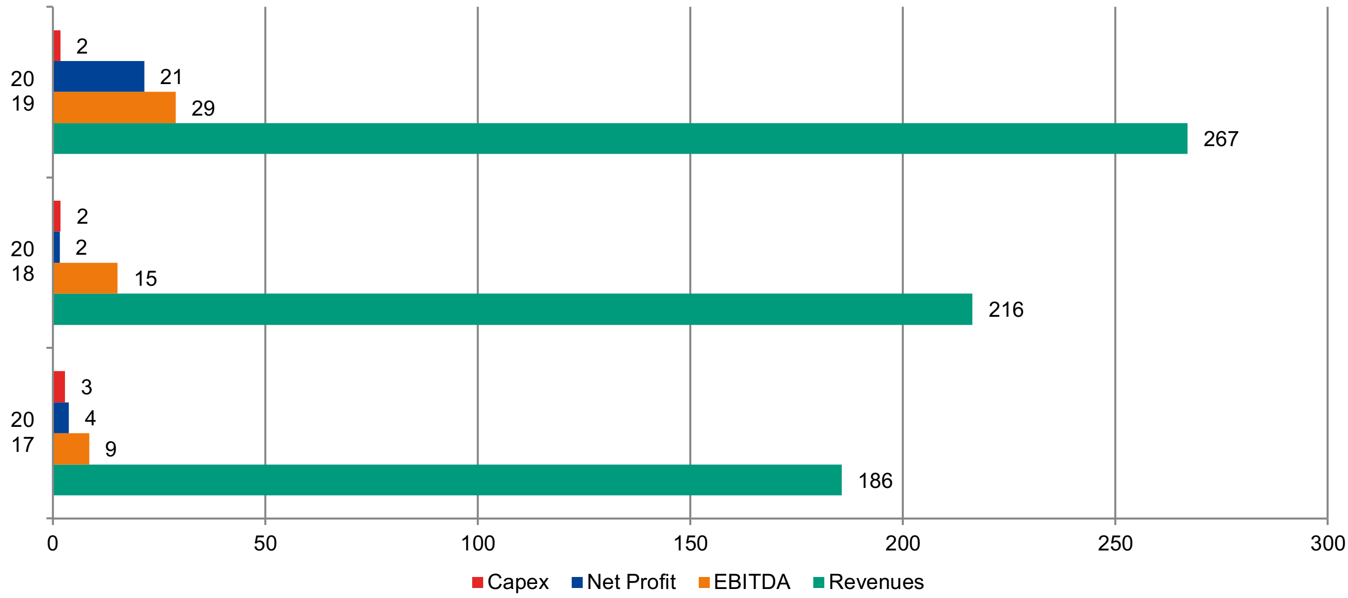
Finally, we would like to thank all our employees and colleagues for the commitment and dedication shown that has enabled us to succeed and achieve the outlined goals and to all the *stakeholders* for lacing their trust in us.

HIGHLIGHTS

- **Operating Income reached 266.9 M€, of which 138.1 M€ in Metallic Constructions, 97.5 M€ in the Naval Industry and 33.4 M€ in Renewables**
- **Turnover generated outside Portugal and exports amount to 77% of the total turnover of the Group**
- **Improvement in operational performance with EBITDA reaching 28.9 M€ (12.2% margin on Turnover), compared to 15.2 M€ registered in the same period the year before. The operational performance benefited in part from the one-off impact of the sale of photovoltaic parks in Spain**
- **Gross Value Added amounted to approximately 55 M€, approximately 23% of the Turnover, which represents a substantial increase in productivity**
- **Net Result attributable to the Group of 23.5 M€, enhanced by the positive impact of the sale of assets in Renewables**
- **The comparable Gross Debt decreased 65 M€ compared to December 2018 to 154 M€ (**141 M€ excluding *financial leasings* which due to the adoption of IFRS 16 in 2019 started being integrated in the lease liabilities item). **The comparable Net Debt was reduced in 67 M€ to 119 M€**
- **Order Book of 562 M€ in Metallic Constructions and in the Naval Industry, the most robust in the last 6 years**

MAIN FINANCIAL INDICATORS

€M	DEC -19	DEC -18	VAR.%
Revenues	266.9	216.4	23%
EBITDA	28.9	15.2	89%
EBITDA margin	12.2%	7.6%	4.6 pp
Depreciation & Amortization	-8.5	-8.8	3%
Provisions & Impairment Losses	-2.1	1.3	n.m.
EBIT	18.3	7.7	>100%
EBIT margin	7.7%	3.9%	3.9 pp
Financial Results	4.2	-4.5	n.m.
Profit before taxes	22.4	3.3	>100%
Income tax	-1.0	-1.7	40%
Net Profit	21.4	1.6	>100%
Attributable to non-controlling interests	-2.1	0.3	n.m.
Attributable to shareholders	23.5	1.3	>100%
Earnings per share €	0.241	0.013	>100%



MAIN EVENTS

JANUARY 2019

New project | Galp's bulk liquids storage terminal, in Beira, Mozambique

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

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

New Project | Senvion Wind Towers

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

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

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

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

MORATILLA | Spain
Supply of three towers, model 3.0M_89m, including the purchase of all materials, totalling approximately 514 tonnes of steel.

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

FEBRUARY 2019

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

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

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

New project | Open Sky Shopping Centre, Torrejón de Ardoz

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

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

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

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

MARCH 2019

MARTIFER INFORMS ABOUT THE ALIENATION OF WIND FARMS

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

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

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

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

The jury of the 21st INTERNATIONAL COMPETITION "SISTEMA D'AUTORE METRA", in the MADE Expo 2019 held in Milan, awarded Martifer Group in the category of Special Profiles for Projects - Innovative Technology for the rehabilitation project of the Serrano Tower in Madrid.

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

AL Faisaliah - Singular Geometric Façade is completed

Martifer Metallic Constructions completes the project of the renovation of the Al Faisaliah shopping centre in Riyadh, Saudi Arabia. The Al Faisaliah shopping centre complex is one of the most visited attractions by tourists and one of the city's trademarks.

Martifer Metallic Constructions's intervention included the manufacture and assembly of 290 t of metallic structure, 2,000 sqm of collaborative plate and 2,300 sqm of glass façade, with a system developed by Martifer specifically for this project with the support of Technal and 4,000 sqm of composite panel coating.

The Al Faisaliah complex, consisting of a hotel, a shopping centre, two towers and the Al Faisaliah Centre, has one of the city's biggest tourist attractions, Saudi Arabia's second-largest skyscraper, where a luxury restaurant is located.

APRIL 2019

The Christening Ceremony of the World Explorer, the first ocean vessel fully designed and produced in Portugal

The Christening ceremony of the polar vessel World Explorer, the first ocean vessel fully designed and produced in Portugal was held on 6 April at the West Sea shipyard.

The vessel, which had Carla Bruni, former model and wife of the former French President Nicolas Sarkozy, as its godmother, is 126 metres long, 19 metres wide and 4.7 metres draught and has eight floors, six of which are for passengers.

The 'MS World Explorer' vessel has the capacity to accommodate 200 passengers and 110 crew members. It was built by 3,500 workers of the most diverse specialities, of 32 nationalities, and 800 hours of work were spent in the construction of the hull.

MNews 10 - Spread the news

Another edition of the Group's magazine, MNews, was published. With the cover highlighting the first polar vessel built in Portugal, the World Explorer, the 2019 edition of MNews brings together the most important news about Martifer Group in the last year. In an interview with Pedro Duarte, the Group's CEO, he shows us his vision and strategy to meet the demands of the world of today. It also has an editorial by Arnaldo Figueiredo and includes the message from the Chairman Carlos Martins.

Martifer in Angola completes the bridge over the Luxico River

Martifer Construções Metálicas Angola completed its intervention on the Rio Luxico Bridge, situated next to the border with Congo, a region with frequent rainfall.

The project is part of the rehabilitation of the 26 km of National Road no. 225. The mixed-frame bridge has a 30-metre span and a metal-frame tray with four main beams, interconnected by slings. Martifer supplied and installed 72 tonnes of metallic structure (main structure, cladding plate and body guards).

The National Road no. 225 is 504 kilometres long and connects the city of Dundo, the capital of the Lunda-Norte Province, to six municipalities in the southeast of the Province (Lovua, Cuilo, Lubalo, Caungula, Cuango and Xá-Muteba).

The Amadouro hotelship is already at the service of AmaWaterways

The Amadouro hotelship, built at West Sea, already navigates the waters of the Douro River. The ship was built for Douro Legend, part of Mystic Invest Group and is at the service of the AmaWaterways tour operator. This was the first hotelship built at West Sea which has an energy storage system, thus significantly reducing the operation costs and the emission of pollutant gases.

It was a project successfully completed by the West Sea team that once again showed its enormous work capacity and professionalism.

MAY 2019

New Project | General Hospital of Cabinda, Angola

Having as client Mota-Engil Angola, Martifer Construções Metálicas Angola is responsible for the production and assembly of the façade coatings of the new General Hospital of Cabinda, which is subdivided into approximately 4,000 sqm of façade, 7,700 sqm of composite panel and 2,000 sqm of grids.

Located in Buco Ngoyo, 11 kilometres from the city of Cabinda, it will have eight floors and an area of 41,000 sqm with a 350-bed capacity. The project is part of the programme for the construction of large-scale health units that the Ministry of Health is carrying out in some regions of Angola.

New project | Châteaudun, Paris, France

Having as client SPIE and construction owner SCI ALLIANZ, Martifer Metallic Constructions is responsible for the manufacture and assembly of aluminium façades and for the cladding of the Châteaudun building, in numbers 23 to 29 of the street with the same name. Martifer's intervention includes 912 sqm of frames, 1,321 sqm of curtain façade and 379 sqm of VEC façade.

The architects DTACC Société d'Architecture are responsible for the renovation project, giving a new skin to this Art Déco building.

New Project | Protocol House no. 5, Luanda, Angola

With Mota-Engil Angola as its client and the Government of Angola as the construction owner, Martifer Construções Metálicas Angola is responsible for the supply and assembly of the bulletproof frame system in the protocol house in Cidade Alta, in Luanda. With a BR3 ballistic class, this system meets the safety requirements of high-risk buildings.

New Project | Expansion of Sines Refinery, Portugal

Galp awarded Martifer the dimensioning of the connections and the supply of 570 tonnes of metallic structure for the execution of the support structures, equipment and piping, for the expansion of the Sines Refinery. The supply of 960 sqm of grid flooring, 990 linear metres of body guards and 1,050 sqm of R30 hydrocarbon fire protection according to Standard UL1709 are also included.

West Sea received 19 European ambassadors at the shipyard

In May, 19 ambassadors from European Union countries visited Viana do Castelo within the scope of the Romanian presidency of the Council of the European Union.

The programme included visits to various places of tourist and business interest and a meeting focusing on business opportunities in the Alto Minho region; also including a meeting with the Portuguese Minister for Foreign Affairs, Augusto Santos Silva.

The visit to West Sea took place on 11 May, and the shipyard's representatives had the opportunity to present the company, the ongoing projects, and the growth and business opportunities.

JUNE 2019

Martifer celebrates 10 years in the United Kingdom

Congratulations to Martifer UK Limited! Founded 10 years ago, Martifer UK Limited, a subholding company of Martifer Metallic Constructions SGPS, S. A., is a relevant *player* in the UK market and adds to its portfolio reference projects in different construction sectors such as Birmingham New Street Station & John Lewis, Holland Green & Design Museum, Scottish Hydro Arena, and Battersea Power Station, among many others.

Used to dealing with extremely complex processes in terms of façade engineering, together with its capability in the area of metallic structures and having a highly trained and motivated team, Martifer has exceeded the quality, safety and environment standards required by clients and the various *stakeholders* of the projects.

Inauguration of the MECA building - a large white ship on the shore of the Garonne

Maison de l'Economie Creative et de la Culture (MECA) was inaugurated in June. In this project, Martifer Metallic Constructions was responsible for the manufacture and assembly of 791.3 t of metallic structure and 2,722 sqm of cladding plate. Martifer integrated the GTM Batiment Aquitaine consortium (the consortium's mandate), Soletanche, SIDF, Cobarec Coveris and Freyssinet.

The new Maison de l'Economie Creative et de la Culture is located next to the historic Bordeaux River and will house 3 regional entities: FRAC, OARA and ECLA. These 3 cultural agents carry out their work in the areas of contemporary art, performing arts and cinema/ audiovisual.

JULY 2019

New Project | Open Sky Buchelay - Paris, France

Having as client and construction owner Compagnie de Phalsbourg, Martifer Metallic Constructions will be responsible for the construction of the coating surface of the building and the bridges between them. This structure involves the buildings giving them a unique three-dimensional structure.

This is the second project awarded to Martifer in 2019 by Compagnie de Phalsbourg – the Open Sky façade in Madrid is underway. The client's loyalty is due to the quality of the work of Martifer's team.

This time, Martifer's intervention is metallic structure - trapezium-shaped modular elements with black painted profiles in their interior, weighing a total of 460 tonnes. As well as the shopping centre in Madrid, the Gianni Ranaulo office is responsible for the architecture.

The World Explorer undergoes the final tests

The World Explorer underwent the last sea test in July prior to its delivery to the client. It included 88 hours of testing, with some setbacks but with many challenges overcome with distinction.

Among the tests to the propulsion machinery, generating machines, equipment, speed tests and automation tests, West Sea's team demonstrated once again its capacity and returned with the mission accomplished.

AUGUST 2019

New Project | Skylights of the Faisaliah shopping centre in Riyadh

Al Khozama awarded Martifer Metallic Constructions the design and installation of 4 skylights for the renovation project of the Faisaliah shopping centre in Riyadh, Saudi Arabia.

Martifer's intervention consists in the demolition of the existing roof, the installation of a *crash deck* for each skylight, the *design*, the execution and installation of the new skylights. Martifer is responsible for the main metallic structure of around 215 t, coated with a 2 mm aluminium panel and lacquered finish simulating wood, 80 t of secondary structure, 4,200 linear metres of aluminium profiles and 2,900 sqm of high-*performance* triangular glass.

The World Explorer sets out for her inaugural trip

The polar vessel World Explorer left the West Sea shipyard in August for her inaugural trip. With Iceland as the destination, she holds in her 5,532 tonnes, from steel to equipment, the commitment of a whole team that has proposed to build a unique vessel in Portugal.

The World Explorer is 126 metres long and has 16 metres breadth and, although it is not a very large cruise ship, it is unique in its purpose - luxury travel to extreme weather locations.

The first polar vessel to be built in Portugal transformed the West Sea shipyard into a small world in Viana do Castelo, with people from different countries. This construction has reinforced West Sea's team, complementing their skills and intensifying a great pride that comes from the ventures and misfortunes that intense construction like this always brings.

New Project | Metz Stadium

With Demathieu Bard and Costantini as clients and FC Metz as the construction owner, Martifer is responsible for the supply, manufacture and assembly of around 1,300 tonnes of metallic structure for the south stand of the stadium and for the eastern and western corners. With this intervention, the southern stand will sit 8,000 supporters instead of the current 3,500.

This is a renovation and extension project for the Saint-Symphorien stadium, which will globally increase the capacity of the stadium by 4,440 seats: increasing from 25,600 seats to 30,000. The team has recently returned to the First French League.

SEPTEMBER 2019

Geneva Airport – completion of the last gate, Gate 19

Martifer participated in the event organised by HRS with Geneva Airport, RBI-T and other subcontractors which marked the completion of the assembly of Gate 19.

Martifer was praised for the capacity and quality of the execution of the metallic structure.

Pedro Duarte, CEO of Martifer Group, highlighted the cooperation between the entities involved and the work of Martifer's team.

ITER project - Tokamak's first pillar has already been lifted

The first lower pillar of the Tokamak B11 building's metallic structure was lifted by Martifer's team.

Martifer has been working on the ITER project since 2014, and since 2017 it has been working on the most important building in the complex, where everything will happen – create the energy of the sun on Earth – the Tokamak.

Tokamak is located at the heart of the ITER scientific facility. It is a complex that weighs 400,000 tonnes and includes the Tokamak, the Diagnostic and the Tritium buildings.

At eighty metres high (including the levels below the ground level), 120 metres long and 80 metres wide, the Tokamak complex is the heart of ITER. The seven-storey structure will house not only the Tokamak reactor but also more than 30 different systems needed for the operation of the machine.

OCTOBER 2019

Martifer Metallic Constructions participated in Zak World of Façades, in London

Martifer was at Zak World of Façades 2019 in London. Zak World of Façades is an event that brings together several international conferences on the theme of façade *design* and engineering, where various companies present their commercial solutions.

Martifer completes the intervention in the extension of the Hospital da Luz, in Lisbon

Martifer concluded its intervention in the extension of the Hospital da Luz, finishing the assembly work.

Having as the client the consortium Mota Engil - HCI, Martifer was responsible for the supply and assembly of 7,611 sqm of curtain wall, 470 sqm of window frames, 4,429 sqm of shades, 125 sqm of fire spans and 2,776 linear metres of aluminium pillars.

The Hospital da Luz in Lisbon is next to the Luz Stadium and the Colombo Shopping Centre. This expansion will allow an 80% increase in its capacity.

West Sea received about 400 visitors on the Viana do Castelo Harbour Day

On 12 October, West Sea, as part of the Viana do Castelo Harbour Day, opened its doors to the community and received around 400 visitors. The visits to the shipyard took place between 10 am and 12 pm and 2 pm and 4.30 pm, every 30 minutes.

New Project | Kinaxixi, Luanda, Angola

Having Kinaxixi Empreendimentos Imobiliários as the client, Martifer is responsible for the execution of the façades and coating in the Kinaxixi Centre complex.

In this project, Martifer will supply and assemble 48,300 sqm of façades/ window frames, 36,200 sqm of coatings (composite, aluminium plate and terracotta) and will also be responsible for the supply and assembly of skylights, blades, shading, guards and doors.

NOVEMBER 2019

20th Anniversary - Martifer Spain

Martifer Spain celebrated its 20th anniversary. Currently, the Group is present in several countries, but it was in Spain that it started its internationalisation.

Over these past 20 years, we have carried out some of the most emblematic projects in the country, both in terms of metallic structure, façades, pre-fabricated bathrooms and PV solar parks.

Pavilion 6 and Paris Expo Hotels were inaugurated

Paris Expo - Porte de Versailles inaugurated Pavilion 6 and the hotels of the complex in November.

Pavilion 6 has 15,000 sqm and is equipped with the latest technologies.

The inauguration marked the end of the second phase of the Paris Expo modernisation project.

Martifer Visabeira ensures the maintenance of the Nacala Railway Corridor

With the Nacala Logistics Corridor (CLN - Corredor Logístico de Nacala) and the Northern Development Corridor (CDN - Corredor de Desenvolvimento do Norte) as clients, Martifer-Visabeira is responsible for the railway equipment maintenance project of the Nacala Corridor until 2022.

Martifer-Visabeira's works include the maintenance and retrofit of engine traction motors (mechanical services, replacement of bearings, machining and painting), all electrical works and rewinding the electric motors when necessary.

The Nacala corridor is intended to allow railway transport between the coal mine in Moatize, Mozambican Province of Tete, to the Port of Nacala on Mozambique's maritime coast. Of the 900 km distance between Moatize and Nacala, approximately 250 km are located in Malawi.

New project | Galp's bulk liquids storage terminal

Having as client and owner IGBTL IPG-Galp Beira Terminal Limitada, Martifer-Visabeira is responsible for the execution of all the piping work, equipment installation and the metallic structures of the new bulk liquids storage terminal in Beira, Mozambique.

After cyclone IDAI, which devastated the city of Beira in March 2019, the work was resumed in July/ August 2019, with an overall percentage of execution of 50%.

The completion of the work and consequent operation of the terminal is expected to be in August 2020.

DECEMBER 2019

MARTIFER INFORMS ABOUT THE ALIENATION OF PV SOLAR PARKS

Martifer, SGPS, S. A. ("Martifer") informs about the sale of 100% of Martifer Renovables, ETVE, S. A., which owns six photovoltaic power stations in Spain (located in Huelva, Salamanca and Seville), which together have an installed capacity of 8.1 MWp.

The sale price, Equity Value, of 100% of the shares of Martifer Renovables, ETVE, S. A., amounted to 23.5 million Euros.

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

MAIN POSTERIOR EVENTS

New Project | Ginga, Luanda, Angola

Ginga.Com - Comunicação, Multimédia e Telecomunicações, Lda awarded Martifer, in Angola, the construction of its new facilities in Luanda. It is a turnkey project for the construction of a project that includes television studios, radio studios and offices.

This complex is intended for audiovisual production; it is called by the client an “Integrated Communication Project” and includes about 6,300 sqm of gross construction area.

New Project | Navalria will build 2 Rabelo vessels

Navalria was awarded the supply of 2 Rabelo vessels for tourist navigation on the Douro River.

Having Tomaz do Douro, Lda as the client, this award is intended for the construction and turnkey supply of the vessels that will be dedicated to tourist trips near Foz do Douro.

With a length of 27 metres, these Rabelo vessels have a total capacity for 176 seated passengers.

New Project | West Sea wins the construction of 4 Polar Expedition vessels

Mystic Cruises awarded West Sea the construction of 4 Polar “Ice” Class Expedition vessels from the Explorer series. The Polar Expedition vessels of “Ice” Class of the EXPLORER series are built based on the Polar Code (ice class) and equipped with a hybrid propulsion system. Each one will have the capacity to accommodate 200 passengers and 112 crew members, with the highest quality and comfort standards.

World Traveller, World Seeker, World Adventurer and World Discoverer will fill the construction areas so that in 2023 West Sea has 7 polar vessels sailing.

These ships are part of Mystic Cruises’s expansion plan in the luxury international cruise segment. These four new vessels join the World Explorer (already in operation), World Voyager and World Navigator (both under construction), thus totalling a fleet of 7 vessels of this series that are revealed as true ambassadors of Portugal, taking to the four corners of the world a huge set of Portuguese brands that are part of its construction.

For West Sea, the award of these 4 new projects demonstrates its team’s work, resilience, rigour and commitment capacity. The successful delivery of the first polar vessel built in Portugal in 2019 was the start of this new award.

The Tokamak building’s cover has already been fully installed

The Tokamak building already has its steel cover installed and is only a step away from its final appearance.

The complete building structure includes 20 pillars and ceiling modules and weighs approximately 2,000 tonnes.

Martifer ended the year 2019 with all the goals met in the execution of the project and, in 2020, it already faces the new challenges of the assembly of the north façade, finishing its intervention in the assembly of the cover and of the façades simultaneously.

NRP Setúbal is back at the West Sea Shipyard

West Sea received the ocean patrol vessel NRP Setúbal at the shipyard. The vessel, built at West Sea and delivered to the client in 2019, now carries out the guarantee docking, after one year at the service of the Portuguese Navy. This is the last contractual phase prior to the final acceptance.

West Sea now has in hand the inspection work of quick works, the appendages of the hull (bilge keels, centreboard, rudder doors and stabilizers), the odometer, probes, bottom valves and cathodic protection, where the analysis is only possible with the vessel in a dry dock. Furthermore, the non-compliances observed during the guarantee period of the vessel, during which it was tested by the crew on actual missions, shall be eliminated.

In addition, other works will be carried out, with special emphasis on the alteration of the painting of the quick works and application of anti-fouling paint, made of silicone.

Martifer begins the assembly of the window frames at the new Vinci headquarters

Martifer's team started the assembly of the frames in Building A of the new Vinci headquarters in Nanterre, France. Later, the auxiliary structures will be prepared for further work with the assembly of the scaffolding on the North façade and the lifting platforms on the South façade.

Martifer is 30 years old!

Martifer celebrated its 30th anniversary on 21 February. It was on this day that, in 1990, the company was founded in the area of metallic constructions, materialising the dream of two brothers.

In the words of our CEO, Pedro Duarte: "Thirty years on and we are still recognised as a distinctive brand, resulting from our capacity to implement, the courage to take on new challenges and the commitment to never give up acting in accordance with our culture, values and fundamental principles as a way of thinking and working, even in the most difficult situations.

We have always been, and will continue to be, a company that makes innovation and differentiation its strengths, that seeks to adapt to the rapid and constant evolution of the world and society, but that will never give up looking at its history and understand the road we have travelled so far: the union, the self-sacrifice and humility of all who are, were and will be part of this project. This is Martifer!"

Martifer's new website is now online!

Martifer Group launched its new corporate website associated with the celebration of the Group's 30th anniversary. This new website adapts the way the Group communicates to new media and digital platforms while seeking to arrive in a clearer and more direct way to different users: clients, suppliers, shareholders and the general public.

Martifer ends its intervention at the Royal Wharf in London

Martifer has been at the Royal Wharf project since 2015, and after 5 years of work, it completes its intervention in the 4 buildings of this housing complex.

The Royal Wharf complex has a major impact in London's city and in the real estate market, and Martifer's team completes the project with a feeling of accomplishment.

Martifer began work at the Royal Wharf with the award of Phase 1 in 2015, having completed the "Plot 8" and "Plot 10" buildings at the end of 2017. In 2020, Martifer completes Phase 2B, which includes the "Plot 12" and "Plot 15" buildings.

SUBSEQUENT EVENTS

The year 2020 is marked by the spread of the coronavirus SARS-COV-2 and the disease caused by its infection, called COVID-19 by the World Health Organization (WHO). The disease is spreading at an alarming rate, both in terms of the number of people infected and its global spread, affecting almost all of the countries in the world, and WHO has therefore declared it a pandemic.

The dissemination of SARS-COV-2 and the containment measures adopted in the reaction to this virus, by national and international authorities, reflected negatively in public health, in the world economy and in the financial markets; so, the negative impacts of COVID-19 are taking on a brutal dimension, and there are many uncertainties about the future.

Martifer Group is continuously monitoring the information disclosed and carefully complying with all recommendations of national and international authorities, in particular the Portuguese Directorate General for Health (DGS) and WHO; and implementing a set of measures to safeguard the health and well-being of its employees as much as possible, and to minimise the economic and financial impacts on the Group in order to ensure its future sustainability.

The Group's activity is being negatively affected, but given the uncertainties about the future, it is not possible at this stage to quantify the dimension of the impact. In Note 45 to the Consolidated Financial Statements, more detailed information is disclosed about the measures implemented by the Group and the impacts already felt.

No other facts that affect the released financial information have occurred since the reference date, except the previously referred one.

CONSOLIDATED FINANCIAL INFORMATION

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

GUIDELINES

02 | GUIDELINES

ACTIVITY

Martifer began its activity in 1990 in the steel structures sector. Since 2014, as a consequence of the strategic focus of the business, Martifer has concentrated its operations in the metallic constructions sector. Subsequently, the Naval Industry, through the construction and repair of vessels, also became a strategic business segment with great predominance for the Group.

The Group' holding, Martifer, SGPS, S. A., also develops other activities and manages financial participations, namely in the Renewables segment, through the promotion and development of wind farms, and in the Oil & Gas sector.

HOLDING

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

The business areas act independently, following the strategic guidelines approved by the holding, based on the annual budgets and business plans approved by Martifer SGPS, S. A.'s executive board members.

METALLIC CONSTRUCTIONS

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

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

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

This industrial and commercial activity has a production capacity that allows it to complete projects in several continents, and at the end of 2019 it had 962 employees.

NAVAL INDUSTRY

The companies whose activity focuses on the naval industry are West Sea Estaleiros Navais Unipessoal, Lda. and Navalria-Docas, Construções e Reparações Navais S. A ..

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

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

Currently, West Sea has 313 employees, of which more than 50% were workers of the old shipyards. It is with this team that West Sea dominates the main shipbuilding and ship repair activities, taking advantage of the subcontractor market for accessory specialities.

After more than 5 years of activity after the shipyard's sub-concession started, West Sea already has a portfolio of experience that places it as a benchmark in its industry market that includes:

- **Naval Construction** – with a well-defined strategy, the company specialises in quality products and high technological incorporation. The segment of tourism vessels such as River Cruises and Ocean Expedition Cruise vessels are two examples of the segments the company has built, as well as Military Vessels which, due to their technological level, standards of quality and versatility are the other side of the experience already gained. The company is considered one of the references in shipbuilding in Europe; thus a relevant weight contributes to exports in this activity;

- **Ship Repair** - it has had a strong export propensity with capacity for medium and large-sized vessels. The excellent location with proximity to international routes of cargo ships has contributed to this success. The proximity of the North Atlantic hubs allows the capture of internationally renowned clients, combined with high-quality service and quick responsiveness, has allowed the West Sea shipyard to be among the best and most competitive in Western Europe. Always focused on customer satisfaction, West Sea has been able to consolidate a relationship of trust, allowing customer loyalty.

In Aveiro, there is another operational unit, Navalria, with more than 40 years of experience, of which more than 10 of them belonging to Martifer Group. Its activity is focused on the repair of small and medium-sized vessels. It is also always available to complement West Sea to carry out some construction of vessels in partnership. Nevertheless, repair is the historical activity of the company, and this is the only company to operate in the area of Aveiro. Navalria has maintained and stimulated this segment by attracting new clients outside this region, especially fishing vessels of Northern Spain, tug vessels and tourist vessels. In 2019, it was awarded the construction of two Rabelo vessels destined for tourism in the Douro River, projects that began at the end of 2019. Navalria had 47 employees at the end of 2019.

In terms of organisation, the companies are focused on and oriented towards the good management of human resources, allowing the necessary cohesion and the capture of the best human resources, taking advantage of the availability of specialised labour and also of undifferentiated labour to undergo professional training programmes to acquire the appropriate skills.

RENEWABLES

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

This business area, which had 44 employees at the end of the year, has a wide experience in the development and management of wind farms and solar parks, and it is present in the Iberian Peninsula and in Central Europe. Owning, totally or in partnership, a portfolio of over 55.3 MW in operation, Martifer Renewables has already developed and/or built more than 1,200 MW in different countries, having had as partners in the latest projects that were sold relevant companies such as IKEA, Galp, Ferrostaal, SPEE, Bank Santander, CPFL, Tractebel, EDP, Statoil, Solaire Direct and Finerge.

The Group is currently organised as follows:

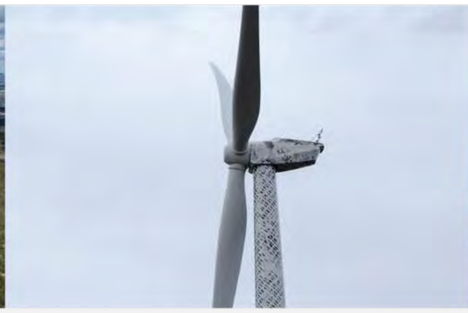


MARTIFER
METALLIC CONSTRUCTIONS

METAL-MECHANICAL CONSTRUCTIONS
ALUMINIUM AND GLASS
INFRASTRUCTURES FOR *OIL & GAS*


WestSEA
VIANA SHIPYARD

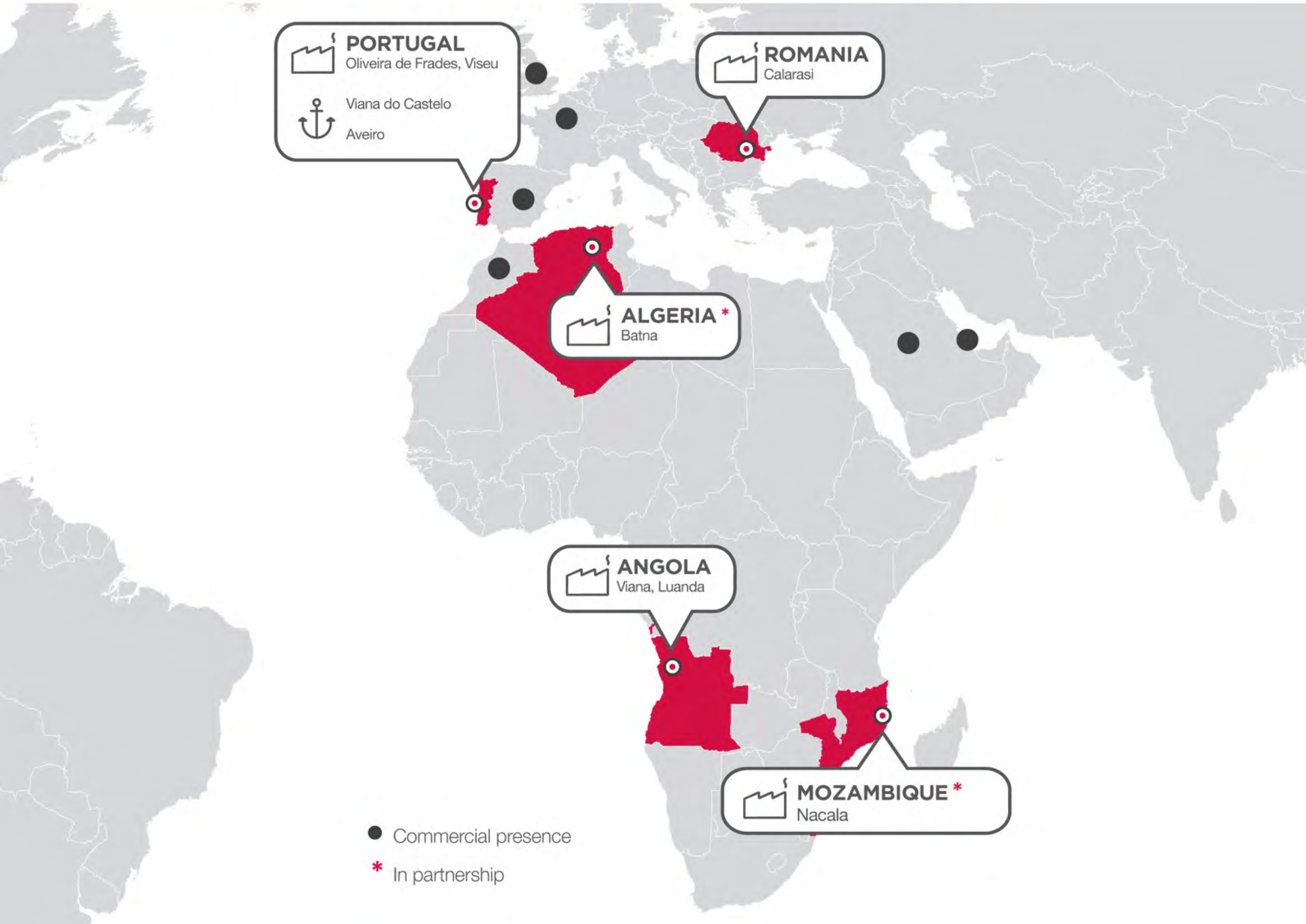
SHIPBUILDING
REPAIR SHIP
RETROFIT


MARTIFER
RENEWABLES

DEVELOPMENT OF WIND ENERGY ASSETS
CONSTRUCTION MANAGEMENT
TECHNICAL AND OPERATION MANAGEMENT

INTERNATIONAL PRESENCE



HISTORY

1990

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

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

1998

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

1999

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

2002

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

2003

In February 2003, Martifer continues with the internationalisation process by building an industrial unit in Gliwice, in Poland. It starts operating in the 2nd half of 2004.

2004

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

In November, Martifer SGPS, S. A. is incorporated with the objective to manage the social holdings of all Martifer Group companies.

2005

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

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

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

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

2006

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

In May, Martifer Solar is incorporated with the corporate object related to the projecting, design, manufacturing and installation of solar panels.

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

2007

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

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

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

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

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

2008

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

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

The industrial units for the assembly of wind turbines, components for wind farms and PV modules start producing.

2009

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

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

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

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

2010

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

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

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

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

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

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

2011

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

The Group increases its exposure to markets outside Europe with its entry into promising markets. In the metallic constructions area, the first semester highlights the start of the construction of a metallic structures plant in one of the markets with the biggest growth potential in the following years: Brazil. In the solar segment, we witnessed the award of the first photovoltaic solar energy project in India in June.

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

2012

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

Martifer Solar is awarded its first contract in Brazil: a PV installation with 300 kW in a General Motors plant in Joinville, State of Santa Catarina.
The company also continues its internationalisation process entering Ukraine, Romania and Mexico.

2013

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

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

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

2014

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

Also in 2014, Brazil hosts the FIFA World Cup. Martifer Metallic Constructions participated in the construction of three stadiums: Arena Fonte Nova (Salvador da Bahía), Arena Castelão (Fortaleza) and Arena da Amazônia (Manaus). Martifer Solar was also present in this event, with the installation of the PV roof of the Mineirão Stadium, in Belo Horizonte.

2015

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

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

2016

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

The Âncora project has four wind farms in operation (171.6 MW). This project includes two wind towers coated with elements projected and designed by two internationally renowned artists, Vhils and Joana Vasconcelos, in what is considered the largest contemporary art project in height.

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

2017

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

In the Naval area, West Sea begins the construction of NRP Setúbal and NRP Sines, the two Ocean Patrol Vessels for the Portuguese Navy. Mystic Cruises awarded West Sea the construction of a luxury cruise ship to navigate in Antarctica. With 126 metres of length and a breadth of 19 metres, it will have the capacity to accommodate 176 guests and 125 crew members.

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

2018

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

In the Naval area, the World Explorer, the first polar expedition vessel to be built in Portugal, was one of the major shipbuilding projects at West Sea. The World Explorer is a luxury cruise ship that will navigate in Antarctica. The vessel will be 126 metres long and 19 metres breadth. The year ended with the award of another two polar expedition vessels: the World Voyager and the World Navigator.

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

2019

The Christening of the Portuguese Republic Ship NRP Setúbal was held at West Sea. This is the second military vessel built by the consortium West Sea and Edisoft for the Portuguese Navy.

The christening ceremony of the polar vessel World Explorer, the first oceanic vessel fully designed and produced in Portugal, is held at the West Sea shipyard. The World Explorer is 126 metres long and has 16 metres breadth and, although it is not a very large cruise ship, it is unique in its purpose - luxury travel to extreme weather locations.

In Mozambique, Martifer-Visabeira is awarded the construction of the liquid bulk storage terminal for Galp, in Beira. An important step in the oil & gas industry.

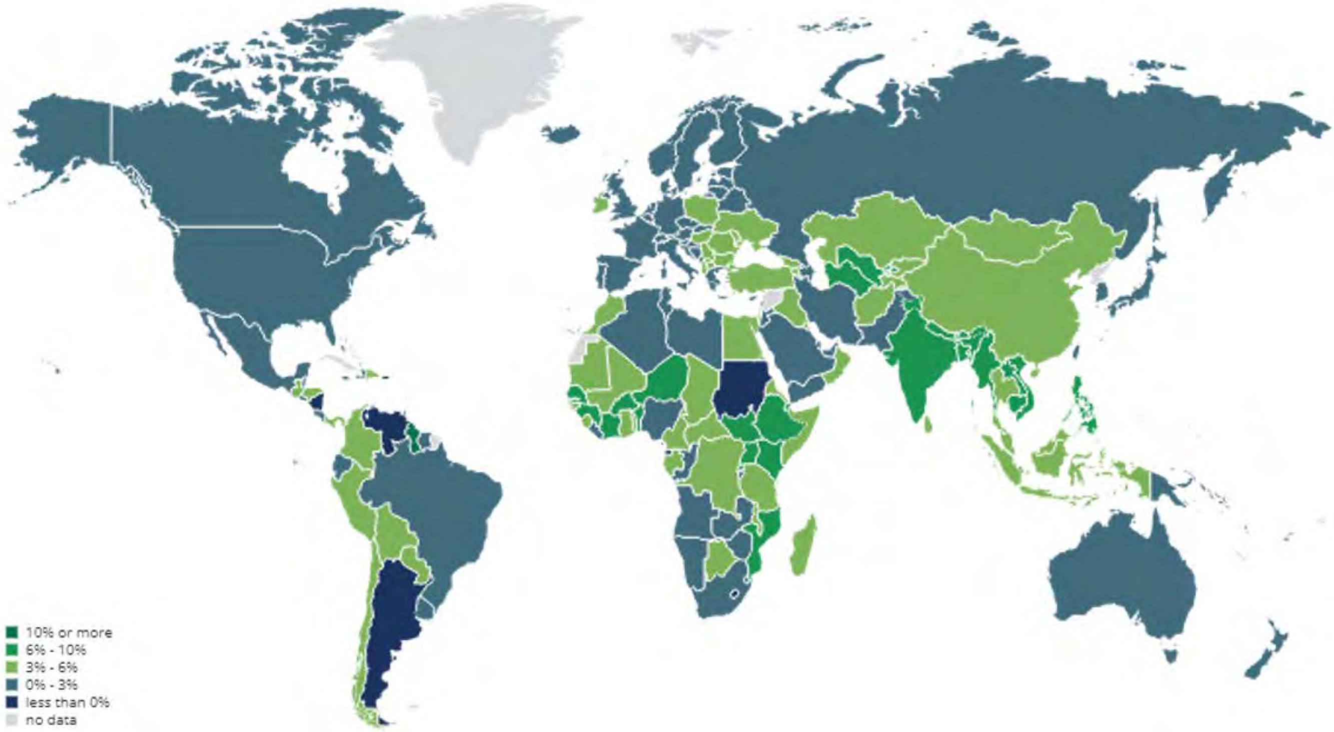
In accordance with the Group's asset rotation strategy, Martifer sells the wind farms Vila Franca de Xira and Baião, which together have an installed capacity of 18.9 MW and 6 PV parks in Spain with an installed capacity of 8.1 MWp.

MARKET ENVIRONMENT

GLOBAL ECONOMY

World GDP

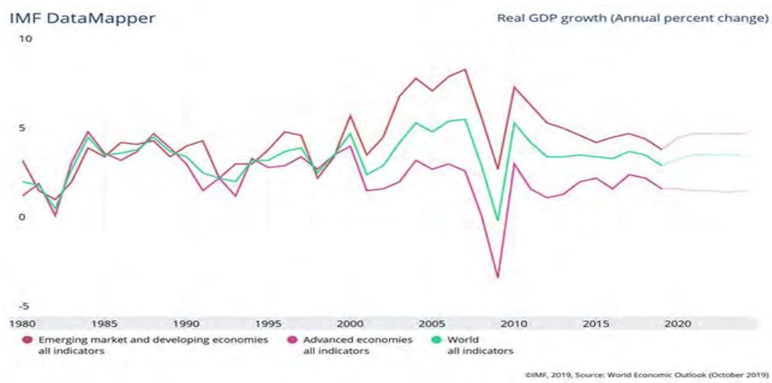
2020 forecast, % increase regarding the previous year



Source: World Economic Outlook

Economic Growth

The International Monetary Fund, as a reliable source, concluded that global economic growth reached the minimum value since the major financial crisis in 2008 and 2009 caused by the collapse of the US real estate market. The forecast incorporated in the most recent publication of *the World Economic Outlook* (January 2020) is relatively lower than the forecast developed in early 2019.



The world economy reflected the less beneficial short- and medium-term impacts of geopolitical tensions, social unrest, and trade conflicts that have occurred throughout this period, such as *Brexit*, France's yellow-vest movement, or the trade war between the US and China. These disruptions to the natural functioning of the markets were key factors for the world economy to grow by only 3% comparably lower than the 3.6% presented in 2018. Industrial activity and global trade suffered a marked decline due to the increase in trade rates and the prolonged political uncertainty felt throughout the year. Despite the negative impact of *Brexit* and the trade war, these conflicts began to show positive signs towards a possible resolution during the fourth quarter of the year, causing more favourable economic sentiment.

India, which has shown remarkable development, was one of the countries affected in the emerging economies group, reflecting a slowdown in its economic growth line from 6.8% in 2018 to 6.1% in 2019. This decline has not prevented its growth from remaining above the average global growth and the growth of emerging economies, which has been happening since 2001 and 2009, respectively. China that was directly involved in the trade war with the United States of America represents the largest emerging economy in the world and grew by 6.1% compared to the 6.6% projected at the beginning of 2019. Despite the resolution of the striking conflict between the world's two largest economies close to the end of the year, China is expected to maintain this slowdown so that there can be a more sustainable growth following the rapid rise of its economy in previous years.

While emerging economies are experienced the biggest downturn due to a less robust structure, the more developed economies have also been greatly affected and have reinforced the slowdown that has already been recorded in recent years. The powerful economy of the United States of America has also felt the effects of the global economic climate, and the International Monetary Fund concludes that its growth is only 2.4%, after a 2.9% projection. The United States of America was one of the most influential elements in the global economy due to the relentless activity of its President, Donald Trump. The media leader of the world's largest economy has caused much turmoil and controversy in international financial markets through a dismissing process, endless criticism to the United States Federal Reserve System regarding interest rates or sanctions on various entities such as Iran, Venezuela or Russia.

The German economy, which is very dependent on its industrial activity, faced some difficulties during 2019. This economy, considered Europe's largest one, was very close to a recession that is characterised by two quarters in a row followed by negative economic growth. The slight growth of 0.1% in the third quarter prevented the confirmation of the recession that was given as certain by various analysts. The 0.5% forecast of German economic growth in 2019 is well below the 1.5% forecast in 2018. The same economic indicator also showed a weakening in the Euro area from 1.9% to 1.2%.

The fourth and last quarter of 2019 reversed the less positive trend shown in the previous quarters and, according to the European Central Bank (ECB), it showed signs of stabilisation of the global economic activity. The manufacturing sector has been negatively affected, impacting several economies throughout the year, such as the economies of the Euro Area and the United States of America. Once again, the climate of global economic uncertainty affected industrial production that was reflected in the reduction of economic-financial investment and international trade.

The conflict between two of the largest partners and competitors in the European economy has also had beneficial impacts, such as the increase in trade transactions. The entity responsible for European Union statistics, Eurostat, shows that the European performance on the European trade balance was positive. The EU trade surplus grew by 1.3% from EUR 152.3 billion to EUR 197.1 billion. The Euro area's result was similar, and imports from external countries increased 1.5% while exports grew 2.8%.

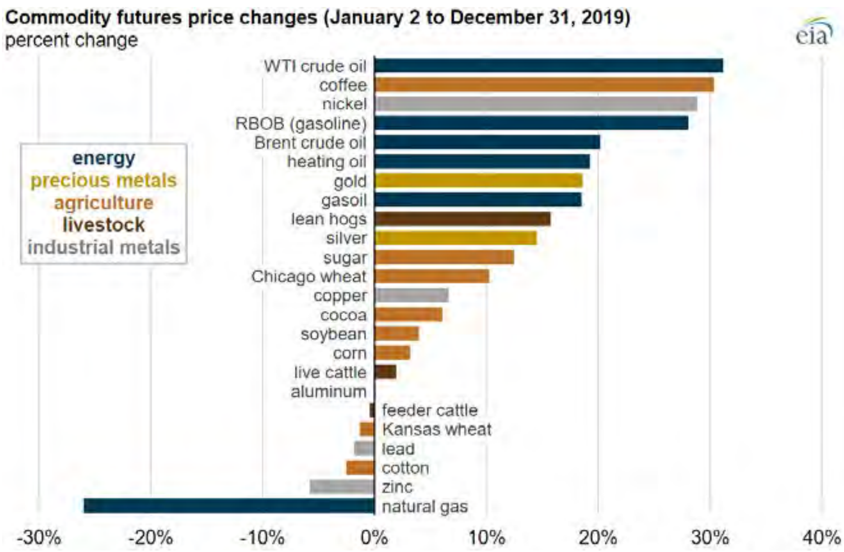
	2015	2016	2017	2018	2019e	2020f	2021f
GBP, annual var. %							
USA	2.9	1.6	2.4	2.9	2.4	2.1	1.7
Euro Zone	2.1	1.9	2.5	1.9	1.2	1.4	1.4
Germany	1.7	2.2	2.5	1.5	0.5	1.2	1.4
Portugal	1.8	2	3.5	2.4	1.9	1.6	1.5
Inflation, annual var. %							
USA	0.1	1.3	2.1	2.4	1.8	2.3	2.4
Euro Zone	0.2	0.2	1.5	1.8	1.2	1.4	1.5
Germany	0.7	0.4	1.7	1.9	1.5	1.7	1.7
Portugal	0.5	0.6	1.6	1.2	0.9	1.2	1.3
Unemployment rate, annual var. %							
USA	5.3	4.9	4.4	3.9	3.7	3.5	3.5
Euro Zone	10.9	10	9.1	8.2	7.7	7.5	7.3
Germany	4.6	4.2	3.8	3.4	3.2	3.3	3.4
Portugal	12.4	11.1	8.9	7	6.1	5.6	5.4
Weight of Deficit, % GDP							
USA	-3.6	-4.3	-4.5	-5.7	-5.6	-5.5	-5.5
Euro Zone	-2	-1.6	-1	-0.5	-0.9	-0.9	-0.9
Germany	0.9	1.2	1.2	1.9	1.1	1	0.7
Portugal	-4.3	-2	-2.9	-0.4	-0.2	-0.1	-0.8
Price of Crude							
USD per Barrel	37.3	56.8	66.9	53.8	66	37	55
Interest rates, end of year (%)							
Interest rates							
- Fed (Fed Funds)	0.5%	0.8%	1.5%	2.5%	1.8%	1.6%	1.9%
- BCE	0.5%	0.0%	0.0%	0.0%	0.0%	-0.6%	-0.6%
- BoE	0.5%	0.3%	0.5%	0.8%	0.8%	0.8%	1.5%
Long term interest rates (10Y Bonds)							
USA	2.3%	2.4%	2.4%	2.7%	1.9%	0.9%	1.0%
Euro Zone	0.6%	0.2%	0.4%	0.2%	-0.2%	0.1%	0.2%
United Kingdom	2.0%	1.2%	1.2%	1.3%	0.8%	0.5%	0.6%
Exchange rates, end of year							
EUR/USD	1.21	1.09	1.05	1.20	1.15	1.12	1.12

Source: Reuters, IMF, EIA, Goldman Sachs, BoE, ECB, Trading Economics

In the case of monetary and foreign exchange markets, the performance of the main European currency, the Euro, was relatively weak with the impact of *Brexit*. The UK's exit from the European Union was one of the themes of the year and the Euro ended the year with a slight loss of 0.1% compared to the Pound. Despite the 0.8% valuation of the Euro against the Japanese Yen, its nominal value devalued 0.9% against the 38 currencies with the highest commercial relationship. The Euro area's currency devaluations of 2.4% against the Chinese Renminbi and 1.7% against the Swiss Franc have been noted. Compared to the US dollar, which remains the most liquid currency, the devaluation was 0.4%. According to the Bank of England, the Pound valued around 4.6% against the US dollar.

According to the International Monetary Fund, the demand for durable goods and components for their production has also been affected. The demand for this kind of goods reflects the economic feeling of society and its decline shows some fear of the consumers about the future. Car trade is one of the great examples of the effect of the deterioration of economic confidence.

The return on commodity-related investment of the world's top 12 banks grew by 11%, according to Reuters, compared to 2018. The largest commodity index, the S&P GSCI, shows the rise in commodity prices *in the energy sector* with a 22% gain in 2019. The general increase in crude prices has proved highly stimulating for the inflation rate in the last quarter. After reaching 0.7% in October, the inflation rate in the Euro area recovered and ended the year in line with the 1.4% already recorded in 2018.



Source: US Energy Information Administration, based on the S&P Commodity Index

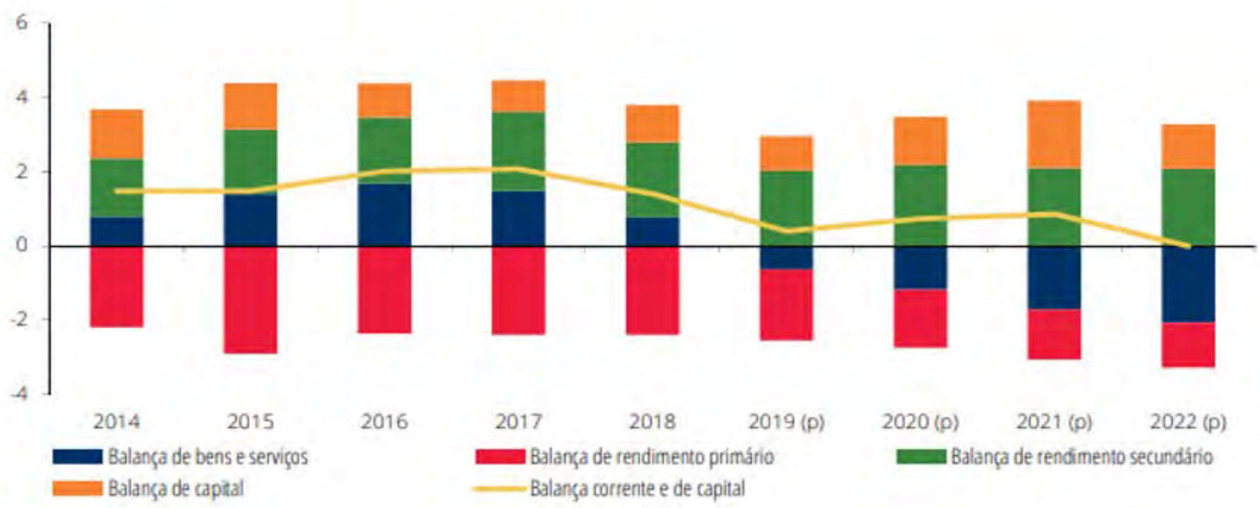
The energy sector was marked by extreme variations in opposite directions. While the price of the West Texas Intermediate (WTI) crude had the highest gain (31%), natural gas showed inverse behaviour by recording the highest loss (26%) in the aforementioned commodity index. All sectors of the S&P GSCI index, including precious metals (18%), the agricultural sector (6%) and the livestock sector (5%). Industrial metals registered the lowest gain (4%) with the aid of nickel and copper. Aluminium did not show significant changes. The price of lead and zinc even fell and influenced the gain of the sector negatively.

PORTUGUESE ECONOMY

The slowdown in the Portuguese economy in 2018 was prolonged during 2019, as was expected. IMF data indicate that economic growth reduced from 2.4% in 2018 to 1.9% in 2019. Throughout 2019, perspectives have become less and less positive compared to those that were initially made. According to the economic bulletin of the Bank of Portugal, despite this less favourable development, the decline in growth is consistent with the approximation to the potential growth estimated in the long term. In line with the Euro Area as a whole, the first half of 2019 was crucial for this decline in national growth. During the last quarter, there was a slight recovery, but it was not enough to prevent the slowdown from occurring at the end of the year.

The evolution of the national economy was impacted by a less favourable external situation but at a more moderate rate. The Portuguese economy suffered from the economic situation in international markets with industrial activity proving to be one of the sectors that most reflected the shortfall. The services sector did not follow this trend and positively influenced the labour market that remains on track.

The unemployment rate is one of the most positive topics of 2019 by reaching the lowest figure of the last 16 years. The decline in the number of unemployed people in Portugal allowed the Portuguese purchasing power to increase and domestic demand to grow. As a result, imports also grew, since the industrial activity was not enough to support the increase in consumption in Portugal. Portuguese exports also grew, even though international trade volume decreased in 2019 after 10 years of consecutive growth. The superiority of imports in relation to exports has triggered the deterioration of the trade balance of goods and services. Although the deficit in the trade balance of goods has strongly accentuated, the balance of services continues to compensate for this deficit through the strong impetus of the tourism sector. The total of the current balance and capital remains positive, although very close to reaching the deficit.



Source: INE (National Statistics Institute) and Bank of Portugal

The increase in population employed in the national territory is a positive sign for the Portuguese economy, which encourages the growth of domestic demand, although it has increased imports as a side effect. Export growth was lower than in previous years and was therefore not sufficient to counterbalance the increase in imports and to prevent the deficit in the Portuguese balance of goods and services. The increase in this deficit has caused a deterioration in the current balance and capital balance which is very close to negative values after several years on positive ground.

MAIN RISKS FOR 2020

The end of 2019 brought some economic comfort to world markets due to the partial resolution of some risk factors for the economy, such as the trade war or *Brexit.* However, the global economic trajectory will always be subject to various risks which can cause serious consequences for global economic development for long periods of time. Several countries have not yet recovered from the recession caused by the collapse of the US real estate market in 2008, and Portugal, which still holds a public debt of around 120% of GDP, is a clear example. The geopolitical turmoil of recent years is one of the great known risks for the coming years. Risk factors are climate change, cyber-attacks, or natural disasters. The COVID-19 pandemic that will extend throughout 2020 is a declared disaster that will certainly cause serious consequences in the world economy.

- Geopolitical tensions

Geopolitical tensions have been highlighted in the media, and the conflict between the United States and Iran will certainly continue to affect markets. Collaboration between the various countries is crucial if there is to be a sustained pace of growth over time. The friction between the various trading partners is translated into weakening economies, which can become quite painful for the most vulnerable micro-economies at the moment.

- Economic slowdown in Europe

One of the most notable examples of the European economic slowdown is Germany, the largest European economy, which came very close to a recession in 2019. The country, which for several years has been regarded as the great support of the European Union, lost part of its impetus and now faces some difficulties. The economic progress of the largest European economies will be crucial for Europe as a whole to continue to develop in a sustainable way.

- Natural disasters

Natural disasters have been occurring more and more frequently on our planet and can cause devastating effects on civilisations. Consequences such as numerous human or material losses can inflict serious economic and psychological impacts on society. Trade disruption and the movement of goods and capital are ruthless toward economies, and long periods are needed to recover from such events. Global warming, natural disasters, and water scarcity are some of the examples of events that can mark the year 2020.

- COVID-19 pandemic

The year 2020 will certainly be marked by the world COVID-19 pandemic that forces almost all nations to declare the state of disaster after the emergence of an unknown coronavirus. This highly contagious outbreak requires the closure of several activities that require social contact with the exception of only essential activities such as the pharmaceutical industry. The disruption of much of the world trade will have devastating effects on economic growth. The unemployment rate and gross domestic product are two examples of relevant indicators that will be affected, but the impact is not yet measurable due to several unknown factors such as the duration of the pandemic.

FINANCIAL PERFORMANCE

CONSOLIDATED RESULTS ANALYSIS

€M	DEC -19	DEC -18	VAR.%
Revenues	266.9	216.4	23%
EBITDA	28.9	15.2	89%
EBITDA margin	12.2%	7.6%	4.6 pp
Depreciation & Amortization	-8.5	-8.8	3%
Provisions & Impairment Losses	-2.1	1.3	n.m.
EBIT	18.3	7.7	>100%
EBIT margin	7.7%	3.9%	3.9 pp
Financial Results	4.2	-4.5	n.m.
Profit before taxes	22.4	3.3	>100%
Income tax	-1.0	-1.7	40%
Net Profit	21.4	1.6	>100%
Attributable to non-controlling interests	-2.1	0.3	n.m.
Attributable to shareholders	23.5	1.3	>100%
Earnings per share €	0.241	0.013	>100%

REVENUES

REVENUES	DEC -19		DEC -18		VAR. (%)
	€M	WEIGHT	€M	WEIGHT	
Martifer Consolidated	**266.9**	**100%**	**216.4**	**100%**	**23%**
Metallic Constructions	138.1	52%	124.6	58%	11%
Naval Industry	97.5	37%	82.2	38%	19%
Renewables	33.4	13%	14.1	7%	>100%
Others, Holding and Adjust.	-2.2	-1%	-4.5	-2%	52%

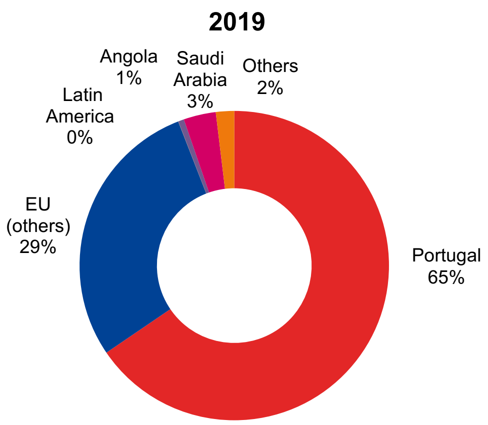
In 2019, the total operating income was 266.9 million Euros (216.4 million Euros in 2018), 52% of which in the Metallic Constructions segment, 37% in the Naval Industry segment and 13% in the Renewables segment. “Others” refers to intersegment transactions.

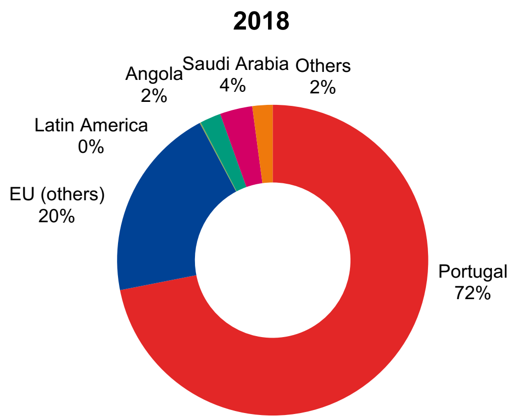
Operating Revenues of the Metallic Constructions segment amounted to 138.1 million Euros, registering an increase of 13.5 million euros due to increased activity. The Naval industry segment presents a value of 97.5 million Euros in 2019 (a growth of 19% compared to 2018) that results from the strong growth of the activity of this segment in the last few years. In the Renewables segment, they amounted to 33.4 million Euros in 2019, and resulted from the activity of the wind farms and solar parks in operation and from the sale of 6 solar parks in Spain.

As regards turnover (sales and services rendered), in 2019 it amounted to 236 million Euros compared to 201 million Euros in 2018. As a result of the application of IAS 29, the impact of the restatement of the financial statements of Angolan companies on turnover was approximately 0,1 million Euros.

Analysing the turnover by geography - considering the location of the **companies** that generated the turnover – in 2019, Portugal accounts for 65% of total sales and services rendered and the remaining 35% are divided as follows: European Union (excluding Portugal) – 29%, Angola – 3%, Saudi Arabia – 1% and Latin America – less than 1%.

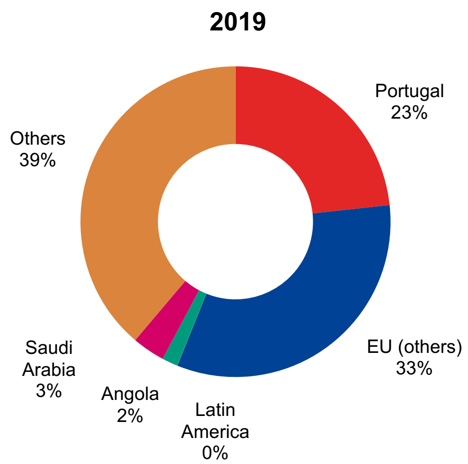
BREAKDOWN OF SALES AND SERVICES RENDERED BY ORIGIN – 2019 VERSUS 2018





Analysing the turnover by geography - considering the location of **Clients** and the destination of the sales and services rendered - in 2019, Portugal accounts for only 23% of the total sales and services rendered (mainly in the Naval Industry) and the international market 77% divided as follows: the European Union (excluding Portugal) 33%, Angola 2%, Saudi Arabia 3% and Others (mainly Switzerland and it also includes the turnover associated with the construction of cruise ships to navigate in the Arctic and in Antarctica) 39%.

BREAKDOWN OF SALES AND SERVICES RENDERED BY DESTINATION – 2019 VERSUS 2018



EBITDA AND NET RESULT

EBITDA	DEC -19		DEC -18		VAR. (%)
	€M	MARGIN	€M	MARGIN	
Martifer Consolidated	**28.9**	**12%**	**15.2**	**8%**	**89%**
Metallic Constructions	-3.8	-3%	5.6	5%	n.m.
Naval Industry	8.9	9%	7.4	9%	19%
Renewables	24.3	209%	4.3	38%	>100%
Others	-0.5		-2.0		77%

In 2019, the consolidated EBITDA registered a positive value of 28.9 million Euros, with the Renewables operating segment having a positive contribution of 24.3 million Euros and the Naval Industry segment with 8.9 million Euros, which together, more than offset the negative value of the Metallic Constructions segment with -3.8 million Euros.

The EBITDA registered an improvement of 89% compared to 2018 and reached the highest value of the last six years. In the Renewables segment, an EBITDA increase of 20 million Euros was observed, mainly due to the sale of six solar parks in Spain. In the Naval Industry segment, the improvement in EBITDA was mainly due to the increase in operating revenues. In the Metallic Constructions segment, EBITDA decreased by 9 million Euros due to the recording of impairment losses of Clients in the amount of 8.9 million Euros and Inventories of 1.7 million Euros, totalling 10.6 million Euros (an increase of 8.6 million compared to 2018), which surpassed the increase in operating income and the improvement in efficiency at operational cost.

Depreciation and Amortisation decreased slightly in 2019, reaching 8.5 million Euros compared to 8.8 million Euros in 2018, while Provisions and Impairment Losses of non-financial assets changed from 1.3 million euros in 2018 to -2.1 million Euros in 2019.

Operating Results (EBIT) were positive in 18.3 million Euros in 2019, compared with 7.7 million Euros in 2018. Thus, registering a significant improvement of 10.5 million Euros in relation to the same period the year before.

The consolidated Financial Results were negative at 3.9 million Euros, and the earnings on associated companies and joint ventures amounted to 8 million Euros.

The consolidated Net Profit amounted to 21.4 million Euros in 2019 (23.5 million Euros attributable to the Group), showing a significant improvement compared to 2018 (1.6 million Euros, of which 1.3 million Euros are attributable to the Group).

The impact of applying IAS 29 was positive in 0.03 million Euros at the EBITDA level, negative 0.44 million Euros at EBIT and negative 0.27 million Euros in Net Profit.

Net Result	DEC -19		DEC -18		VAR. (%)
	€M	WEIGHT	€M	WEIGHT	
Martifer Consolidated	**21.4**	**100%**	**1.6**	**100%**	**>100%**
Metallic Constructions	-8.8	-41%	-3.1	-193%	<-100%
Naval Industry	5.2	24%	5.3	334%	-3%
Renewables	23.6	110%	0.4	24%	>100%
Others	1.5	7%	-1.0	-65%	n.m.

CONSOLIDATED CAPEX

The amount of investment in tangible fixed assets, intangible fixed assets and assets under right of use in 2019 was 7.8 million Euros, and is largely due to the Naval Industry segment (5.4 million Euros).

Capex	DEC -19		DEC -18		VAR. (%)
	€M	WEIGHT	€M	WEIGHT	
Martifer Consolidated	**7.8**	**100%**	**1.8**	**100%**	**>100%**
Metallic Constructions	1.1	15%	1.0	57%	9%
Naval Industry	5.4	69%	0.0	2%	>100%
Renewables	1.2	16%	0.8	41%	64%
Others	0.0	0%	0.0	0%	-17%

Excluding the impact of applying IFRS 16 with respect to assets under right of use, the value of the investment in tangible and intangible fixed assets in 2019 was 1.8 million Euros, applied essentially in the Metallic Constructions segment (0.6 million Euros) related to the acquisition of various equipment and in the Renewables segment (1 million Euros), mainly in wind and solar projects in Central Europe.

Capex	DEC -19		DEC -18		VAR. (%)
	€M	WEIGHT	€M	WEIGHT	
Martifer Consolidated	**1.8**	**100%**	**1.8**	**100%**	**-5%**
Metallic Constructions	0.6	36%	1.0	57%	-40%
Naval Industry	0.1	4%	0.0	2%	88%
Renewables	1.0	59%	0.8	41%	38%
Others	0.0	0%	0.0	0%	-17%

CONSOLIDATED CAPITAL STRUCTURE ANALYSIS

FINANCIAL POSITION

€M	DEC -19	DEC -18	VAR. %
Fixed Assets (including Goodwill and right-of-use assets)	97.1	123.4	-21%
Other non current assets	46.4	56.6	-18%
Inventory and Receivables	109.1	106.4	3%
Cash and cash equivalents	35.0	33.4	5%
Total Assets	**287.6**	**319.7**	**-10%**
Shareholders Equity	7.6	-13.9	n.m.
Non-controlling interests	-39.0	-35.9	-9%
Total Equity	**-31.4**	**-49.7**	**37%**
Non-current debt and lease liabilities	158.8	210.1	-24%
Other non-current liabilities	24.2	31.8	-24%
Current debt and lease liabilities	5.9	8.9	-34%
Other current liabilities	130.1	118.6	10%
Total Liabilities	**319.0**	**369.4**	**-14%**

The total assets amounted to 288 million Euros (320 million on 31 December 2018), while non-current assets reached 144 million Euros (180 million Euros in 2018).

The total equity on 31 December 2019 recorded -31.4 million Euros, which compares with -49.7 million Euros on 31 December 2018, with 7.6 million Euros attributable to the Group in 2019 and -13,9 million Euros in 2018.

On 31 December 2019 the liquidity ratio recorded 106% (110% in 2018) and the solvency ratio 106% (107% in 2018).

NET DEBT

During 2019, the decreasing trend of the net debt was maintained, in line with the goals set in Martifer Group's Strategic Plan. Thus, on 31 December 2019, the consolidated Net Debt reached 106 million Euros, reflecting an 80 million Euro reduction when compared with the previous financial period.

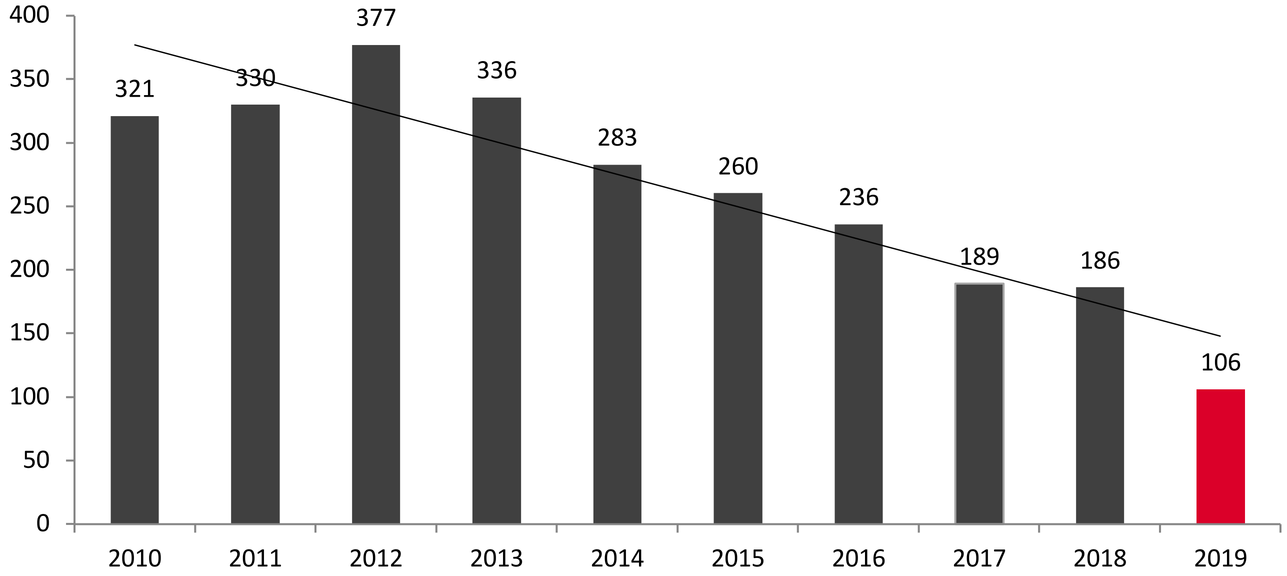
This 43% reduction in the value of net debt results mainly from the implementation of the Group's non-core asset disposal plan, in line with the restructuring plan signed with the financing entities which is already in its fifth year of implementation.

This reduction is essentially the result of:

- Compliance with the Group's bank debt service for the period under consideration (3.4 million Euros);
- Debt repayments in accordance with the Group's non-core asset disposal plan
- Disregard of the debt previously classified as *financial leasings* (12.8 million Euros), which, due to the adoption of IFRS 16 in 2019, became part of the 'lease liabilities' item.

€M	METALLIC CONSTRUCTIONS	NAVAL INDUSTRY	RENEWABLES	*HOLDING*	MARTIFER CONSOLIDATED
Net Debt FY 2019	67	-5	-2	47	106
Net Debt FY 2018	87	-7	22	84	186

DECREASE TREND OF THE NET DEBT (M€)



Note 1: Until 2018, Net Debt = Loans + Financial Leases (+/-) Derivatives – Cash and Cash Equivalents

Note 2: From 2019 on, Net Debt = Loans (+/-) Derivatives – Cash and cash equivalents

In 2020, the Group will maintain its debt reduction strategy, continuing the strategic guidelines defined in its Strategic Plan, namely regarding the accomplishment of the non-core asset disposal plan.

ANALYSIS BY SEGMENT

04 | ANALYSIS BY SEGMENT

METALLIC CONSTRUCTIONS

SECTOR TREND

- According to the preliminary analyses of the end of 2019 (November 2019) carried out by Euroconstruct, the construction sector had a decline in its overall growth from 3.2% in 2018 to 2.3%. The same source forecasts that growth will decline again in 2020 and stabilise in 1% between 2020 and 2022.
- The forecast of the growth of the sector is developed on the basis of various indicators such as purchasing power, economic growth or demographic aspects. Most of these indicators remain positive despite some slowdown and, consequently, the forecast for construction remains positive as well.
- In the largest European construction market, Germany, the forecast is negative and production in the sector is expected to decline 2% after the growth of 0.8% in 2019. In France, the prospect is similar due to the expected decline in non-residential construction.
- In Portugal, the sector's forecast until 2022 is one of the best in the European continent, with growth of approximately 15% compared to 2018. However, national construction declined significantly in 2019. After growing 7.3% in 2018, Euroconstruct's analysis acknowledges a growth of only 4.8% in 2019.

Source: EUROCONSTRUCT, November 2019

ACTIVITY

The order book at the end of 2019 reached 155 million Euros, spread by several countries.

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

- In Portugal:
  - Wind towers for the Gurunhuel wind farm in France
  - Bouaké Stadium in the Ivory Coast
  - Kinaxixi Complex, Angola
  - TYRA project, for an offshore oil platform
  - Maintenance of the Sines Refinery

- In Spain:
  - "Open Sky" Shopping Centre, in Madrid

- In the United Kingdom:
  - West End Gate Residential Complex, in London
  - London Dock Housing Complex, in London
  - Kensington Row Residential Complex, in London
  - Midland Hospital, in Birmingham

- In France:
  - TOKAMAK building in the ITER complex, in Marseille
  - "Gare de Lyon" Train Station, in Lyon
  - "Siège Vinci" Office Building, in Nanterre
  - "Chateaudun no. 2 – Bureaux 23 in Paris" Office Building, in Paris
  - "Stories – Le Touzet" Office Building, in Paris
  - "Open Sky" Shopping Centre, in Buchelay - Paris
  - F. C. METZ Stadium, in Metz

- In Angola:
  - General Hospital of Cabinda, in Cabinda
  - Integrated Communication Project, in Luanda

- In Saudi Arabia
  - Abi Bakr Walkways & Cladding, in Riyadh
  - “Al Faisaliah” Shopping Centre, in Riyadh
  - “Meraki” restaurant, in Riyadh

- In Mozambique:
  - Piping and Mechanical Works for GALP, in Beira

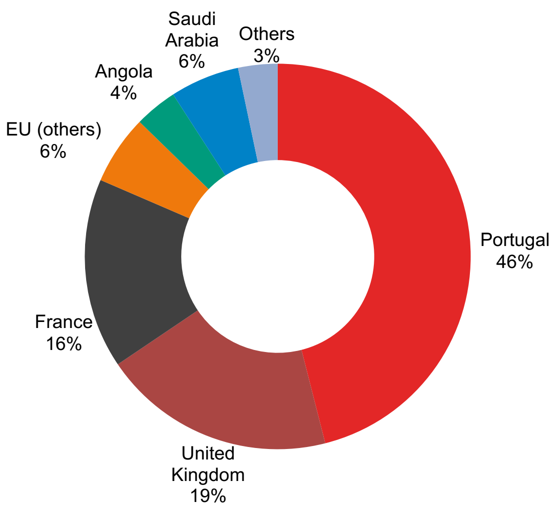
ORDER BOOK BY GEOGRAPHY

GEOGRAPHY	TOTAL (€M)	%
África	**29**	**19%**
Sub-Saharan Africa	29	19%
Eastern Europe and Middle East	**4**	**3%**
Western Europe	**122**	**79%**
Metallic Constructions	114	74%
Oil & Gas	8	5%
	155	**100%**

RESULTS

€M	DEC-19	DEC -18	VAR.%
Revenues	138.1	124.6	11%
EBITDA	**-3.8**	**5.6**	**n.m.**
EBITDA margin	-2.9%	5.1%	-8 pp
Depreciation & Amortization	-3.1	-3.2	3%
Provisions & Impairment Losses	0.5	0.0	n.m.
EBIT	**-6.4**	**2.4**	**n.m.**
EBIT margin	-4.9%	2.1%	-7 pp
Financial Results	-1.9	-4.5	57%
Profit before taxes	-8.3	-2.2	<-100%
Income tax	-0.5	-0.9	43%
Net Profit	**-8.8**	**-3.1**	**<-100%**
Attributable to non-controlling interests	-1.5	-0.4	<-100%
Attributable to shareholders	-7.3	-2.7	<-100%

Operating Income in the Metallic Constructions segment amounted to 138.1 million Euros in 2019, which corresponds to an increase of about 11% compared to 2018, with Portugal representing approximately 46% and the remaining 54% distributed over several countries. This improvement results from increased activity in some countries, with emphasis to the United Kingdom and France, which more than offset the decrease of activity in Portugal and in Angola.



EBITDA in 2019 stood at -3.8 million Euros, with a reduction of 9 million Euros due to the record of impairment losses of Clients worth 8.9 million Euros and Inventories worth 1.7 million Euros, a total of 10.6 million Euros (an increase of 8.6 million Euros compared to 2018) which more than compensated for the increase in operating income and the improvement in operational cost efficiency.

EBIT was negative in 6.4 million Euros, compared with a positive value of 2.4 million Euros recorded in 2018.

Results in associated companies and jointly controlled companies in 2019 presented a value of 2.1 million Euros compared to -1.6 million Euros in 2018.

The Net Financial Debt of the Metallic Constructions segment on 31 December 2019 amounted to 67 million Euros, around 20 million Euros less than on 31 December 2018.

The total CAPEX at the end of 2019 was 0.6 million Euros.

NAVAL INDUSTRY

SECTOR TREND

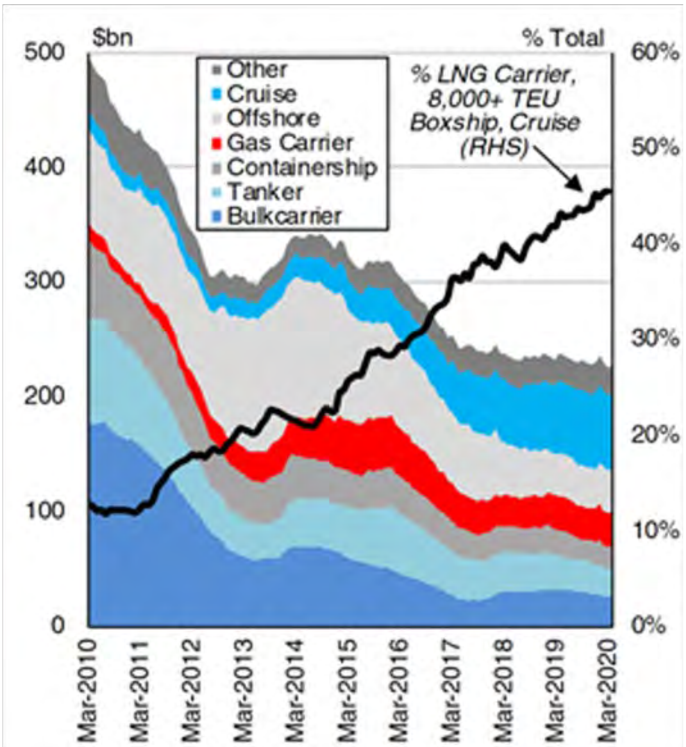
- The end of 2019 represents the end of a significantly positive decade for the naval industry. According to Clarksons's half-early report, a prestigious industry analyst, the global fleet grew about 70%. Analysing the new deadweight tonnage (DWT) constructions, the increase in the fleet in this period was 1.2 billion DWT. In relation to the demand for cargo ships, the greatest development was in liquefied gas carriers with the greatest emphasis on the last half of the decade.

- After a growth of 2.8% in 2018, the world fleet exceeded 2 billion DWT by achieving a growth of 4.1%. Asian countries continue to hold most of the market share of shipyards, but there is more distribution at the moment. At the beginning of the decade, in 2011, China held 40% of the market share, and in 2019 it already has that share reduced to 34%. Japan and Korea have grown considerably over the last few years and currently have 25% and 28% respectively.

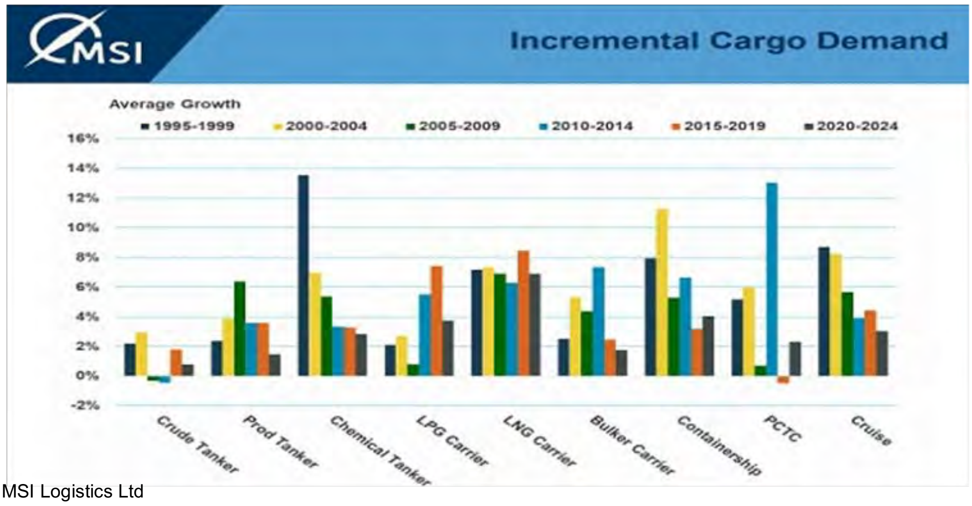
- Clarksons's analysts estimate that the highest growth is in LNG and LPG vessels, which account for 8% and 5% respectively. Container carriers grew by 2.5% while bulk carriers registered a lower increase of 1.3%. Oil tankers had a weaker growth in the sector by registering only 0.8% in 2019. The trade conflict between the two largest economies in the world, the United States and China, has obviously impacted a sector that relies significantly on good international relations to grow.

- The international focus on pollution reduction has led the International Maritime Organisation to implement restrictions on marine fuels from 1 January 2020 (IMO2020). The new legislation obliges companies to install *scrubbers* on their vessels or to use less polluting fuels (fuels low on sulfur).

- One of the most important factors in deciding to use fuels low on sulfur (maximum 0.5%) or to install *scrubbers* to reduce their carbon emissions is the return on investment period. During 2019, the expected return period was lower due to the difference between low and high sulfur fuels that remained relatively strong. The evolution of this factor caused growth in demand and led to the shipyards around 269 vessels equivalent to 35 million DWT. The expectation for the end of 2020 is that 15% of vessels have *scrubbers* installed.



Source: Clarksons Research



Source: MSI Logistics Ltd

ACTIVITY

This segment is integrated in the Martifer Metallic Constructions sub-holding and includes the construction of vessels and the rendering of ship repair services. The companies whose activity focuses on the naval industry are West Sea Estaleiros Navais, Lda. and Navalria S.A.. Resulting from the tender for the sub-concession of the old facilities of the Viana do Castelo Shipyards, West Sea was established in this city in 2014 and has been engaged in shipbuilding and ship repair. Navalria, with a shipyard in Aveiro, focuses its activity on the ship repair of small and medium-sized vessels. In 2019, it also won a tender for the naval area of two Rabelo vessels destined for tourism in the Douro River, projects that began at the end of the year.

The order book at the end of 2019 amounted to 407 million Euros.

RESULTS

The Naval Industry's operating income amounted to 97.5 million Euros in 2019, which corresponds to an increase of around 19% compared to the same period last year, with shipbuilding accounting for 85% and ship repair representing around 15%.

EBITDA in 2019 stood at a positive 8.9 million euros, 19% higher than the EBITDA of the same period the year before, following the evolution of the activity volume.

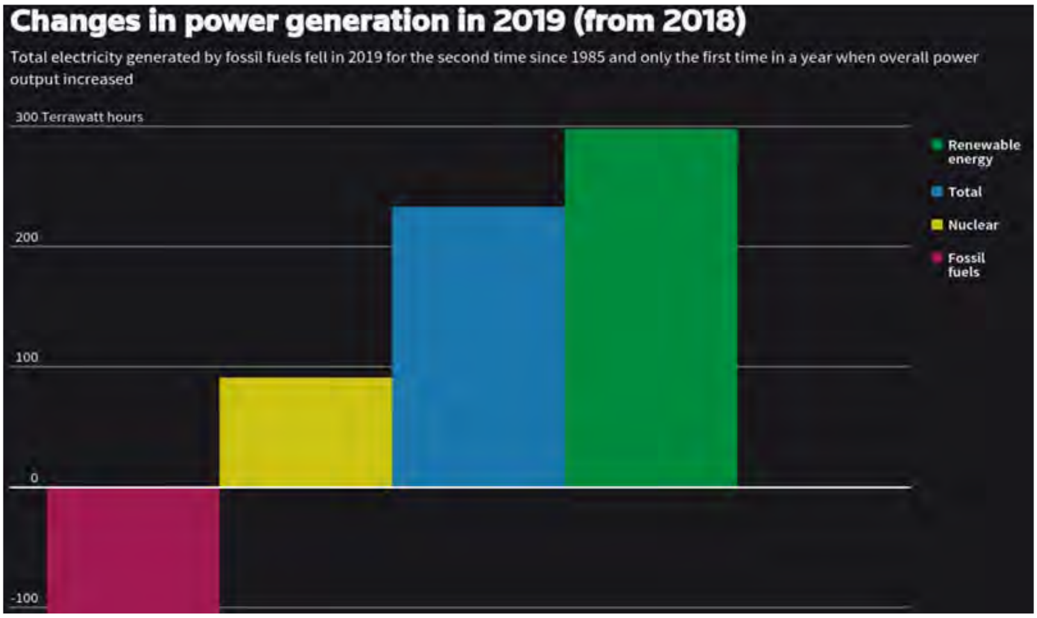
€M	DEC-19	DEC -18	VAR.%
Revenues	97.5	82.2	19%
EBITDA	**8.9**	**7.4**	**19%**
EBITDA margin	9.2%	9.0%	0.2 pp
Depreciation & Amortization	-1.0	-0.7	-39%
Provisions & Impairment Losses	0.0	0.0	n.m.
EBIT	**7.8**	**6.7**	**17%**
EBIT margin	8.1%	8.2%	0 pp
Financial Results	-0.7	0.4	n.m.
Profit before taxes	7.1	7.1	0%
Income tax	-1.9	-1.7	-9%
Net Profit	**5.2**	**5.3**	**-3%**
Attributable to non-controlling interests	0.0	0.0	n.m.
Attributable to shareholders	5.2	5.3	-3%

RENEWABLES

SECTOR TREND

- According to Reuters, the use of fossil fuels, such as coal or oil, for the production of electricity decreased in 2019. The use of fossil fuels was reduced by about 156 Terawatt-hours (equivalent to all the electrical production in Argentina in 2018). Production from renewable sources showed the highest increase in 2019 (297 TWh), exceeding nuclear energy (91 TWh). The overall total production also increased by 233 TWh.

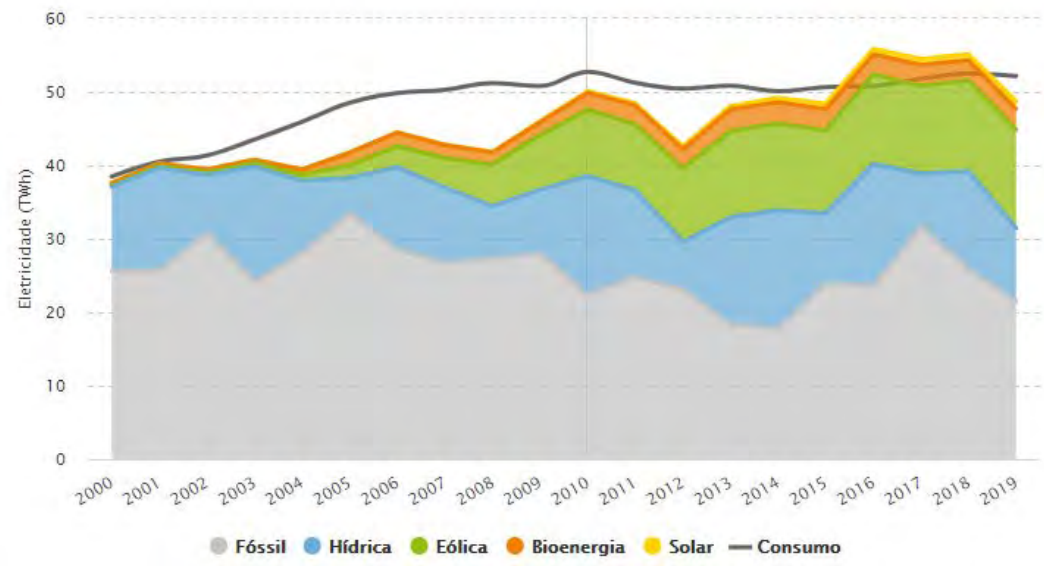
- Three of the world's four largest electricity producers (the United States, the European Union, and India) managed to increase the share of renewable sources while their total output grew. This commitment of these regions to reduce dependence on fossil fuels was essential for world production to increase simultaneously with the share of renewable energy sources.



Source: Reuters

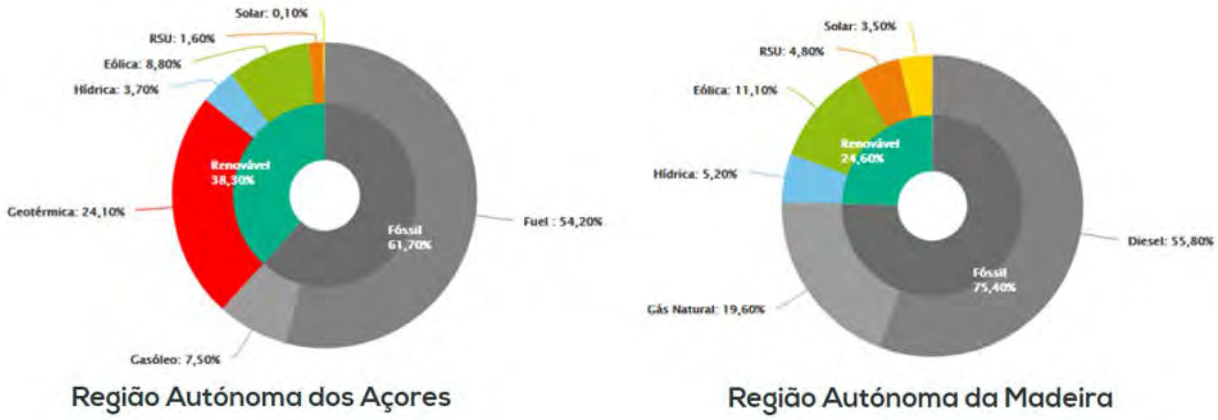
- In mainland Portugal, data from the Portuguese Renewable Energy Association indicate that electricity consumption decreased slightly from 52.48 TWh to 52.18 TWh. Electrical production that was in surplus in 2018 declined substantially from 55.13 TWh to 48.75 TWh. Fossil fuels and hydro energy supported this productive decline by combining a reduction of 7.72 TWh. Wind, bioenergy and solar energy increased their share of national production by growing 1.07 TWh, 0.04 TWh and 0.23 TWh respectively.

Evolution of Electricity Production in mainland Portugal
Source: APREN



Overview of Electricity production in the Autonomous Regions of the Azores and Madeira (January to December 2019)

- In the Portuguese autonomous regions, fossil fuels still account for more than half of total production. Energy from renewable sources represents only 38.3% in the Azores and 24.6% in Madeira. However, the Azores region takes advantage of its volcanic wealth and in 2019 it produced 24.1% of its electricity through geothermal energy. The share of renewable sources in Madeira includes wind energy (11.1%), water (5.2%), solid municipal waste (4.8%) and solar energy (3.5%).



Overview of Electricity production in the Autonomous Regions of the Azores and Madeira (January to December 2019)
Source: APREN

ACTIVITY

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

This business area, which had 44 employees at the end of the year, has a wide experience in the development and management of wind farms and solar parks, and is present in the Iberian Peninsula and in Central Europe. Owning, fully or in partnership, a portfolio of over 55.3 MW in operation, Martifer Renewables has already developed and/or built more than 1,200 MW in different countries, having had as partners in the latest projects that were sold relevant companies such as IKEA, Galp, Ferrostaal, SPEE, Bank Santander, CPFL, Tractebel, EDP, Statoil, Solaire Direct and Finerge.

In March 2019, Martifer Renewables SGPS sold the wind farms "SPEE2 – Parque Eólico de Vila Franca de Xira" and "SPEE3 – Parque Eólico de Baião", in Portugal, with an installed capacity of 12.6 MW and 6.3 MW respectively, to Finerge Nicola, S. A..

Also in 2019, but in December, the six solar parks (Cartaya, Zahariche, Casariche, Carbajosa, Ledesma and Brocheros) of the "Eurocabs" project in Spain were also sold to Finerge, with a total nominal capacity of 7.23 MW. These parks were 100% owned by Martifer Renewables.

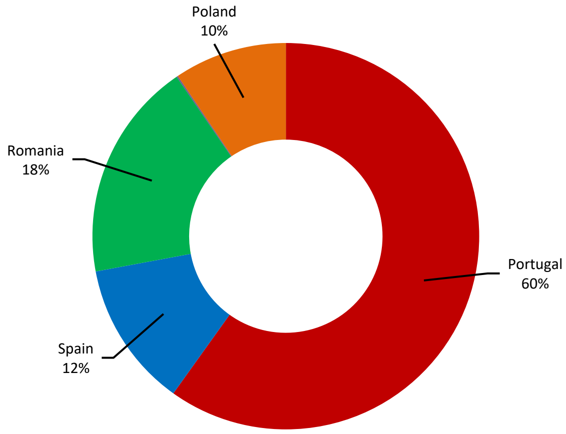
Results

€M	DEC-19	DEC -18	VAR.%
Revenues	33.4	14.1	>100%
EBITDA	**24.3**	**4.3**	**>100%**
EBITDA margin	209.3%	38.3%	170.9 pp
Depreciation & Amortization	-4.4	-4.8	9%
Provisions & Impairment Losses	-2.7	-0.1	<-100%
EBIT	**17.2**	**-0.6**	**n.m.**
EBIT margin	148.5%	-5.8%	154.3 pp
Financial Results	6.6	1.5	>100%
Profit before taxes	23.8	0.9	>100%
Income tax	-0.3	-0.5	39%
Net Profit	**23.6**	**0.4**	**>100%**
Attributable to non-controlling interests	-0.1	0.0	<-100%
Attributable to shareholders	23.6	0.4	>100%

The total operating income of Renewables amounted to 33.4 million Euros and results from the solar parks and wind farms in operation and the sale of the 6 solar parks in Spain ("Eurocabs"), which generated a gain of around 20 million Euros.

EBITDA reached a positive 24.3 million euros in 2019.

The Operational Revenue of this segment, exceptionally in 2019, is mostly focused in Portugal, as a result of the sale of Eurocabs.



The ‘Results in associated and jointly controlled companies’ amounted to 6.7 million Euros and are essentially the result of the sale of the two wind farms in Baião and Vila Franca de Xira, held jointly with SPEE, SGPS.

The total investment in the development of wind and solar projects totalled 1.0 million Euros.

The Net Debt in December 2019 amounted to -2.4 million Euros.

SEPARATE FINANCIAL INFORMATION

05 | SEPARATE FINANCIAL INFORMATION

During the 2019 financial year, the level of support services that Martifer, SGPS, S. A. (Holding *of the* Group) provided the other companies of the Group was similar to those of previous years.

The Net Profit of Martifer, SGPS, S. A. was negative in 8.1 million Euros and compares to a negative Net Profit of 5.9 million Euros in the previous year.

The most significant impacts on the net result were the reinforcement of impairments in financial investments (net balance of 9.6 million Euros).

Interest and similar expenses amounted to 2.9 million Euros, which represents a slight increase compared to the previous period (2.8 million Euros).

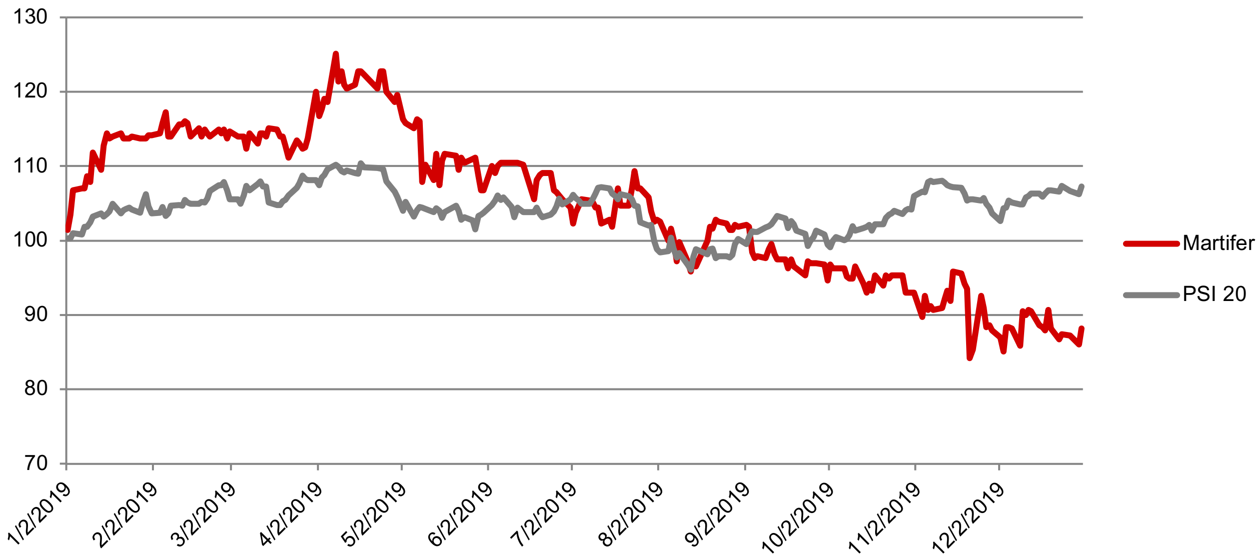
Interest and similar expenses amounted to 3.2 million Euros, which represents an increase compared to the previous period (1 million Euros).

The Company's equity amounted to 31.2 million Euros, with total assets of 165.9 million Euros and total liabilities of 134.7 million Euros. Debt amounts to 47 million Euros (84,4 million Euros in 2018) and its maturity is of more than 1 year.

MARTIFER SHARE PERFORMANCE

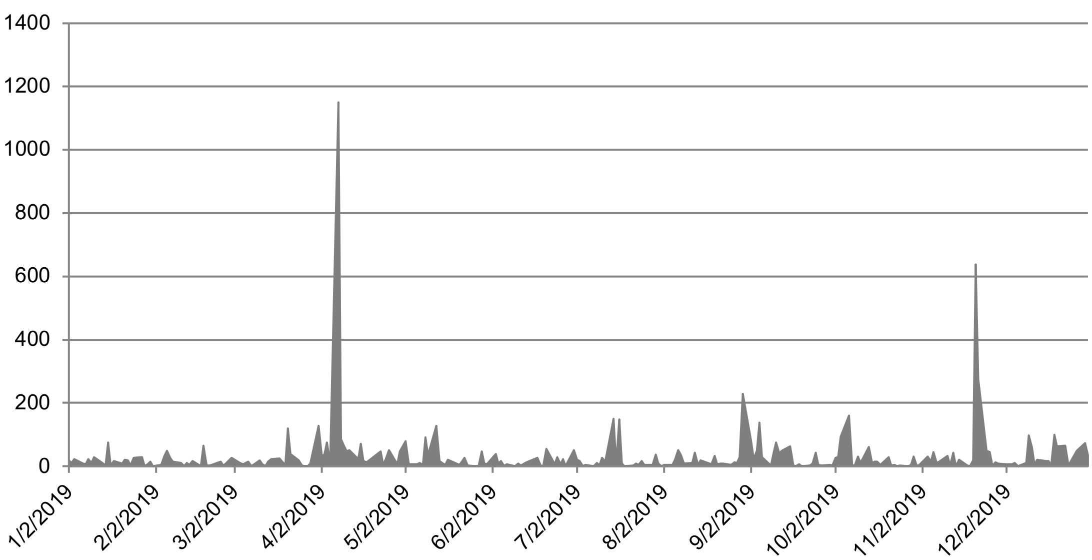
06 | MARTIFER SHARE PERFORMANCE

SHARE PERFORMANCE | 2019



Source: Reuters

TRADED VOLUME | 2019 – ’000 shares



Source: Reuters

The year 2019 was positive for the stock markets despite all the bustle around the feeling of economic uncertainty. The partial resolution of some issues such as *Brexit* and the trade war between the United States and China at the end of 2019 was crucial to reduce the feeling of uncertainty that has taken place over recent years. Investors' greatest fears about these issues have never materialised and eventually faded.

One of the positive indicators of the year in Europe was the European STOXX 50 index which, after a strong devaluation of 13.2% in 2018, had significant growth of 23.3%. The valuation recorded in 2019 was the highest in the century. The indices of the United Kingdom, Italy, Germany, France and Portugal grew 12.1%, 28.3%, 25.5%, 26.4% and 10.2% respectively.

Outside Europe, the scenario is similar, as it would be expected, and the Shanghai index valued 22.3%. In the US markets, the Dow Jones and NYSE indices also grew 22.3%, surpassing the 28.9% growth of S&P500. *NASDAQ* stood out in the financial markets by valuing 38%.

The S&P Goldman Sachs Commodities Index, the biggest commodity index, is one of the most widely recognised benchmarks, ended the year with a valuation of approximately 22%.

Martifer, SGPS S. A.'s shares began the year trading at 0.436€/share and reached the maximum value in April 0.538€/share. In November they reached the minimum value of 0.362€/share and ended the year at 0.379€/share. During 2019, the value of the share fell 11.9%.

The volume of traded shares also decreased from 10,245,881 shares in 2018 to 7,956,120 shares in 2019. Similar to the value of the Martifer share, the maximum of its daily traded volume was in April (1,150,328 shares). On average, throughout 2019, 31,698 shares were traded daily.

PURCHASE OF OWN SHARES

In accordance with CMVM regulation 5/2008, namely article no. 11, paragraphs 1 and 2, we confirm that Martifer SGPS, SA didn't purchase own shares on the Stock Exchange during 2019.

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

FUTURE PROSPECTS

07 | FUTURE PROSPECTS

The year 2019 clearly confirmed the positive trajectory of the new cycle in the Group, which began in the previous year with the implementation of a new governance model more independent from the reference shareholders and with the definition of the 2018-2020 strategic plan.

2020 was expected to be the year of consolidation of this path, with an even more ambitious budget and clearly to "harvest the results" of a strategy that is proving to be the most correct for the Group, and suddenly the world was affected by the COVID-19 pandemic, which can have effects on the economy only comparable to the years of World War II.

Of course, this disruptive effect on companies must be considered in their present activities and deserves close monitorisation and adjustment.

However, the strength of the strategy that was being implemented since 2018, which is based on 3 fundamental pillars, namely:

- Reinforcement of the organisational culture and consolidation of the governance model;
- Increased operational efficiency, planning and productivity in particular in Metallic Constructions, consolidation in the Naval Industry and reinforcement of the sustainable growth strategy in Renewables, and
- Consolidation of the financial stabilisation trajectory

allows us to look at this period with greater peace of mind and with the necessary discernment to be able to make the most assertive decisions and thus to be able to emerge even stronger from this crisis.

From the outset, the Group's financial consolidation, with the substantial and systematic reduction of debt and, as a result, of the associated financial costs, helps us to have the strength to have greater resilience in the worst moments, such as those we are now living.

On the other hand, the concrete and structured measures to increase our productivity – with the results achieved in the gross value added (GVA) per capita indicator showing this success, when compared to the national average and previous years in the Group – particularly in constant actions of organising our teams, simplifying and digitising most of our work processes, making a clear commitment to training our staff and an even more rigorous technical-commercial positioning, focused and adapted to countries and business segments – allowing us to have the competitiveness that is needed to satisfy our clients, who already recognise our industrial and technical skills.

We will continue to look at all the opportunities that follow the plan to strengthen the Group's exporting profile, enhancing the industrial capacity in Portugal for the external markets where Martifer is present; *in Oil & Gas* and O&M, we will follow the trajectory of the growing weight in the Group's turnover and of the clear balance with the core activity of metallic structures in Angola and Mozambique.

In the Renewables segment, both through the rotation of assets and seizing opportunities in wind and solar projects, we will continue to boost the success that was achieved in 2019, namely in the wind and solar energy auctions we won in Poland, which amount to 50 MW.

The Naval area, which took over in the 2020 budget and for the first time in the history of the Group a weight of almost 50% of turnover, will remain one of the major flags of this trajectory and it is where we anticipate that the largest investments of the Group will occur in the following years, in order to consolidate our diversification strategy.

We will continue to live up to this Group's DNA, to boost the search for new areas and to pay attention to new opportunities, having defined the Energy sector as an area to be pursued in the near future, since we want to continue to be part of the companies that face climate and environmental changes and the resulting challenges as a huge opportunity.

The year 2020 will certainly bring new and great challenges, but, above all, it will be the year in which all of us, taking advantage of the good energy of Martifer's 30th anniversary, will have to know how to establish new objectives to design a new path: the 2021-2023 Plan. This new path, which should be coherent with the previous one, will only be travelled successfully if the Group is able to reach the finish line in 2020 in a solid, consistent and structured way.

MAIN
RISKS

08 | MAIN RISKS

FINANCIAL RISKS

A) PRICE RISK

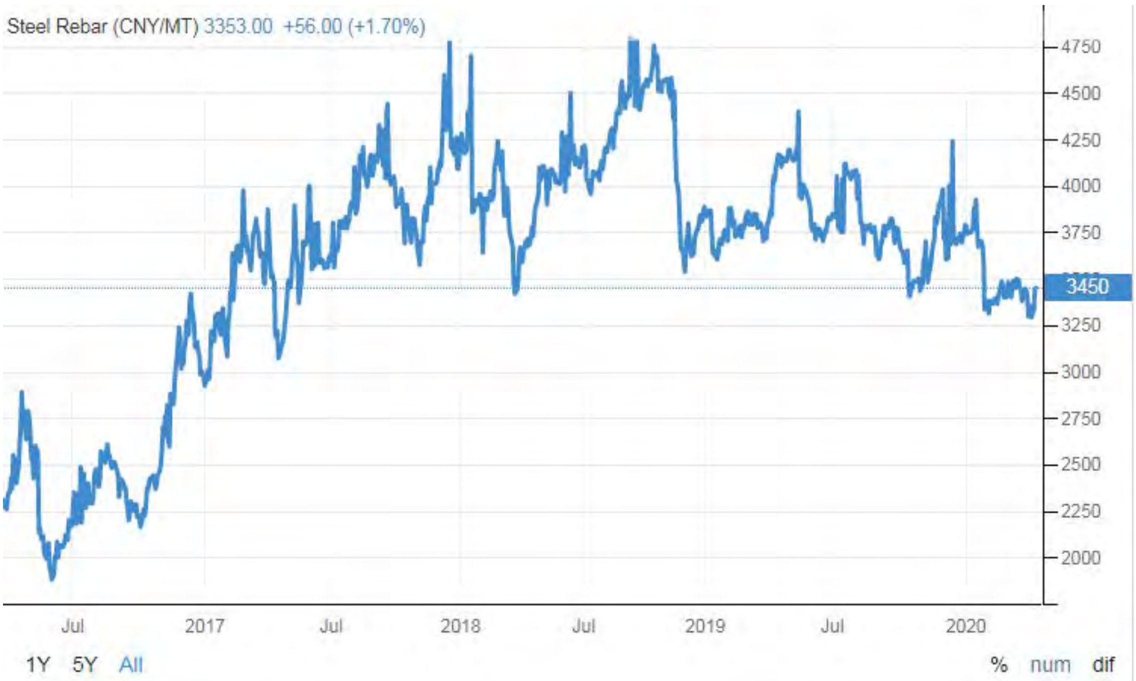
The volatility of the price of raw materials constitutes a risk for the Group in the Metallic Constructions, Aluminium and Naval Industry segments. The antidumping measures/ fees already implemented by the European Union on steel and aluminium products from China caused a significant increase in the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

In recent years, the evolution of steel and aluminium prices was marked by the trade war between the USA and China which have led to the implementation of fees on the import of steel and aluminium from third countries; there has been a sharp rise in the price of steel that has reached values close to historic highs in September 2018. Despite the adjustment to lower levels, at the end of 2018 and during the first half of 2019, the price of steel continued its upward trajectory, reaching the price of 126 USD per tonne (maximum values of January 2014). However, in the second half of the year, prices began to decline moderately. Prices are estimated to remain high at the beginning of 2020, relieving as the year progresses.

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

In the 'Renewables' segment, as a way of controlling the price risk of selling energy, particularly in projects which do not have a regulated tariff, the Group has as its policy the fixing of the sale price of energy on at least an annual basis. Thus, this drop in the price of energy sale will have no impact on the profitability of renewable energy production projects in operation owned by the Group.

<u>Historical evolution of the price of Steel</u>



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

B) FOREIGN EXCHANGE RISK

Foreign exchange risk has a strong interdependence with the other types of risk, with reference to the risk of countries, through the evolution of economies and their impact on inflation and interest rates and credit risk, due to the possibility of currency fluctuations which may jeopardise future financial flows, originating the possibility of recording losses or gains as a result of changes in exchange rates among different currencies.

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

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

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

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

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

The year 2019 was marked by expectation of the outcome of *Brexit*, which culminated in the United Kingdom’s definitive exit from the European Union on 31 January 2020. After that date, the United Kingdom ceased to be a member of the European Union (EU), and a transitional period began which involves negotiating the agreements that will guide future relations between the country and the EU member states. After a long period of anticipation relating the outcome of this process, ensuring an orderly exit brought greater stability to markets that suggested greater stability in the evolution of Pound Sterling.

In 2019, despite some indications of the recovery of the Angolan economy, the cycle of scarce transactionable currencies in Angola remained.

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

C) INTEREST RATE RISK

The Interest rate risk reflects the possibility of fluctuations in the amount of future financial fees on loans contracted due to the evolution of the market interest rate level.

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

The Group’s exposure to interest rate risk arises from financial liabilities contracted at a variable rate, so changes in the interest rate have a direct impact on the value of the interest, consequently causing cash variations.

During the year 2019, the reference interest rates in the Euro Area remained at very low levels in line with what has been occurring in the last years.

In the European Central Bank projections, published in March 2020 (“ECB Staff macroeconomic projections for the Euro area, March 2020”), short-term interest rates should remain negative until 2022.

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

D) LIQUIDITY RISK

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

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

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

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

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

E) CREDIT RISK

Following the measures imposed by central banks on banking after the 2012 financial crisis, banks are in a much more stable financial position than in the past, and despite being more careful in granting credit, the improvement in the conditions for obtaining credit by companies was already being observed since 2019. The Group is subject to credit risk in relation to its operational activity, and the exposure mainly stems from clients and other debtors.

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

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

OPERATIONAL RISKS

A) METALLIC CONSTRUCTIONS

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

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

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

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

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

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

B) NAVAL INDUSTRY

The companies in the Naval Industry segment are exposed to:

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

C) RENEWABLES

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

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

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

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

LICENSING:

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

REGULATION:

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

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

LEGAL RISKS

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

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

Those comprising the abovementioned legal and advisory departments have specialised training and regularly participate in training sessions.

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

PROPOSAL OF RESULTS ALLOCATIONS

09 | PROPOSAL OF RESULTS ALLOCATION

The Board of Directors recommends to the Board of the General Meeting, the allocation of the negative net profit resulting from the Individual Financial Statements totalling 8,154,378.96 Euros recorded in 2019, as follows:

- Retained Earnings negative 8,154,378.96 Euros.

Oliveira de Frades, 21 April 2020

The Board of Directors,

Carlos Manuel Marques Martins
(President)

Arnaldo José Nunes da Costa Figueiredo
(Vice President)

Jorge Alberto Marques Martins
(Vice President)

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

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

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

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

Mariana França Gouveia
(Member of the Board of Directors)

OTHER INFORMATION

10 | OTHER INFORMATION

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

In addition to incorporating Martifer SGPS, SA's Board of Directors, almost every non-executive board member integrates, at least, one of the nominated Committees by the Board (Corporate Governance Committee, Ethics and Conduct Committee or Risk Committee). Each of these Committee's regulations are published in the Group's website and the functions and activities developed throughout 2019 are outlined in the Corporate Governance Report.

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

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

Although in 2019 no transactions subject to the rules of article no. 397 of the Portuguese Commercial Companies Code were concluded, the Company's Board of Directors authorised, after a favourable opinion of the Supervisory Board and a favourable opinion of the Company's Risk Committee, the acquisition of the entire share capital of the commercial company called Vetor Diálogo, SGPS, S. A. by Martifer SGPS, S. A..

The company Vetor Diálogo, SGPS, S. A. owns 25% of the share capital of Martifer Metallic Constructions, SGPS, S .A., and Martifer, SGPS, S. A. owns the remaining 75%.

The share capital of the commercial company Vetor Diálogo, SGPS, S. A. is held by the reference companies I'M SGPS, S. A. and Mota Engil, SGPS, S. A., in 53.05% (fifty-three point five per cent) and 46.95% (forty-six point ninety-five per cent) respectively, and therefore indirectly by the Board Members of Martifer SGPS, S. A., Carlos Manuel Marques Martins, Jorge Alberto Marques Martins and Maria Sílvia da Fonseca Vasconcelos da Mota.

Although authorised, the acquisition of the entire share capital of the commercial company Vetor Diálogo, SGPS, S. A. by Martifer SGPS, S. A. was not executed in 2019.

OTHER INFORMATION

Martifer SGPS, S. A. doesn't have any debt to the State or any other public entity, including Social Security.

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

- Review of covenants calculation of the company Eviva Nalbant

MANDATORY INFORMATION

MANDATORY INFORMATION

SHAREHOLDINGS OF THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

In accordance with article no. 447 of the Portuguese Commercial Companies Code, the securities issued by Martifer, SGPS, SA and companies dominated by it or in a group relationship, held by members of the governing bodies in the period from 1 January 2019 to 31 December 2019, are the following:

HOLDERS	CORPORATE BODY	NO. SHARES HELD ON 31/12/2019
Carlos Manuel Marques Martins*	Board of Directors	2.455.028
Jorge Alberto Marques Martins**	Board of Directors	2.430.260
I'M – SGPS, S.A.***	Board of Directors	38.005.689
Arnaldo José Nunes da Costa Figueiredo	Board of Directors	3.000
MOTA-ENGIL, SGPS, S.A.****	Board of Directors	37.500.000
Pedro Miguel Rodrigues Duarte	Board of Directors	-
Pedro Nuno Cardoso Abreu Moreira	Board of Directors	-
Maria Silvia da Fonseca Vasconcelos da Mota	Board of Directors	-
Vitor Manuel Alvares Escaria	Board of Directors	-
Mariana Machado França Gouveia Sande Nogueira	Board of Directors	-
Paulo Sérgio Jesus das Neves	Supervisory Board	-
Américo Agostinho Martins Pereira	Supervisory Board	-
Mária Maria Machado Lapa de Barros Peixoto	Supervisory Board	-
António Baia Engana	Supervisory Board	-
Joaquim Miguel de Azevedo Barroso	Statutory Auditor, representing PriceWaterhouseCoopers	-
José Joaquim Neiva Nunes de Oliveira	General Meeting Board	-
Luis Leitão Marques Vale Lima	General Meeting Board	-
Luis Neiva de Oliveira Nunes de Oliveira	General Meeting Board	-

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

** Shares held directly and by the spouse.
*** The Board Members of Martifer, Carlos Manuel Marques Martins and Jorge Alberto Marques Martins are the majority shareholders of the company I´M SGPS, S. A., holding shares representing 48% and 50% of its share capital, respectively.
**** The Board Member Arnaldo José Nunes da Costa Figueiredo is a member of the Board of Directors of Mota- Engil, SGPS, S. A.

Transactions by the members of the governing bodies in 2019:

NAME OF THE MEMBER OF THE CORPORATE BODY	DATE	ACQUISITIONS	SALE	AVERAGE PRICE
Carlos Manuel Marques Martins*	08-04-2019	-	29.359	0.54 €
Carlos Manuel Marques Martins*	09-04-2019	-	16.140	0.548 €
Carlos Manuel Marques Martins*	10-04-2019	-	15	0.53 €
Carlos Manuel Marques Martins*	11-04-2019	-	5.000	0.52 €

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

HOLDERS OF QUALIFYING SHAREHOLDINGS

In accordance with paragraph no. 1(b) of article no. 8) of the Portuguese Securities Market Commission (CMVM) Regulation no. 5/2008, the list of holders of qualifying holdings, with the number of shares held and the corresponding percentage of voting rights, calculated pursuant to Article no. 20 of the Portuguese Securities Code on 31 December 2019 are:

SHAREHOLDER	NO. SHARES	% OF SHARE CAPITAL	% OF VOTING RIGHTS 1
I'M – SGPS, S.A.	**38.005.689**	**38.00%**	**38.87%**
Carlos Manuel Marques Martins*	2.455.028	2.45%	2.51%
Jorge Alberto Marques Martins*	2.430.260	2.43%	2.48%
Total imputável à I'M – SGPS, S.A.	**42.890.977**	**42.89%**	**43.86%**
Mota-Engil – SGPS, S.A.	37.500.000	37.50%	38.35%
Arnaldo José Nunes da Costa Figueiredo **	3.000	0.00%	0.00%
Total Imputável à Mota-Engil, SGPS, S.A.	**37.503.000**	**37.50%**	**38.35%**

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

* Member of a corporate body of I'M SGPS, S. A.
** Member of a corporate body of Mota-Engil SGPS, S. A.

STATEMENT OF COMPLIANCE ACCORDING TO PARAGRAPH 1(C) OF ARTICLE NO. 245 OF THE PORTUGUESE SECURITIES CODE

(FREE TRANSLATION OF THE ORIGINAL IN PORTUGUESE)

Dear Shareholders,

According to paragraph 1(c) of article no. 245 of the Portuguese Securities Market Commission (CMVM) and to the best of our knowledge:

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

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

Oliveira de Frades, 21 April 2020

The Board of Directors,

Carlos Manuel Marques Martins (President)	Arnaldo José Nunes da Costa Figueiredo (Vice President)
Jorge Alberto Marques Martins (Vice President)	Pedro Miguel Rodrigues Duarte (Member of the Board of Directors)
Pedro Nuno Cardoso Abreu Moreira (Member of the Board of Directors)	Maria Sílvia da Fonseca Vasconcelos da Mota (Member of the Board of Directors)
Vítor Manuel Álvares Escária (Member of the Board of Directors)	Mariana França Gouveia (Member of the Board of Directors)

CONSOLIDATED FINANCIAL INFORMATION

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENTS FOR THE FINANCIAL YEARS AND SEMESTERS ENDED ON 31 DECEMBER 2019 AND 2018

€	NOTES	FY 2019	FY 2018	2ND HALF 2019 (NON AUDITED)	2ND HALF 2018 (NON AUDITED)
Sales and services rendered	3, 4	235,914,875	200,590,363	124,554,492	103,588,628
Other operating income	5	31,020,752	15,769,220	26,748,520	9,766,499
Cost of goods sold	6	(84,663,616)	(74,008,195)	(48,183,181)	(36,845,295)
Subcontractors	7	(64,505,967)	(46,572,386)	(29,552,968)	(25,622,974)
External services and supplies	8	(31,016,039)	(30,893,417)	(17,287,051)	(16,404,864)
Staff costs	9	(37,423,304)	(34,603,270)	(18,447,537)	(17,117,289)
Impairment losses on financial assets	25	(8,911,182)	(948,164)	(8,774,558)	-
Other operating expenses	10	(11,542,126)	(14,086,838)	(8,347,456)	(7,935,272)
	3	**28,873,393**	**15,247,313**	**20,710,261**	**9,429,433**
Amortizations	3, 18, 19, 20	(8,528,944)	(8,771,899)	(3,866,774)	(4,274,649)
Provisions	3, 11, 35	669,829	1,270,361	265,765	(1,578,681)
Impairment losses on non-financial assets	3, 11	(2,732,810)	-	(2,732,810)	-
	3	**18,281,467**	**7,745,775**	**14,376,442**	**3,576,103**
Financial income	12	3,753,711	3,662,259	3,344,417	1,519,495
Financial expenses	12	(7,700,919)	(9,250,494)	(3,613,689)	(3,417,092)
Gains / (losses) on associate companies and joint arrangements	3, 13	8,026,010	1,130,660	1,788,967	845,697
Net monetary gain (loss)	43	83,284	(33,251)	111,049	(22,640)
Profit before tax		**22,443,553**	**3,254,949**	**16,007,186**	**2,501,563**
Income tax	14	(996,873)	(1,660,968)	(97,162)	(1,099,422)
Profit for the year	**3**	**21,446,679**	**1,593,982**	**15,910,024**	**1,402,141**
Attributable to:					
non-controlling interests	30	(2,099,565)	287,017	(2,196,468)	463,915
owners of Martifer	16	23,546,244	1,306,965	18,106,488	938,227
Earnings per share:	16				
Basic and diluted		0.2408	0.0134	0.1852	0.0096

The accompanying notes are part of these financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS AND SEMESTERS ENDED ON 31 DECEMBER 2019 AND 2018

€	NOTES	FY 2019	FY 2018	2ND HALF 2019 (NON AUDITED)	2ND HALF 2018 (NON AUDITED)
Profit for the year		**21,446,679**	**1,593,982**	**15,910,021**	**1,402,142**
Amounts that will be reclassified by results					
Exchange differences arising on (i) translating foreign operations; (ii) net investment in subsidiaries and (iii) goodwill		(2,509,814)	(5,017,589)	(2,318,409)	(675,061)
Adjustments to equity on associate companies and joint arrangements	22 e 35	(448,217)	1,686,098	17,783	1,205,947
		(2,958,031)	**(3,331,492)**	**(2,300,626)**	**530,887**
Total comprehensive income for the period		**18,488,648**	**(1,737,510)**	**13,609,395**	**1,933,029**
Attributable to:					
non-controlling interests		(2,774,963)	(1,085,146)	(3,014,379)	100,357
owners of Martifer		21,263,612	(652,364)	16,623,772	1,832,671

The accompanying notes are part of these financial statements.

MARTIFER GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ON 31 DECEMBER 2019 AND 2018

€	NOTES	FY 2019	FY 2018
ASSETS			
Non-current assets			
Goodwill	17	14.148.579	14.115.669
Intangible assets	18	615.322	2.231.520
Tangible fixed assets	19	65.346.902	107.010.349
Right-of-use assets	20	16.987.781	-
Investment properties	21	20.826.300	20.826.300
Investments in associate companies and joint arrangements	3, 22	3.972.553	8.570.878
Financial assets at fair value through profit or loss	23	3.840.278	4.585.742
Trade receivables and other receivables	25	11.085.408	13.686.344
Deferred tax assets	14	6.634.856	8.885.615
		143.457.979	**179.912.418**
Current assets			
Inventories	24	9.927.286	13.954.322
Financial assets at fair value through profit or loss	23	1.364.783	1.664.470
Trade receivables and other receivables	25	39.833.006	55.849.234
Contract Assets	27	27.835.936	10.158.269
Prepayments	24	7.801.573	2.590.628
Income tax	14	1.005.954	967.862
Current tax assets	26	7.589.873	11.375.953
Other current assets	28	13.779.072	9.829.789
Cash and cash equivalents	29	35.004.440	33.414.830
		144.141.923	**139.805.358**
Total assets	**3**	**287.599.902**	**319.717.776**
EQUITY			
Shared capital		50.000.000	50.000.000
Own shares		(2.868.519)	(2.868.519)
Reserves and Retained Earnings		(63.122.514)	(62.306.001)
Profit for the year		23.546.244	1.306.965
Equity attributable to owners of Martifer		**7.555.211**	**(13.867.555)**
Non-controlling interests		(38.953.345)	(35.857.959)
Total equity	**30**	**(31.398.134)**	**(49.725.514)**
LIABILITIES			
Non-current liabilities			
Loans	31	135.933.615	197.382.922
Lease liabilities	32	22.861.195	-
Obligation under finance leases	33	-	12.761.461
Trade payables and Other payables	34	3.959.602	4.588.818
Provisions	35	12.786.201	18.507.817
Other non-current liabilities	39	3.735.113	4.455.191
Deferred tax liabilities	14	3.765.399	4.215.765
		183.041.126	**241.911.975**
Current liabilities			
Loans	31	4.875.458	8.783.585
Lease liabilities	32	1.012.372	-
Obligation under finance leases	33	-	114.992
Trade payables and Other payables	34	53.572.956	54.419.918
Contract Liabilities	38	50.820.907	44.750.097
Income tax	14	918.643	1.228.512
Current tax liabilities	37	3.791.201	3.502.466
Other current liabilities	39	20.965.372	14.731.745
		135.956.909	**127.531.315**
Total liabilities	**3**	**318.998.036**	**369.443.290**
Total equity and liabilities		**287.599.902**	**319.717.776**

The accompanying notes are part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED ON 31 DECEMBER 2019 AND 2018

€	NOTES	SHARED CAPITAL	OWN SHARES	FOREIGN CURRENCY TRANSLATION RESERVES	OTHER RESERVES AND RETAINED EARNINGS	NET PROFIT	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance on 1st January 2018		50,000,000	(2,868,519)	(23,532,740)	(43,663,781)	6,542,295	(13,522,744)	(33,335,001)	(46,857,745)
Appropriation of the profit of 2017		-	-	-	6,542,295	(6,542,295)	-	-	-
COMPREHENSIVE INCOME FOR THE YEAR									
Profit for the period		-	-	-	-	1,306,965	1,306,965	287,017	1,593,982
Exchange differences arising on (i) translating foreign operations and (ii) net investment in subsidiaries		-	-	(3,663,157)	-	-	(3,663,157)	(1,406,002)	(5,069,159)
Exchange differences arising on goodwill	17	-	-	51,570	-	-	51,570	-	51,570
Equity method application effect		-	-	-	1,652,258	-	1,652,258	33,840	1,686,098
Total comprehensive income for the year		**-**	**-**	**(3,611,587)**	**1,652,258**	**1,306,965**	**(652,364)**	**(1,085,146)**	**(1,737,510)**
Hyperinflationary restatement		-	-	(925,117)	690,040	-	(235,077)	(613,511)	(848,588)
Other changes in equity of parent company and subsidiaries		-	-	-	274,605	-	274,605	126,693	401,298
Changes in the consolidation perimeter		-	-	-	268,026	-	268,026	(950,996)	(682,970)
Balance on 31st December 2018		**50,000,000**	**(2,868,519)**	**(28,069,444)**	**(34,236,557)**	**1,306,965**	**(13,867,555)**	**(35,857,959)**	**(49,725,514)**
Balance on 1st January 2019		50,000,000	(2,868,519)	(28,069,444)	(34,236,557)	1,306,965	(13,867,555)	(35,857,959)	(49,725,514)
Appropriation of the profit of 2018		-	-	-	1,306,965	(1,306,965)	-	-	-
COMPREHENSIVE INCOME FOR THE YEAR									
Profit for the period		-	-	-	-	23,546,244	23,546,244	(2,099,565)	21,446,679
Exchange differences arising on (i) translating foreign operations and (ii) net investment in subsidiaries		-	-	(1,862,685)	-	-	(1,862,685)	(680,038)	(2,542,723)
Exchange differences arising on goodwill	17	-	-	32,910	-	-	32,910	-	32,910
Equity method application effect	22, 35	-	-	-	(452,857)	-	(452,857)	4,640	(448,217)
Total comprehensive income for the year		**-**	**-**	**(1,829,775)**	**(452,857)**	**23,546,244**	**21,263,612**	**(2,774,963)**	**18,488,648**
Hyperinflationary restatement		-	-	(458,110)	132,982	-	(325,128)	(422,050)	(747,178)
Other changes in equity of parent company and subsidiaries		-	-	-	320,442	-	320,442	265,468	585,910
Non-controlling interests transactions		-	-	-	163,840	-	163,840	4,640	-
Balance on 31st December 2019		**50,000,000**	**(2,868,519)**	**(30,357,329)**	**(32,765,185)**	**23,546,244**	**7,555,211**	**(38,953,345)**	**(31,398,134)**

The accompanying notes are part of these financial statements.

MARTIFER GROUP

CONSOLIDATED CASH FLOW STATEMENTS FOR THE FINANCIAL YEARS AND SEMESTERS ENDED ON 31 DECEMBER 2019 AND 2018

€	NOTES	FY 2019	FY 2018	2ND HALF 2019 (NON AUDITED)	2ND HALF 2018 (NON AUDITED)
OPERATING ACTIVITIES					
Receipts from customers		231,095,669	208,592,512	130,464,905	104,841,607
Payments to suppliers		(196,720,982)	(167,285,853)	(103,890,303)	(85,877,749)
Payments to employees		(26,094,609)	(34,772,044)	(7,425,627)	(17,373,163)
Cash generated from operations		**8,280,078**	**6,534,615**	**19,148,976**	**1,590,694**
Income tax paid / received		(927,878)	(807,517)	(407,807)	(90,373)
Other receipts/(payments) relating to operating activities	44	5,667,830	5,266,098	(1,955,701)	1,231,401
Cash generated from other operating activities		**4,739,952**	**4,458,581**	**(2,363,508)**	**1,141,028**
Net cash generated by operating activities (1)		**13,020,031**	**10,993,196**	**16,785,468**	**2,731,722**
INVESTING ACTIVITIES					
Receipts arising from:					
Financial assets	44	34,019,270	1,961,627	22,691,770	1,961,627
Tangible fixed assets		1,899,185	935,392	1,885,639	402,381
Loans to related parties		3,071,698	612,373	3,021,698	612,373
Interest and similar income		200,461	51,746	182,672	40,661
Others		38,830	41,579	38,830	5,658
		39,229,444	**3,602,717**	**27,820,609**	**3,022,700**
Payments arising from:					
Financial assets	44	-	(1,323,460)	-	(600,799)
Tangible fixed assets		(289,213)	(1,789,002)	634,067	(835,458)
Intangible assets		(84,664)	(57,125)	(83,810)	(40,967)
Loans to related parties		(210,418)	(1,134,751)	(160,418)	(1,134,751)
Others		(21,231)	(43,697)	16	(11,744)
		(605,526)	**(4,348,035)**	**389,855**	**(2,623,719)**
Net cash generated by investing activities (2)		**38,623,918**	**(745,318)**	**28,210,464**	**398,981**
FINANCING ACTIVITIES					
Receipts arising from:					
Loans	31	-	2,612,083	-	1,000,514
Others		188,000	65	187,989	(4,558)
		188,000	**2,612,148**	**187,989**	**995,956**
Payments arising from:					
Loans	31	(42,007,766)	(19,178,747)	(38,753,746)	(3,710,228)
Lease liabilities		(1,156,653)	-	(536,318)	-
Interest and similar costs		(2,818,820)	(4,657,330)	(708,265)	(2,107,168)
Lease interest		(342,521)	-	(342,521)	(2,107,168)
Others		(340,720)	(254,705)	(5,586)	104,294
		(46,666,480)	**(24,090,782)**	**(40,346,436)**	**(5,713,102)**
Net cash generated by financing activities (3)		**(46,478,480)**	**(21,478,634)**	**(40,158,447)**	**(4,717,146)**
Net increase in cash and cash equivalents (4)=(1)+(2)+(3)		5,165,469	(11,230,756)	4,837,485	(1,841,148)
Changes in the consolidation perimeter and others		(2,310,542)	2,527,472	(2,457,082)	836,725
Effect of foreign exchange currencies		(1,265,317)	(4,228,485)	(924,785)	(1,056,777)
Cash and cash equivalents at the beginning of the period	29	33,414,830	46,346,599	33,548,822	35,476,030
Cash and cash equivalents at the end of the period	29	35,004,440	33,414,830	35,004,440	33,414,830

The accompanying notes are part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 | NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

0. INTRODUCTORY NOTE

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

Martifer SGPS was established on 29 October 2004, and its share capital was performed through the delivery of all the shares, valued at market value, that the shareholders of Martifer Group held in Martifer - Construções, S.A., a subsidiary established in 1990, and which at the time was the parent company of the current Martifer Group. Martifer SGPS is the holding of Martifer Group and has as reference shareholders Mota-Engil, SGPS, S.A. (37.5 %) and I'M, SGPS, S.A. (38 %).

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

On 31 December 2019, the Group develops its activity, mainly in Western Europe (Portugal, Spain, France and the United Kingdom), in Eastern Europe (Poland and Romania), in the Middle East (Saudi Arabia), in Latin America (Argentina), in sub-Saharan Africa (Angola and Mozambique) and in Algeria.

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

1. BASIS OF PREPARATION AND CONSOLIDATION, AND ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

These accompanying financial statements relate to the consolidated financial statements of the companies of Martifer Group and were prepared in accordance with the International Financial Reporting Standards (“IFRS”), as adopted by the European Union, in force at the beginning of the economic period started on 1 January 2019. These correspond to the International Financial Reporting Standards, issued by the International Accounting Standards Board ("IASB"), and to the interpretations issued by the IFRS Interpretations Committee or by the previous Standing Interpretations Committee ("SIC") that have been endorsed by the European Union.

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

The accounting policies and mensuration criteria adopted by the Group in the 2019 financial period were consistent with those applied by the Group in the preparation of the financial information of the previous financial period, presented for comparative purposes, except for the standards and interpretations entering into force on or after 1 January 2019, the adoption of which has not had a significant impact on the Group’s comprehensive income or on the Group's financial position, except for IFRS 16 whose impact is presented in note 1.2.

Amendments to the effective standards as of 1 January 2019:

	EFFECTIVE DATE
IFRS 16 – Leases	01-01-2019
IFRS 9 – Financial instruments	01-01-2019
IAS 19 – Employee benefits	01-01-2019
IAS 28 – Investments in associates and joint ventures	01-01-2019
Annual improvements 2015 – 2017	01-01-2019

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

The impacts of the implementation of IFRS 16 are presented in note 1.2.

Amendment to IFRS 9, 'Prepayment Features with Negative Offset'. This amendment introduces the possibility of classifying financial assets with prepayment conditions with negative offset at amortised cost, provided that specific conditions are verified, instead of being classified at fair value through profit or loss. The adoption of this amendment did not cause significant changes in the presented consolidated financial statements.

Amendment to IAS 19, 'Changes, reductions, and liquidations of defined benefit plans.' This amendment to IAS 19 requires that an entity: (i) uses updated assumptions to determine the current service cost and the net interest for the remainder period after the change, reduction or settlement of the plan; and (ii) recognises the result of the period as part of past service cost, or as a gain or loss in the settlement of any reduction in the surplus of coverage, even though the surplus of coverage has not been previously recognised due to the asset ceiling impact. The asset ceiling impact is always recorded in 'Other comprehensive income', and cannot be recycled by the result of the period. The adoption of this amendment did not cause significant changes in the presented consolidated financial statements.

Amendment to IAS 28, 'Long-term Invenstments in Associates and Joint Ventures'. This amendment clarifies that the long-term investments in associates and joint ventures (components of an entity's investment in associates and joint ventures), which are not being measured using the equity method, are accounted for under IFRS 9 – Financial instruments. The long-term investments in associates and joint ventures are subject to the impairment of estimated losses approach, before being added for the purposes of impairment testing to the overall investment in an associate or joint ventures, when there are impairment indicators. The adoption of this amendment did not cause significant changes in the presented consolidated financial statements.

Improvements to IFRS 2015-2017 standards. This cycle of improvements affects the following regulations: IAS 23, IAS 12, IFRS 3 and IFRS 11. The adoption of these improvements did not cause significant changes in the presented consolidated financial statements.

(New) standards (and amendments) which become effective on or after 1 January 2020, already endorsed by the EU:

	EFFECTIVE DATE
IAS 1 – Presentation of financial statemants ; IAS 8 – Accounting policies, changes in accounting estimates and errors	01-01-2020
Conceptual framework – Amendments to references in other IFRS	01-01-2020

Amendments to IAS 1 and IAS 8, 'Definition of Material' (effective for annual periods beginning on or after 1 January 2020). This amendment introduces a modification to the concept of material and clarifies that the mention of unclear information refers to situations whose effect is similar to omitting or distorting such information, and the entity should assess materiality by considering the financial statements as a whole. Further clarifications are made on the meaning of 'key users of the financial statements', these being defined as 'current and future investors, financiers, and creditors' who rely on the financial statements to obtain a significant part of the information they need.

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

To this date, no significant impacts are expected resulting from the adoption of the standards and amendments referred to above.

(New) standards (and amendments) that become effective on or after 1 January 2020, not yet endorsed by the EU:

	EFFECTIVE DATE
IFRS 3 – Business combinations	01-01-2020
IFRS 9, IAS 39 e IFRS 7 – Interest rate benchmark reform	01-01-2020
IFRS 17 – Insurance contracts	01-01-2021

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

Amendment to IFRS 9, IAS 39 and IFRS 7, 'Interest Rate Benchmark Reform' (effective for annual periods beginning on or after 1 January 2020). These amendments are still subject to approval by the European Union. These amendments are part of the first phase of the IASB 'IBOR Reform' project and allow exemptions related to the reform of the benchmark for reference interest rates. Exemptions refer to coverage accounting in terms of (i) risk components; (ii) 'highly probable' requirement; (iii) prospective assessment; (iv) retrospective efficacy testing (for those adopting IAS 39); and v) recycling of the cash flow coverage reserve, and are intended so that the reform of the reference interest rates does not determine the termination of coverage accounting. However, any ineffectiveness of the established coverage should continue to be recorded in the Profit and Loss Statement.

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

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

Interpretations that become effective on the date stated below:

	EFFECTIVE DATE
IFRIC 23 – Uncertainty over income tax treatments	01-01-2019

IFRIC 23 (new), 'Uncertainty about the treatment of income tax' (to be applied in the periods that start on or after 1 January 2019). It is an interpretation of IAS 12 - 'Income Tax', referring to the requirements of measurement and recognition to be applied when there are uncertainties regarding the acceptance of a particular tax treatment by the Tax Authorities in relation to Income tax. In case of uncertainty regarding the position of the Tax Authorities on a specific transaction, the entity shall make its best estimate and register the assets or liabilities due to tax due on income in accordance with IAS 12 and not IAS 37 - 'Provisions, contingent liabilities and contingent assets', based on the expected value or on the most probable value. The application of the IFRIC 23 can be retrospective or retrospectively modified. The adoption of this interpretation did not cause any change in the classification of balances in the presented consolidated financial statements.

The consolidated financial statements were presented in Euro since it is the main currency of the Group's operations. The financial statements of subsidiaries in foreign currency were converted into Euro in accordance with the accounting policies described in Note 1,4 (xiv).

In the preparation of the consolidated financial statements, in accordance with IAS/IFRS, the Group's Board of Directors adopted certain assumptions and estimates that can affect the assets and liabilities reported, as well as the profits and losses incurred in the reported periods (Note 1.4 xxv). All the Board of Directors' estimates and assumptions were made taking into consideration the best knowledge available at the financial statements' approval date based on the information available at that time.

1.2 COMPARABILITY OF INFORMATION

The consolidated financial statements of Martifer Group on 31 December 2019 were prepared in accordance with the accounting policies and methods of calculation similar to those presented in the 2018 Consolidated Annual Report, with the exception of the effects resulting from the adoption of IFRS 16, as well as subparagraphs (b) and (c) below.

In relation to the new standards that became effective in the period started on 1 January 2019, the main comments on their adoption are presented, as well as the impact caused by them in the annexed consolidated financial statements.

a) Adoption of IFRS 16 - 'Leases'

IFRS 16 - Leases was issued by the International Accounting Standards Board (IASB) in January 2016 and endorsed by the European Union on 31 October 2017, with effective mandatory application date for the periods beginning on 1 January 2019. Martifer Group adopted this standard on the effective date of mandatory application, through the modified retrospective model, without restating the comparative information.

This standard defines the principles for the recognition, measurement and presentation of leases, replacing IAS 17 - Leases and its interpretive guidelines. IFRS 16 introduces a single model for the recognition and accounting of leases in the lessee's perspective. The most significant impact resulting from the application of this standard is the recognition of assets under the right to use and lease liabilities for operating leases, unless the lease period is 12 months or less or if the lease is on low value assets (less than the equivalent of USD 5,000). The accounting of leases in the lessor's perspective remains substantially unchanged from that provided for in IAS 17.

Based on the inventory of existing lease contracts, the Group recognised on 1 January 2019 new assets and liabilities inherent to previous operating leases, as detailed below. In accordance with the standard, the Group has chosen to measure the asset under right of use at the amount equivalent to the lease liability on the initial date of application (adjusted for any amount already paid or any additional cost), this corresponds to the present value of future lease payments, discounted by the interest rate implicit in the case of vehicle leases and in the case of other leases (land, buildings and sub-concessions of shipyards), the incremental financing rate was considered.

The asset under the right of use is depreciated in the shorter period between the useful life of the asset or the duration of the lease contract, and the lease payments are divided between interest and payment of the liability. Changes in the presentation of the costs of operating leases also result in an increase in cash flows resulting from operational activities and a decrease in cash flows resulting from financing activities.

In this sense, the changes resulting from the adoption of IFRS 16, on a consolidated basis, were analysed in order to identify and evaluate the qualitative and quantitative impacts of its adoption.

Accordingly, qualitative changes are as follows:

Registration of all leases in the balance sheet on 1 January 2019, recognising:

- An asset under the right of use, which represents its right to use the underlying asset during the contract period; and
- A lease liability corresponding to payments to be made until the end of the contract.

The adoption of IFRS 16 also had impacts on the profit and loss statement, with depreciations of the asset being recognised separately under the right of use and interest associated with the lease liability, instead of the rents up to that date recognised under the heading of 'External Services and Supplies'.

<u>Types of Leases</u>

The Group listed all lease and service contracts that may include use rights of assets, identifying 3 large groups of leases:

i. Sub-concession leases

Sub-concession contracts which constitute a right of use under IFRS 16. The initial periods of the contracts and the periods of renewal which depend exclusively on Martifer's decision and only Martifer Group is reasonably certain of exercising, have been considered as the lease period.

ii. Location of Land and Buildings

Lease contracts for land and buildings which constitute a right of use under IFRS 16. The initial periods of the contracts and the periods of renewal which depend exclusively on Martifer's decision and only Martifer Group is reasonably certain of exercising, have been considered as the lease period.

iii. Vehicle Leases

The initial periods of the contracts and the periods of renewal which depend exclusively on Martifer's decision and only the Group is reasonably certain of exercising.

In this type of contract, the lease rent value varies depending on the number of kilometres the vehicle is carrying out over the contract period. Thus, only minimum rents for the valuation of liabilities and right of use were considered.

As a practical practice, fixed service associated with each vehicle (variable component) have been included in the accounting of the right to use.

The quantitative impacts resulting from the adoption of IFRS 16 are summarised below. The summary of the impacts of the adoption of IFRS 16 on the Consolidated Statement of Financial Position on 1 January 2019 can be analysed as follows:

€	BALANCES AT 31st DECEMBER 2018	RECLASSIFICATIONS	ADJUSTMENTS	BALANCES AT 1st JANUARY 2019
ASSETS				
Non-current assets				
Goodwill	14,115,669	-	-	14,115,669
Intangible assets	2,231,520	-	-	2,231,520
Tangible fixed assets	107,010,349	(6,270,518)	-	100,739,831
Right-of-use assets	-	6,270,518	7,199,933	13,470,450
Investment properties	20,826,300	-	-	20,826,300
Investments in associate companies and joint arrangements	8,570,878	-	-	8,570,878
Financial assets at fair value through profit or loss	4,585,742	-	-	4,585,742
Trade receivables and other receivables	13,686,344	-	-	13,686,344
Deferred tax assets	8,885,615	-	-	8,885,615
	179,912,418	**-**	**7,199,933**	**187,112,350**
Current assets				
Inventories	13,954,322	-	-	13,954,322
Financial assets at fair value through profit or loss	1,664,470	-	-	1,664,470
Trade receivables and other receivables	55,849,234	-	-	55,849,234
Contract Assets	10,158,269	-		10,158,269
Prepayments	2,590,628	-	-	2,590,628
Income tax	967,862	-	-	967,862
Current tax assets	11,375,953	-	-	11,375,953
Other current assets	9,829,789	-	-	9,829,789
Cash and cash equivalents	33,414,830	-	-	33,414,830
	139,805,358	**-**	**-**	**139,805,358**
Total assets	**319,717,776**	**-**	**7,199,933**	**326,917,709**
EQUITY				
Shared capital	50,000,000	-	-	50,000,000
Own shares	(2,868,519)	-	-	(2,868,519)
Reserves and Retained Earnings	(62,306,001)	-		(62,306,001)
Profit for the year	1,306,965	-	-	1,306,965
Equity attributable to owners of Martifer	**(13,867,555)**	**-**	**-**	**(13,867,555)**
Non-controlling interests	(35,857,959)	-		(35,857,959)
Total equity	**(49,725,514)**	**-**	**-**	**(49,725,514)**
LIABILITIES				
Non-current liabilities				
Loans	197,382,922	-	-	197,382,922
Lease liabilities	-	12,761,461	6,496,644	19,258,105
Obligation under finance leases	12,761,461	(12,761,461)	-	-
Trade payables and Other payables	4,588,818	-	-	4,588,818
Provisions	18,507,817	-	-	18,507,817
Other non-current liabilities	4,455,191	-	-	4,455,191
Deferred tax liabilities	4,215,765	-	-	4,215,765
	241,911,975	**-**	**6,496,644**	**248,408,619**
Current liabilities				
Loans	8,783,585	-	-	8,783,585
Lease liabilities	-	114,992	703,288	818,280
Obligation under finance leases	114,992	(114,992)	-	-
Trade payables and Other payables	54,419,918	-	-	54,419,918
Contracts Liabilities	44,750,097	-	-	44,750,097
Income tax	1,228,512	-	-	1,228,512
Current tax liabilities	3,502,466	-	-	3,502,466
Other current liabilities	14,731,745	-	-	14,731,745
	127,531,315	**-**	**703,288**	**128,234,603**
Total liabilities	**369,443,290**	**-**	**7,199,933**	**376,643,223**
Total equity and liabilities	**319,717,776**	**-**	**7,199,933**	**326,917,709**

As regards previous commitments with financial leases, the accounting values of the assets and liabilities per lease on 31 December 2018 were assumed to be assets under the right to use and lease liabilities on 1 January 2019, according to IFRS 16.

In relation to previous commitments with operating leases, according to IFRS 16, on 1 January 2019 the lease liabilities correspond to the remaining lease payments discounted at the implicit and incremental rate as mentioned above, on the initial application date and the assets under right of use correspond to the value of the lease liabilities as described above.

The details of assets under the right of use recognised with the adoption of IFRS 16 on 1 January 2019 are as follows:

	BALANCES AT 1st JANUARY 2019
Right-of-use assets:	
Land and buildings	7,484,453
Equipments	1,172,898
Other tangible assets	4,813,099
	13,470,450
Tangible fixed assets:	
Land and buildings	(5,611,504)
Equipments	(659,014)
	(6,270,518)
	7,199,933

The details of the amounts to be paid for lease liabilities recognised with the adoption of IFRS 16 on 1 January 2019 are as follows:

	BALANCES AT 1st JANUARY 2019
Lease liabilities - Non-current:	
Rents from lease contracts (IFRS 16) - Non-current	19,258,105
Rents from operational lease contracts (IAS 17) - Non-current	(6,496,644)
Rents from finance leases contracts (IAS 17) - Non-current	(12,761,461)
	-
Lease liabilities - Current:	
Rents from lease contracts (IFRS 16) - Current	818,280
Rents from operational lease contracts (IAS 17) - Current	(703,288)
Rents from finance leases contracts (IAS 17) - Current	(114,992)
	-
	-

b) Reclassification of Impairment losses of financial assets

On 1 January 2018, at the time of the first adoption of IFRS 9, it was foreseen that ‘Impairment losses of financial assets’ would be individualised in a single line of the Consolidated Income Statement of 31 December 2018.

This individualisation was not carried out in the Consolidated Income Statement of 31 December 2018, so we present the following change to the comparibles of 31 December 2018:

CONSOLIDATED INCOME STATEMENT	BALANCES AT 31st DECEMBER 2018	RECLASSIFICATIONS	BALANCES AT 31st DECEMBER 2018 (AFTER RECLASSIFICATIONS)
Other income	16,851,261	(1,082,041)	15,769,220
Impairment losses in financial assets	-	(948,164)	(948,164)
Other expenses	(16,117,043)	2,030,205	(14,086,838)
Total	**734,218**	**-**	**734,218**

c) Classification of payments of social charges with employees in the cash flow statement

In the financial year 2019, payments of social charges with employees were classified in the cash flow statement under the heading “Other receipts/payments of operational activities” while in the financial year 2018 this type of payments was classified under the heading “Payments to Employees”.

1.3 BASIS OF CONSOLIDATION

The consolidation methods adopted by the Group are the following:

a) Group Companies

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

The equity and net profit of these companies attributable to third parties' participation in them are shown both in the consolidated statement of financial position (under the item 'Equity - Non-controlling interests') and in the consolidated P&L statement (included in the net consolidated profit attributable to non-controlling interests), respectively. Companies included in the consolidated financial statements by the full consolidation method are detailed in Note 2.

In business combinations that occurred after 1 January 2004 and until 31 December 2010, the assets and liabilities of each subsidiary (including contingent liabilities) are identified at their fair value on the date of acquisition as stipulated in IFRS 3. Any surplus/ deficit in the acquisition cost compared to the fair value of the net assets and liabilities acquired is recognised, respectively, as the difference of positive acquisition of the asset (*Goodwill*, or to be added to the respective item which originated the difference, when identified), and in case there is a negative acquisition of the asset (*Badwill*), after reconfirmation of the process of recovery of the fair value and in case this is maintained, in the the profit and loss statement of the period. Not controlled interests include the proportion of third parties in the fair value of the assets, liabilities and contingent liabilities identifiable at the date of acquisition of the subsidiaries.

In the combinations of business activities that occurred on or after 1 January 2011 (IFRS 3R), the excess of acquisition cost, the fair value of any share held prior to the acquisition of control and the value of not controlled interests, over the fair value of the assets, liabilities and identifiable contingent liabilities is recorded as *Goodwill*. If the acquisition cost, the fair value of any share held prior to the acquisition of control and the value of not controlled interests is less than the fair value of the net assets of the acquired subsidiary, the difference is directly recognised in the income statement of the period under 'Other operating income'. The transaction costs relating to business combinations that occurred after this date are recognised in expense when incurred.

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

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to adequate their accounting policies to those used by the Group. The transactions, balances and the dividends distributed between Group companies are eliminated in the consolidation process. In situations in which the Group holds, in substance, the control of other entities created with specific purposes, even if they do not have capital holdings in these entities, they are consolidated by the full consolidation method. On 31 December 2019 and 2018 there were no entities in this situation.

b) Associated Companies and jointly controlled Companies

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

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

The assets and liabilities of each subsidiary (including contingent liabilities) are identified at their fair value at the date of acquisition. Any excess in acquisition cost compared to the fair value of the net assets and liabilities acquired is recognised as a positive acquisition difference (Goodwill), being added to the amount of the balance sheet of the financial asset and its recovery is reviewed annually as part of the financial asset and, in case there is a difference of negative acquisition (*Badwill*), after reconfirmation of the fair value valuation process and in case it is maintained, in the P&L statement of the period.

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

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

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

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

1.4 MAIN ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

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

i) Differences in positive acquisition (Goodwill)

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

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

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

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

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

ii) Non-Current assets classified as held for sale

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

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

iii) Intangible assets

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

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

The expenses incurred with the licensing of wind farms is capitalized in intangible assets solely when the following criteria are met:

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

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

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

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

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

iv) Tangible assets

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

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

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

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

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

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

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

v) Leases

v.a) Accounting policy adopted by the Group in 2019 in relation to Leases (under IFRS 16)

Recognition

At the start date of each contract, the Group evaluates whether the scope of the contract corresponds to a lease contract or whether it contains a lease. A lease is defined as a contract, or part of a contract, by which the right to control the use of an identifiable asset, for a given period of time, is conferred in exchange for a price.

To determine whether a contract grants the right to control the use of an identifiable asset for a given period of time, the Group evaluates whether, during the period of use of the asset, it cumulatively has: (i) the right to obtain substantially all economic benefits derived from the use of the identifiable asset; and (ii) the right to control the use of the identifiable asset.

The Group recognises an asset under right of use and a lease liability on the date of entry into force of the lease. The asset under the right of use is initially measured at cost, which includes the initial value of the lease liability adjusted by any lease payments that were made on or before the start date, in addition to any initial direct costs incurred, as well as an estimate of the costs of dismantling and removal of the underlying asset (if applicable), less any incentive granted.

The lease liability is initially recognised by the present value of the rent not yet paid at the date of the lease contract, discounting the interest implicit in the lease, or in cases where it is not possible to determine this rate easily, consider the incremental financing rate. The lease payments included in the measurement of the lease liability include the following:

- fixed payments (including payments in substance which are fixed) minus any incentives already received;
- variable lease payments, dependent on a certain rate or index;
- amounts due under a guarantee of the residual value;
- the exercise price of the purchase option, if it is reasonably certain that the lessee exercises the option;
- payment of penalties for termination of the contract, if it is reasonably certain that the lessee cancels the contract.

After the initial date of application, the lease liability is increased to reflect interest on the liability and reduced to reflect payments made.

The lease liability is measured at the amortised cost, using the effective interest method. It is remeasured when changes are made to future payments arising from a change in the rate or index used to determine such payments, if a change in the Group's estimate of the amount to be paid under a guarantee of residual value occurs, or if the Group changes its assessment on the option to exercise the purchase, its extension or termination.

When the lease liability is remeasured, the value of the asset under the right of use is also adjusted accordingly, or a profit or loss is recorded in the profit and loss statement, if the carrying amount of the asset under the right of use was already reduced to zero.

Whenever the lease contract is modified and the modification does not qualify as a separate lease, the Group remeasures liabilities with undue rents on lease contracts, discounting revised lease payments, at the implicit rate of the lease or at the incremental financing rate determined on the date of the modification.

The Group presents assets under rights of use and lease liabilities under properly segregated items in the statement of financial position.

<u>Short-term financial leases or low-value asset leases:</u>

The Group does not recognise as assets under the right to use or lease liabilities, lease contracts of a duration of less than 12 months or low-value leases. The Group recognises expenditure associated with these leases as a cost of the financial period during the period of life of the contracts.

Variable rents:

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability nor the asset under the right of use. Such payments are recognised as expenses in the period in which the event or condition giving rise to payments occurs.

<u>Depreciation</u>

The asset under the right of use is depreciated using the linear depreciation method, based on the lowest between the useful life of the asset under the right of use or the end of the lease term. The estimated useful life of assets under the right of use is determined on the same basis as for other tangible assets.

<u>Impairments</u>

The asset under the right of use is periodically reduced by impairment losses, and adjusted by certain variations in the obligation for leases associated with the asset.

v.b) Accounting policy adopted by the Group until 31 December 2018 in relation to Leases (under IAS 17)

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

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

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

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

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

vi) Investment Properties

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

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

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

vi) Financial assets and liabilities

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

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

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

vii.1) Financial assets

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

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

Classification of financial assets:

a) Debt and receivables instruments

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

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

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

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

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

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

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

(i) the financial asset is held taking into account a business model whose objective foresees the receipt of its contractual cash flows and its divestiture; and

(ii) the contractual terms of the financial asset give rise, on specific dates, to cash flows that are solely payments of capital and interest on the amount of capital in debt.

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

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

An equity instrument is held for trading, if:

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

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

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

c) Financial assets at fair value through profit and loss

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

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

d) Green certificates

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

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

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

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

Impairment of financial assets

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

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

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

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

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

In the cases in which the balance receivable is payable on demand and the related party has the ability to pay, the probability of default was considered close to 0% and therefore the impairment was considered equal to zero. In the cases in which the balance receivable is not payable on demand, the credit risk of the related company is assessed and if it is 'low' or if the term is less than 12 months, Martifer only assesses the probability of occurrence of default for the cash flows that are due in the following 12 months.

For all other situations and types of balances receivable, the Group applies the general approach of the impairment model, assessing on each reporting date if there has been a significant increase in the credit risk since the date of the initial recognition of the asset. If there hasn't been an increase in the credit risk, Martifer calculates an impairment corresponding to the amount equivalent to the expected losses in a period of 12 months. If there has been an increase in the credit risk, the Group calculates an impairment corresponding to the amount equivalent to the expected losses for all contractual cash flows until the asset's maturity. The assessment of the credit risk is carried out according to the criteria disclosed in the credit risk management policies included in Note xxix) (e).

Write-offs Policy

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

Derecognition of financial assets

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

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

vii.2) Financial liabilities and equity instruments

Classification as a financial liability or as an equity instrument

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

Equity

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

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

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

Financial liabilities

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

Financial liabilities are recorded at fair value through results when:

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

A financial liability is classified as held for trading if:

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

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

Financial liabilities measured subsequently to the amortised cost

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

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

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

Types of financial liabilities

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

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

Derecognition of financial liabilities

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

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

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

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

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

vii.3) Financial derivatives

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

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

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

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

(a) The hedging relationship is composed only by eligible hedging instruments and eligible hedged items;
(b) At the beginning of the hedging relationship, there is a formal description and documentation regarding the hedging relationship and the risk management goal and strategy of the entity to make the hedging; and
(c) The hedging relationship satisfies all the following requirements of hedging effectiveness:

(i) There is an economic relationship between the hedged item and the hedging instrument;
(ii) The credit risk effect does not dominate the changes in value that result from that economic relationship; and
(iii) The hedging ratio of the hedging relationship is the same that results from the amount of the hedged item that an entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that amount of the hedged item.

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

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

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

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

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

A financial derivative is presented as a non-current assets or non-current liability if its residual maturity term does not exceed12 months from the report date and it is not expect that it is materialised or settled within 12 months from the date referred to above. The remaining financial derivatives are presented as current assets or current liabilities.

vii.4) Fair value of financial assets and liabilities

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

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

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

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

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

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

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

viii) Cash and cash equivalents

'Cash and cash equivalents' include cash on hand, current and term bank deposits, and other treasury applications (with maturity under three months, readily convertible into a known cash amount and which are not subject to a significant risk of change in value).

ix) Inventories

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

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

x) Accruals and deferrals

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

xi) Revenue

The Group's main revenue sources can be detailed as follows:

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

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

(iii) Sale of Energy - This area includes, essentially, the activity of generation and trading of electricity.

<u>Nature, performance bonds and moment of recognition of revenue</u>

(i) Metallic Constructions/ Shipbuilding and ship repair.

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

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

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

For the purposes of applying the method of the performance measurement reports costs related to training, budgeting, travel, etc. are not considered, to the extent that they do not reflect the progress and the transfer of control to the client.

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

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

(ii) Operation & Maintenance

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

(iii) Sale of Energy

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

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

<u>Significant financing components</u>

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

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

<u>Variable revenue components</u>

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

<u>Assets associated with the agreements with clients</u>

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

<u>Liabilities related to agreements with clients</u>

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

Costs associated with the fulfilment of agreements with clients

The costs associated with the fulfillment of agreements with clients are recognised in the consolidated statement of financial position when:

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

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

The costs associated with the fulfillment of agreements with clients are recognised throughout the duration of the construction agreement in operational costs items.

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

xii) Own work capitalised

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

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

xiii) Expenditure with the preparation of proposals

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

xiv) Balances and transactions expressed in foreign currency

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

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

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

1 € EQUALS:	CLOSING RATE			AVERAGE RATE		
	FY 2019	FY 2018	EVOLUTION IN %	FY 2019	FY 2018	EVOLUTION IN %
Polish zloty	4.257	4.301	-1.0%	4.298	4.261	0.8%
Romanian new leu	4.783	4.664	2.6%	4.745	4.654	2.0%
US dollar	1.123	1.145	-1.9%	1.119	1.181	-5.2%
South african rand	15.777	16.459	-4.1%	16.176	15.619	3.6%
Brazilian real	4.516	4.444	1.6%	4.413	4.308	2.4%
Angolan kwanza	557.106	361.823	54.0%	557.106	361.823	54.0%
Moroccan dirham	10.726	10.952	-2.1%	10.759	11.075	-2.9%
Pound sterling	0.851	0.895	-4.9%	0.878	0.885	-0.8%
Mozambique metical	68.550	70.360	-2.6%	69.349	70.728	-1.9%
Saudi riyal	4.209	4.287	-1.8%	4.198	4.429	-5.2%
Ukrainian hryvna	26.708	31.678	-15.7%	28.898	32.099	-10.0%
Argentinian peso	67.226	43.163	55.8%	67.226	43.163	55.8%
Swiss franc	1.085	1.127	0.0%	1.112	1.155	0.0%
Colombian Peso	3,682.970	3,722.038	-1.0%	3,669.590	3,471.017	5.7%
United arab emirates dirham	4.125	4.207	0.0%	4.111	4.336	0.0%
Peruvian nuevo sol	3.712	3.863	-3.9%	3.732	3.875	-3.7%

xv) Income Taxes

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

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

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

Deferred tax assets are only recognized to the extent that there is a reasonable probability that taxable profits will be available against which to offset them. At the date of each financial position statement, deferred tax assets are reviewed and derecognised whenever it stops being probable that they will have a future use.

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

The amount of deferred tax resulting from transactions or events recognised in equity accounts is recorded directly under these same items, not affecting the income statement.

For jurisdictions in which there was no clarification regarding the acceptance as a tax cost of registering asset rights and their subsequent depreciation, of lease liabilities and associated financial expenses, as provided for in IFRS 16, the Board of Directors decided for the sake of prudence to consider that records made in respect of lease contracts previously classified as operating lease are not tax relevant and the amount of rent paid is only accepted as tax cost. Thus, and applying the exemption from the initial recognition of an asset or liability, provided for in paragraph 15 of IAS 12 – Income Tax, the Group has not recorded deferred taxes related to the temporary differences resulting from the application of IFRS 16.

xvi) Financial charges on loans

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

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

xvii) Provisions

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

The provisions constituted by Martifer Group essentially result from:

a) Construction guarantees

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

b) Onerous contracts

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

c) Ongoing legal claims

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

d) Financial assets in equity method

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

xviii) Subsidies granted by the State

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

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

xix) Impairment of assets that are not *Goodwill*

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

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

xx) Employee benefits

Variable remuneration

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

xxi) Classification in the financial position statement

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

xxii) Contingent assets and liabilities

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

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

xxiii) Cash Flow Statement

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

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

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

xxiv) Subsequent events

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

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

xxv) Judgements and estimates

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

The most significant accounting estimates reflected in the consolidated financial statements for the periods ended on 31 December 2019 and 2018 include:

a) <u>useful lives of tangible assets (see Note 1.4. iv);</u>

The useful life of an asset is the time during which an entity expects that an asset is available for use and this should be reviewed at least at the end of each financial year.

The determination of the useful lives of the assets, the method of amortisation/ depreciation to be applied and the estimated losses deriving from the replacement of equipment before the end of its useful life, due to technological obsolescence, is essential to determine the amount of amortisation/ depreciation to be recognised in the consolidated P&L statement of each period.

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

b) <u>fair value of investment property (see Note 1.4. vi);</u>

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

The information on the most relevant assumptions used in determining the fair value for the main property held by the Group is disclosed in Note 21.

c) <u>impairment to *Goodwill* (see Note 1.4.i);</u>

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

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

d) <u>provisions and contingent liabilities (see Note 1.4. xvii and Note 1.4. xxii);</u>

The Group analyzes on a regular basis any obligations arising from past events and that should recognised or disclosed. The subjectivity inherent in the determination of the probability of the existence of this responsibility and of the amount of internal resources necessary for the payment of obligations may lead to significant adjustments, either by varying the assumptions used, or by the future recognition of provisions previously disclosed as contingent liabilities.

e) <u>impairment of assets that are not *Goodwill* (See Note 1.4. xix);</u>

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

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

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

f) <u>impairment losses of receivables (see Note 1.4.vii.1);</u>

The impairment losses on accounts receivable are calculated as indicated in Note 1.4.vii.1). Thus, the determination of impairment through the individual analysis corresponds to the judgment of the Group on the economic and financial situation of their clients and its estimate of the value assigned to any existing warranties, with the consequent impact on expected future cash flows. On the other hand, expected impairment losses in credit granted are calculated taking into account a set of historical information and assumptions, which may not be representative of future uncollectability of debtors of the Group.

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

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

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

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

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

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

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

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

In 2019, IMF data shows that the rate of inflation accumulated over the three-year period should fall below 100% in 2019. Local inflation data are consistent with IMF projections for 2019. Qualitative indicators are mixed, but they also suggest that Angola is no longer hyperinflationary. When a country's economy ceases to be classified as hyperinflationary, IAS 29 considers that the values reported in the financial statements at the end of the previous reporting period are considered the carrying amounts of the subsequent financial statements, i.e. the updated values are the cost bases of any non-monetary items in subsequent financial statements.

The date considered as the last report for Angola within hyperinflation was on 30 June 2019, and the values of this country are maintained until the restated balance items are exhausted.

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

For Argentina in 2019, the IMF considers that it is still hyperinflationary since, in the cumulative period of 3 years ending on 31 December 2019, it still maintains in accumulated terms above 100%.

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

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

a) Selection of the general price index to be used

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

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

PRICE INDEX 2019	
DATE	ARGENTINA
31-12-2015	381.480
31-03-2016	325.504
30-06-2016	300.826
30-09-2016	290.588
31-12-2016	283.444
31-03-2017	267.028
30-06-2017	253.420
30-09-2017	241.082
31-12-2017	227.127
31-03-2018	212.947
30-06-2018	195.742
30-09-2018	171.537
31-12-2018	153.832
31-03-2019	137.623
30-06-2019	125.675
30-09-2019	111.720
31-12-2019	**100.000**

b) Financial Position Statement

i) Segregation of monetary and non-monetary items:

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

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

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

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

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

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

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

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

d) Reconciliation of gains/ losses of the restatement due to hyperinflation

e) Cash Flow Statement

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

f) *Reporting* to the Group

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

In accordance with IAS 21, when the amounts are translated into the currency of a hyperinflationary economy, the comparative amounts should be those that have been presented as amounts of the current year in the relevant financial statements of the previous year.

xxvii) Segment Reporting

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

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

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

xxviii) Earnings per share

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

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

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

xxix) Financial risk management

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

a) Price risk

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

In recent years, the evolution of steel and aluminium prices was marked by the trade war between the USA and China which have led to the implementation of fees on the import of steel and aluminium from third countries; there has been a sharp rise in the price of Steel that has reached values close to historic highs in September 2018. Despite the adjustment to lower levels, at the end of 2018 and during the first half of 2019, the price of steel continued its upward trajectory, reaching the price of 126 USD per tonne (maximum values of January 2014). However, in the second half of the year, prices began to decline moderately. Prices are estimated to remain high at the beginning of 2020, relieving as the year progresses.

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

In the ‘Renewables’ segment, as a way of controlling the price risk of selling energy, particularly in projects which do not have a regulated tariff, the Group has as its policy the fixing of the sale price of energy on at least an annual basis. Thus, this drop in the price of energy sale will have no impact on the profitability of the renewable energy production projects in operation owned by the Group.

b) Foreign exchange risk

Foreign exchange risk has a strong interdependence with the other types of risk, with reference to the risk of countries, through the evolution of economies and their impact on inflation and interest rates and credit risk, due to the possibility of currency fluctuations which may jeopardise future financial flows, originating the possibility of recording losses or gains as a result of changes in exchange rates among different currencies.

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

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

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

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

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

The year 2019 was marked by the expectation of the outcome of *Brexit* , which culminated in the United Kingdom’s definitive exit from the European Union on 31 January 2020. After that date, the United Kingdom ceased to be a member of the European Union (EU), and a transitional period began which involves negotiating the agreements that will guide future relations between the country and the EU member states. After a long period of anticipation relating the outcome of this process, ensuring an orderly exit brought greater stability to markets that suggested greater stability in the evolution of Pound Sterling.

In 2019, despite some indications of the recovery of the Angolan economy, the cycle of scarce transactionable currencies in Angola remained.

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

The amounts of materially relevant Group assets and liabilities (in Euros), recorded in a currency other than the Euro, may be summarised as follows:

	ASSETS		LIABILITIES	
	FY 2019	FY 2018	FY 2019	FY 2018
New leu (Romania)	100,351,927	111,452,450	57,436,976	64,506,954
Zloty (Poland)	34,311,093	31,774,898	68,574,203	68,318,011
Swiss Franc (Switzerland)	2,452,289	2,797,096	2,195,066	2,691,178
Kwanza (Angola)	21,016,767	26,101,333	32,723,884	27,472,030
Real (Brazil)	4,864,060	4,932,715	2,276,799	2,253,191
Moroccan dirham (Morocco)	733,628	1,082,710	1,776,231	1,587,056
Pound sterling (United Kingdom)	17,891,626	14,165,587	17,258,712	13,654,382
Saudi Riyal (Saudi Arabia)	8,703,673	6,821,282	6,470,986	5,205,125

An analysis of fluctuations in exchange rates that occurred between 2018 and 2019 was done, and consequently projected potential reductions that will occur in 2020. The potential impacts generated in the financial statements of the Group due to translating the financial statements of its subsidiaries that report in a currency other than Euro, considering the average values of the depreciation of the exchange rates referred to above, can be summarised as follows (amounts in Euro):

	LOCAL CURRENCY CHANGE AGAINST EURO	FY 2019		FY 2018	
		IMPACT ON PROFITS	IMPACT ON EQUITY	IMPACT ON PROFITS	IMPACT ON EQUITY
New leu (Romania)	3%	20,151	(1,249,950)	117,873	(1,367,345)
Zloty (Poland)	3%	22,404	997,955	53,742	1,064,363
Swiss Franc (Switzerland)	1%	(1,310)	(2,547)	(1,034)	(1,049)
Pound sterling (United Kingdom)	3%	(4,209)	(18,434)	37,755	(14,889)
Moroccan dirham (Morocco)	5%	25,049	49,648	(15,698)	24,016
Kwanza (Angola)	12%	792,736	1,254,334	213,852	146,860
Real (Brazil)	12%	9,604	(277,207)	116,114	(287,092)
Saudi Riyal (Saudi Arabia)	12%	(62,429)	(239,216)	(84,306)	(173,160)

c) Interest rate risk

The Interest rate risk reflects the possibility of fluctuations in the amount of future financial fees on loans contracted due to the evolution of the market interest rate level.

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

The Group's exposure to interest rate risk arises from financial liabilities contracted at a variable rate, so changes in the interest rate have a direct impact on the value of the interest, consequently causing cash variations.

During the year 2019, the reference interest rates in the Euro Area remained at very low levels in line with what has been occurring in the last years.

In the European Central Bank projections, published in March 2020 ("ECB Staff macroeconomic projections for the Euro area, March 2020"), short-term interest rates should remain negative until 2022.

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

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

d) Liquidity Risk

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

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

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

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

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

As a result of the measures previously mentioned, it appears that, on 31 December 2019, the current assets largely surpass the current liabilities. Thus, the liquidity risk is greatly reduced, given Martifer's capacity in the transformation of its short-term assets in liquidity, which can be shown as follows:

	FY 2019	FY 2018
Current Assets	144,141,923	139,805,358
Current Liabilities	(135,956,909)	(127,531,315)
Operational cash-flows (2020)	3,005,087	13,020,032
Estimated Net Interests (2020)	(6,060,876)	(2,960,880)
Total	**5,129,225**	**22,333,194**

The table below analyzes the financial liabilities of the Group, by relevant maturity groups based on the remaining period up until the contractual maturity at the date of the financial reporting. The amounts shown in the table are future cash flows contractualized but not discounted:

FY 2019	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS
Financial institutions loans:			
- Bank loans	4,432,820	64,861,241	70,230,455
- Authorized overdrafts	297,070	-	-
- Interest estimated to maturity, not discounted	4,091,029	8,985,890	3,631,551
Other loans	145,568	680,599	161,320
Suppliers and Other Creditors, non Group	53,572,956	3,545,024	-
	62,539,444	**78,072,754**	**74,023,326**

FY 2018	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS
Financial institutions loans:			
- Bank loans	7,912,199	144,249,070	52,310,003
- Bank overdrafts	391,648	-	-
- Authorized overdrafts	457,406	-	-
- Interest estimated to maturity, not discounted	2,693,003	9,805,483	1,977,115
Other loans	22,332	609,852	213,997
Suppliers and Other Creditors, non Group	54,419,918	4,588,818	-
	65,896,506	**159,253,223**	**54,501,115**

e) Credit Risk

Following the measures imposed by central banks on banking after the 2012 financial crisis, banks are in a much more stable financial position than in the past and despite being more careful in granting credit, the improvement in the conditions for obtaining credit by companies was already being observed since 2019.

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

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

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

The Group operates in several countries, spread over 4 continents, and in 3 business segments that include different types of products and services and, therefore, do not have a significant concentration of credit risk. In many of the projects, particularly in the metallic constructions segment, the Group receives prepayments from clients who also allow the mitigation of credit risk. As a general rule, a significant part of the Group's clients does not have an assigned *external credit rating*.

The Group considers the likelihood of default with the initial recognition of the asset and depending on the occurrence of significant increases in the credit risk continuously in each reporting period. In order to assess whether there was a significant increase in credit risk, the Group compares the default risk occuring by reference to the date of report with the default risk assessed by reference to the date of initial recognition.

In order to assess whether there was a significant increase in credit risk, the Group takes into account, among others, the following indicators:

- Internal credit risk;

- External credit risk (if available);

- Current or expected adverse changes at the level of the operating results of the debtor;

- Meaningful increases in credit risk of other financial instruments of the debtor;

- Significant changes in the value of collaterals on the responsibilities, or the quality of guarantees to third parties;

- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment conditions at the Group level to which the debtor belongs.

Regardless of the above analysis, a significant increase in credit risk is assumed if a debtor is overdue more than 90 days from the contractual date of payment. Default is considered when the debtor does not comply with the contractual payments up to 360 days from the date of expiration of the invoices.

The Group applies the simplified approach to calculate and record the estimated credit losses as required by IFRS 9, which allows the use of impairments for estimated losses for all balances for "Clients" and "Other debtors". In the calculation of estimated credit losses, the balances of "Clients", "Other debtors" and "Assets associated with the contracts with clients" are aggregated on the basis of credit risk characteristics and seniority. A risk matrix is applied to the balances in question, calculated as explained in Note 1.4 vii.1 and impairments are calculated for estimated losses. This analysis is done individually by each of the Group's companies.

In 2019 and 2018 the risk matrix with the estimated average loss rates (excluding companies that calculate intangible rates) by country was the following:

FY 2019 - GEOGRAPHY	NOT DUE	PAST DUE			
		UNTIL 90 DAYS	90 TO 180 DAYS	180 TO 360 DAYS	MORE THAN 360 DAYS
Portugal	1.78%	2.62%	11.32%	16.80%	50.38%
Angola	13.83%	16.64%	30.63%	43.86%	71.85%
Saudi Arabia	5.20%	5.65%	14.75%	18.70%	31.49%
Romania	1.97%	2.06%	7.84%	21.56%	30.40%
Estimated average rate of impairment	**5.70%**	**6.74%**	**16.13%**	**25.23%**	**46.03%**

FY 2018 - GEOGRAPHY	NOT DUE	PAST DUE			
		UNTIL 90 DAYS	90 TO 180 DAYS	180 TO 360 DAYS	MORE THAN 360 DAYS
Portugal	1.97%	2.92%	11.37%	16.73%	46.05%
Angola	4.94%	7.27%	18.56%	29.23%	58.96%
Saudi Arabia	6.94%	7.53%	19.66%	24.93%	41.98%
Romania	1.48%	1.60%	8.04%	20.97%	44.86%
Estimated average rate of impairment	**3.83%**	**4.83%**	**14.41%**	**22.96%**	**47.96%**

The Group's maximum exposure to credit risk is as follows:

	FY 2019	FY 2018
Trade debtors (Note 25)	75,697,013	80,864,522
Other debtors (Note 25)	6,499,120	13,991,308
Other current assets (Note 28)	2,870,038	2,823,611
Cash equivalents (Note 29)	34,931,100	33,361,098
Total	**119,997,271**	**131,040,539**

In addition, there is also another asset that is also exposed to credit risk, registered in 'Contract Assets '(Note 27), whose amount at the end of 2019 amounted to 27,835,936 Euros (in 2018, it was 10,158,269 Euros).

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

RATING MOODY'S	CASH EQUIVALENTS VALUES	
	FY 2019	FY 2018
Not assigned*	6,266,980	4,139,614
A1	1,404,984	-
A2	4,306	26,788
A3	206,370	960,360
AA3	-	9,375
B3	-	3,524,545
B-	4,854,362	-
BA1	292,594	3,142,450
BAA1	95,621	1,332,304
BAA2	-	4,401,879
BAA3	31,075	3,280,853
BAAA1	1,239,114	-
BAAA2	706,391	-
BAAA3	5,198,429	-
CAA1	341,930	12,596,660
CAAA2	14,362,282	-
Total	**35,004,440**	**33,414,828**

*In 'Unassigned' 1.3 million Euros of Angolan financial institutions are considered in 2019 (2,6 million Euros in 2018).

xxx) Management of operational risks

a) Metallic Constructions

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

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

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

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

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

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

b) Naval Industry

Companies in the Naval Iindustry segment (West Sea and Navalria) are exposed to:

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

c) Renewables

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

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

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

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

LICENSING:

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

REGULATION:

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

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

xxxi) Management of legal risks

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

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

Those comprising the abovementioned legal and advisory departments have specialised training and regularly participate in training sessions.

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

xxxii) Capital management

The objective of the Group regarding capital management is to maintain an optimal capital structure, through the prudent use of debt, seeking thereby to reduce its cost.

Debt contracting is analysed periodically through the weighting of factors such as financing costs and the investment needs of the operational companies of the Group.

On 31 December 2019 the Group's consolidated Equity is negative in 31.4 million Euros, registering a significative increase compared to 2018.

As mentioned in Note 1.4 xxix (d), the Group has sufficient funds to meet its responsibilities.

Regarding indebtedness, it significantly decreased compared to the previous year (the comparable gross debt registered a reduction of 65 million Euros).

On 31 December 2019, bank indebtedness represents 48 % of the liabilities (59 % in the year 2018).

2. COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

On 31 December 2019 and 2018, the compamies included in the consolidation, their methods of consolidation, as well as their headquarters and proportion of capital held, are as follows:

COMPANIES CONSOLIDATED BY THE FULL CONSOLIDATION METHOD

				SHARE CAPITAL HELD PERCENTAGE BY MARTIFER SGPS			FY 2018
COMPANY	HEAD OFFICE	COUNTRY	DESIGNATION	DIRECTLY	INDIRECTLY	TOTAL	TOTAL
Martifer SGPS, S.A.	**Oliveira de Frades**	**Portugal**	**Martifer SGPS**	**Holding**			
Martifer Metallic Constructions SGPS, S.A.	**Oliveira de Frades**		**Martifer Metallic Constructions**	**75.00%**	**-**	**75.00%**	**75.00%**
Martifer - Construções Metalomecânicas, S.A.	Oliveira de Frades	Portugal	Martifer Construções	-	75.00%	75.00%	75.00%
Martifer Mota-Engil Coffey Construction Joint Venture Limited	Dublin	Ireland	MMECC [1)]	-	45.00%	45.00%	45.00%
Martifer Alumínios Angola, S.A.	Luanda	Angola	Martifer Alumínios Angola [2)]	-	59.06%	59.06%	75.00%
Martifer Aluminium Limited	Dublin	Ireland	Martifer Aluminium Irlanda	-	75.00%	75.00%	75.00%
Martifer Aluminium UK Limited	London	United Kingdom	Martifer Aluminium Reino Unido	-	75.00%	75.00%	75.00%

				SHARE CAPITAL HELD PERCENTAGE BY MARTIFER SGPS			FY 2018
COMPANY	HEAD OFFICE	COUNTRY	DESIGNATION	DIRECTLY	INDIRECTLY	TOTAL	TOTAL
Promoquatro – Investimentos Imobiliários, Lda.	Oliveira de Frades	Portugal	Promoquatro	-	75.00%	75.00%	75.00%
Martifer Construções Sucursal Genebra	Geneva	Switzerland	MTC Sucursal Genebra	-	75.00%	75.00%	75.00%
Martifer – Construcciones Metálicas España, S.A.	Madrid	Spain	Martifer Espanha	-	75.00%	75.00%	75.00%
Martifer – Construções Metálicas Angola, S.A.	Luanda	Angola	Martifer Angola	-	59.06%	59.06%	59.06%
Martifer Construction Limited	Dublin	Ireland	Martifer Irlanda	-	75.00%	75.00%	75.00%
Jubimax Sp. Zo.o.	Gliwice	Poland	Jubimax	-	75.00%	75.00%	75.00%
Martifer Constructions, SAS	Rungis	France	Martifer França	-	75.00%	75.00%	75.00%
Martifer Romania SRL	Bucharest	Romania	Martifer Romenia	2.00%	73.50%	75.50%	75.50%
Liszki Green Park, Sp. Zo.o	Gliwice	Poland	Liszki Green Park	-	67.50%	67.50%	67.50%
Park Logistyczny Biskupice	Gliwice	Poland	Biskupice 3)	-	-	-	75.00%
M City Gliwice Sp. Zo.o	Gliwice	Poland	M City Gliwice	-	75.00%	75.00%	75.00%
Savimex Sp. z o.o.	Gliwice	Poland	Savimex	-	75.00%	75.00%	75.00%
Sociedade de Madeiras do Vouga, S.A.	Albergaria-a-Velha	Portugal	Madeiras do Vouga	-	75.00%	75.00%	75.00%
Martifer Retail & Warehousing Angola, S.A.	Luanda	Angola	Martifer Retail Angola	-	75.00%	75.00%	75.00%
Martifer UK Limited	London	United Kingdom	Martifer UK	-	75.00%	75.00%	75.00%
MT Construction Maroc, S.A.R.L.	Tangier	Marocco	Martifer Marrocos	-	75.00%	75.00%	75.00%
Saudi Martifer Constructions LLC	Riyadh	Saudi Arabia	Martifer Arábia Saudita	-	75.00%	75.00%	75.00%
Martifer Consulting DWC LLC	Dubai	United Arab Emirates	Martifer Consulting	-	75.00%	75.00%	75.00%
Martifer Energia S.R.L.	Bucharest	Romania	Martifer Energia Roménia	-	75.00%	75.00%	75.00%
Martifer Energia LLC	Kiev	Ukraine	Martifer Energia Ucrânia	-	75.00%	75.00%	75.00%
Martifer Energy Systems PTY	Cape Town	South Africa	Martifer Energia África do Sul	-	63.75%	63.75%	63.75%
Navalria – Docas, Construções e Reparações Navais, S.A.	Aveiro	Portugal	Navalria	-	75.00%	75.00%	75.00%
West Sea - Estaleiros Navais, Lda.	Oliveira de Frades	Portugal	West Sea	-	75.00%	75.00%	75.00%
Martifer Construcciones Peru, S.A.	Lima	Peru	Martifer Peru	-	75.00%	75.00%	75.00%
Global Holding Limited	Zebbug	Malta	Global Holding Limited	-	75.00%	75.00%	75.00%
Global Engineering & Construction Limited	Zebbug	Malta	Global Engineering	-	75.00%	75.00%	75.00%
Martifer Solar SGPS, S.A.	**Oliveira de Frades**	**Portugal**	**Martifer Solar SGPS**	-	-	-	**100.00%**
Martifer Renewables SGPS, S.A.	**Oliveira de Frades**	**Portugal**	**Martifer Renewables SGPS**	**100.00%**	**-**	**100.00%**	**100.00%**
Martifer Renewables, S.A.	Oliveira de Frades	Portugal	Martifer Renewables SA	-	100.00%	100.00%	100.00%
Martifer Renewables ETVE, S.A.U.	Madrid	Spain	Martifer Renovables	-	-	-	100.00%
Eurocab FV 1 S.L.	Madrid	Spain	Eurocab 1	-	-	-	100.00%
Eurocab FV 2 S.L.	Madrid	Spain	Eurocab 2	-	-	-	100.00%
Eurocab FV 3 S.L.	Madrid	Spain	Eurocab 3	-	-	-	100.00%
Eurocab FV 4 S.L.	Madrid	Spain	Eurocab 4	-	-	-	100.00%
Eurocab FV 5 S.L.	Madrid	Spain	Eurocab 5	-	-	-	100.00%
Eurocab FV 6 S.L.	Madrid	Spain	Eurocab 6	-	-	-	100.00%
Eurocab FV 7 S.L.	Madrid	Spain	Eurocab 7	-	-	-	100.00%
Eurocab FV 8 S.L.	Madrid	Spain	Eurocab 8	-	-	-	100.00%
Eurocab FV 9 S.L.	Madrid	Spain	Eurocab 9	-	-	-	100.00%
Eurocab FV 10 S.L.	Madrid	Spain	Eurocab 10	-	-	-	100.00%
Eurocab FV 11 S.L.	Madrid	Spain	Eurocab 11	-	-	-	100.00%
Eurocab FV 12 S.L.	Madrid	Spain	Eurocab 12	-	-	-	100.00%
Eurocab FV 13 S.L.	Madrid	Spain	Eurocab 13	-	-	-	100.00%

				SHARE CAPITAL HELD PERCENTAGE BY MARTIFER SGPS			FY 2018
COMPANY	HEAD OFFICE	COUNTRY	DESIGNATION	DIRECTLY	INDIRECTLY	TOTAL	TOTAL
Eurocab FV 14 S.L.	Madrid	Spain	Eurocab 14	-	-	-	100.00%
Eurocab FV 15 S.L.	Madrid	Spain	Eurocab 15	-	-	-	100.00%
Eurocab FV 16 S.L.	Madrid	Spain	Eurocab 16	-	-	-	100.00%
Eurocab FV 17 S.L.	Madrid	Spain	Eurocab 17	-	-	-	100.00%
Eurocab FV 18 S.L.	Madrid	Spain	Eurocab 18	-	-	-	100.00%
Eurocab FV 19 S.L.	Madrid	Spain	Eurocab 19	-	-	-	100.00%
Eviva Energy S.R.L.	Bucharest	Romania	Eviva Roménia	-	100.00%	100.00%	100.00%
Eviva Nalbant S.R.L.	Bucharest	Romania	Eviva Nalbant	-	100.00%	100.00%	100.00%
Eviva Agighiol S.R.L.	Bucharest	Romania	Eviva Agighiol	-	100.00%	100.00%	100.00%
Eviva Casimcea S.R.L.	Bucharest	Romania	Eviva Casimcea	-	100.00%	100.00%	100.00%
Martifer Renewables, S.A.	Gliwice	Poland	Eviva Polónia	-	100.00%	100.00%	100.00%
PV Sol 1 Sp. Zo.o	Kracow	Poland	PV Sol 1	-	100.00%	100.00%	100.00%
PV Sol 2 Sp. Z o.o	Kracow	Poland	PV Sol 2	-	100.00%	100.00%	100.00%
PV Sol 3 Sp. Z o.o	Kracow	Poland	PV Sol 3	-	100.00%	100.00%	100.00%
PV Sol 4 Sp. Zo.o	Kracow	Poland	PV Sol 4	-	100.00%	100.00%	100.00%
PV Sol 5 Sp. Z o.o	Kracow	Poland	PV Sol 5	-	100.00%	100.00%	100.00%
PV Sol 6 Sp. Z o.o	Kracow	Poland	PV Sol 6	-	100.00%	100.00%	100.00%
Eviva Beteiligungsverwaltungs GmbH	Vienna	Austria	Eviva GmbH	-	100.00%	100.00%	100.00%
Martifer Deutschland GmbH	Berlin	Germany	Martifer Deutschland	-	100.00%	100.00%	100.00%
Wind Farm Bukowsko Sp. Zo.o	Gliwice	Poland	Wind Farm Bukowsko	-	100.00%	100.00%	100.00%
Wind Farm Markowa Sp. Zo.o	Gliwice	Poland	Wind Farm Markowa	-	100.00%	100.00%	100.00%
Wind Farm Lada Sp. Zo.o	Gliwice	Poland	Wind Farm Lada	-	100.00%	100.00%	100.00%
Wind Farm Jawornik Sp. Zo.o	Gliwice	Poland	Wind Farm Jawornik	-	100.00%	100.00%	100.00%
Wind Farm Piersno Sp. Zo.o	Gliwice	Poland	Wind Farm Piersno	-	100.00%	100.00%	100.00%
Wind Farm Oborniki Sp. Zo.o	Gliwice	Poland	Wind Farm Oborniki	-	100.00%	100.00%	100.00%
FW Warta Sp. Z.o.o	Krakow	Poland	Warta	-	100.00%	100.00%	100.00%
Martifer Renewables Italy BV	Amsterdam	Netherlands	Renewables Italy Holanda	-	100.00%	100.00%	100.00%
Cedilhas ao Vento S.A.	Oliveira de Frades	Portugal	Cedilhas ao Vento	-	100.00%	100.00%	100.00%
Martifer Renewables Brasil LTDA	Fortaleza	Brazil	Martifer Renewables Brasil	-	100.00%	100.00%	100.00%
MSPAR Energia e Participações, SA	Barueri	Brazil	MSPAR	-	100.00%	100.00%	100.00%
Floresta I, Geração de Energia S.A.	Areia Branca	Brazil	Floresta I	-	99.00%	99.00%	99.00%
Floresta II, Geração de Energia S.A.	Areia Branca	Brazil	Floresta II	-	99.00%	99.00%	99.00%
Floresta III, Geração de Energia S.A.	Areia Branca	Brazil	Floresta III	-	99.00%	99.00%	99.00%
Floresta IV, Geração de Energia S.A.	Areia Branca	Brazil	Floresta IV	-	99.00%	99.00%	99.00%
Martifer Renewables O&M Sp. z o.o.	Gliwice	Poland	Martifer Renewables O&M	-	52.00%	52.00%	52.00%
Eviva Energy Co S.A.S	Bogota	Colombia	Eviva Energy CO	-	-	-	100.00%
Eviva Energy AR S.A	Buenos Aires	Argentina	Eviva Energy AR	-	100.00%	100.00%	100.00%
Palermo Generacion de Energia, S.A	Buenos Aires	Argentina	Palermo	-	100.00%	100.00%	100.00%
Recoleta Generación Energía S.A	Buenos Aires	Argentina	Recoleta	-	100.00%	100.00%	100.00%
Puerto Madero Generación de Energía S.A	Buenos Aires	Argentina	Puerto Madero	-	-	-	100.00%

1) The consolidation of this company by the full consolidation method is justified to the extent that the Group holds shares "in ladder form" with control at each level.
2) This company was sold to the company Martifer Construções Metálicas Angola, SA, part of Martifer Group, holding the same percentage as its new parent company;
3) This company was merged into the company MCity Gliwice Sp. Zo.o;

COMPANIES CONSOLIDATED BY THE EQUITY METHOD

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

				SHARE CAPITAL HELD PERCENTAGE BY MARTIFER SGPS			FY 2018
COMPANY	HEAD OFFICE	COUNTRY	DESIGNATION	DIRECTLY	INDIRECTLY	TOTAL	TOTAL
Metallic Constructions							
Associate companies:							
Martifer-Visabeira, S.A.	Nacala	Mozambique	Martifer-Visabeira	-	37.50%	37.50%	37.50%
Martimetal Spa	Algiers	Algeria	Martimetal	-	36.75%	36.75%	36.75%
Naval Industry							
Joint arrangements:							
CNA Chantier Naval d'Arzew , Spa	Arzew	Algeria	CNA Chantier Naval d'Arzew	-	36.75%	36.75%	36.75%
Renewables							
Joint arrangements:							
Ventinveste, S.A.	Lisbon	Portugal	Ventinveste SA	6.00%	42.50%	48.50%	48.50%
Parque Eólico de Vale Grande. S.A.	Lisbon	Portugal	PE Vale Grande	-	48.50%	48.50%	48.50%
SPEE 3 – Parque Eólico do Baião, S.A.	Lisbon	Portugal	SPEE 3	-	-	-	50.00%
SPEE 2 – Parque Eólico de Vila Franca de Xira, S.A.	Oliveira de Frades	Portugal	SPEE 2	-	-	-	50.00%
Martifer MPC Renewable Energies Development S.A.S	Bogota	Colombia	Martifer MPC	-	-	-	50.00%
Others							
Duelobrigatório, S.A.	Oliveira de Frades	Portugal	Duelobrigatório 1)	55.00%	-	55.00%	55.00%

1) Duelobrigatório, SA is 55% held by Martifer SGPS, but there is a control sharing within the scope of the sale operation of Martifer Solar, which is why it is consolidated by the equity method;

During the period ended on 31 December 2019 and during the period 2018, the changes in the consolidation perimeter were as follows:

CONSTITUTION OF COMPANIES

In 2019:

There was no incorporation of companies.

FY 2018	HEAD OFFICE	COUNTRY
Metallic Constructions		
Subsidiary companies:		
Martifer Consulting DWC LLC	Dubai	United Arab Emirates
Martifer Construções Sucursal Genebra	Geneve	Switzerland
Renewables		
Subsidiary companies:		
PV Sol 4 Sp. Zo.o	Krakow	Poland
PV Sol 5 Sp. Z o.o	Krakow	Poland
PV Sol 6 Sp. Z o.o	Krakow	Poland

ACQUISITION OF COMPANIES

In 2019:

There was no acquisition of companies.

FY 2018	HEAD OFFICE	COUNTRY
Renewables		
Subsidiary companies:		
Cordillera Solar VIII, SA	Buenos Aires	Argentina

SALE/ TERMINATION OF COMPANIES

FY 2019	HEAD OFFICE	COUNTRY
Renewables		
Subsidiary companies:		
Martifer Renewables ETVE, S.A.U.	Madrid	Spain
Eurocab FV 1 S.L.	Madrid	Spain
Eurocab FV 2 S.L.	Madrid	Spain
Eurocab FV 3 S.L.	Madrid	Spain
Eurocab FV 4 S.L.	Madrid	Spain
Eurocab FV 5 S.L.	Madrid	Spain
Eurocab FV 6 S.L.	Madrid	Spain
Eurocab FV 7 S.L.	Madrid	Spain
Eurocab FV 8 S.L.	Madrid	Spain
Eurocab FV 9 S.L.	Madrid	Spain
Eurocab FV 10 S.L.	Madrid	Spain
Eurocab FV 11 S.L.	Madrid	Spain
Eurocab FV 12 S.L.	Madrid	Spain
Eurocab FV 13 S.L.	Madrid	Spain
Eurocab FV 14 S.L.	Madrid	Spain
Eurocab FV 15 S.L.	Madrid	Spain
Eurocab FV 16 S.L.	Madrid	Spain
Eurocab FV 17 S.L.	Madrid	Spain
Eurocab FV 18 S.L.	Madrid	Spain
Eurocab FV 19 S.L.	Madrid	Spain
Eviva Energy Co S.A.S	Bogota	Colombia
Puerto Madero Generación de Energía S.A	Buenos Aires	Argentina
Joint arrangements:		
SPEE 3 – Parque Eólico do Baião, S.A.	Lisbon	Portugal
SPEE 2 – Parque Eólico de Vila Franca de Xira, S.A.	Oliveira de Frades	Portugal
Martifer MPC Renewable Energies Development S.A.S	Bogota	Colombia
Others		
Martifer Solar SGPS, S.A.	Oliveira de Frades	Portugal

FY 2018	HEAD OFFICE	COUNTRY
Metallic Constructions		
Subsidiary companies:		
Martifer Aluminium SAS	Rungis	França
Martifer Beteiligungsverwaltungs GmbH	Viena	Áustria
Martifer Amal, S.A.	Oliveira de Frades	Portugal
Joint arrangements:		
Amal Construções Metálicas Moçambique, S.A.	Maputo	Moçambique
Renewables		
Subsidiary companies:		
Cordillera Solar VIII, S.A.	Buenos Aires	Argentina
Eviva Hidro S.R.L.	Bucareste	Roménia
Martifer Renováveis - Geração de Energia e Participações S.A.	Fortaleza	Brasil
Others		
Martifer Solar Inc.	S. Francisco CA	USA
MT Silverado Fund I LLC	S. Francisco CA	USA

CHANGE IN THE CONSOLIDATION METHOD

In 2019:

There were no changes in the consolidation method.

In 2018:

Martifer MPC Renewable Energies Development S.A.S. - full consolidation to equity. This company ceased to consolidate by the full consolidation method due to share capital increase as a result of the new shareholder MPC Renewable Energies GmbH, a company that is not a part of Martifer Group. The impact on the Consolidated Result was null, since the change of holding resulted from equity increase and the entry of a new shareholder.

Promoquatro - Investimentos Imobiliários, Lda.; Liszki Green Park Sp. z o.o.; e M City Gliwice Sp. z o.o. - from equity to full consolidation. These companies began to consolidate by the full consolidation method following Martifer Group companies increased, through acquisition, its holdings in the referred companies. The percentages held were 50%, 45% and 50%, respectively, having passed after the acquisition to 100%, 90% and 100%, respectively. The global impact on the Consolidated Result was 3.6 million euros.

FW Warta Sp. Z.o.o. - from equity to full consolidation. This company started to consolidate by the full consolidation method due to the fact that Martifer Renewables SGPS acquired the remaining 50% of its shareholding from four Polish companies not belonging to Martifer Group. The impact on the Consolidated Result was positive in 0.9 million euros.

OTHER CHANGES IN THE CONSOLIDATION PERIMETER

In 2019:

Martifer Alumínios Angola, SA was totally held by Martifer Construções Metalomecanicas, SA, and during 2019 it was sold to Martifer Construções Metálicas Angola, SA. Since the company Martifer Construções Metálicas Angola, SA has interests that it does not control of 21.25%, its subsidiary Martifer Alumínios Angola, SA also holds the same percentage of interests that it does not control. The impact of this operation on the Consolidated Result was non-existent.

Park Logistyczny Biskupice - following the corporate restructuring, this company was merged in M City Gliwice Sp. Zo.o.. Without impact on the Consolidated Financial Statements.

In 2018:

Amal Construções Metálicas Moçambique, S.A. sold its 30% participation in Martifer-Visabeira, S.A. (Mozambique) to its two shareholders: Martifer Metallic Constructions SGPS (15%) and Visabeira Moçambique (15%), the latter not belonging to Martifer Group. The participation of Martifer Group in Martifer-Visabeira, S.A. (Mozambique) remained at 50%, so the impact on the consolidated result was non-existent.

Palermo Generacion de Energia, S.A. - became 95% held by Martifer Renewables, SGPS, S.A. and 5% by Eviva Energy AR, S.A. In 2017, Palermo Generacion de Energia S.A. was 99.55% held by Martifer Renewables, SGPS, S.A. and 0.45% held by Eviva Energy AR, S.A. Without impact on the Consolidated Financial Statements.

Eviva Energy AR, S.A. - became 99,76% held by Martifer Renewables, SGPS, S.A. and 0,24% by Martifer Renewables, S.A. In 2017, Eviva Energy AR, S.A. was 99.55% held by Martifer Renewables, SGPS, S.A. and 0.45% by Martifer Renewables, S.A. Without impact on the Consolidated Financial Statements.

ASSETS AND LIABILITIES OF SUBSIDIARIES WITH LOSS/ GAIN OF CONTROL

The assets and liabilities of subsidiaries in which occurred a gain/loss of control in 2019 are as follows:

€	ASSETS	Tangible fixed assets	Intangible assets	Right-of-use assets	Financial Investments	Trade receivables and other receivables NC	Deferred tax assets	Trade receivables and other receivables C	Cash and cash equivalents
Puerto Madero Generacion de Energia, S.A.[1)]	**-**	-	-	-	-	-	-	-	-
Martifer Renewables Colombia S.A.S.	**70,279**	1,057	-	-	-	-	-	67,215	2,007
Martifer Renewables ETVE, S.A.U.	**29,757,865**	729,613	9,718	83,329	13,810,300	11,578,064	239,975	3,137,653	169,213
Eurocab FV 1 S.L.	**1,079,703**	826,616	-	67,333	-	-	31,890	103,249	50,616
Eurocab FV 2 S.L.	**1,688,414**	1,419,865	-	86,714	-	57	29,590	95,619	56,568
Eurocab FV 3 S.L.	**1,671,681**	1,419,865	-	80,318	-	-	28,090	93,380	50,028
Eurocab FV 4 S.L.	**1,661,632**	1,419,865	-	67,333	-	-	31,506	92,481	50,447
Eurocab FV 5 S.L.	**1,659,247**	1,369,804	-	107,227	-	-	30,027	94,692	57,497
Eurocab FV 6 S.L.	**1,650,690**	1,369,804	-	107,227	-	-	29,260	95,066	49,333
Eurocab FV 7 S.L.	**1,648,584**	1,369,804	-	107,227	-	-	26,935	94,792	49,826
Eurocab FV 8 S.L.	**1,631,862**	1,369,804	-	87,846	-	-	29,152	93,943	51,118
Eurocab FV 9 S.L.	**1,629,314**	1,369,804	-	87,846	-	-	27,944	93,858	49,863
Eurocab FV 10 S.L.	**1,632,431**	1,369,804	-	87,846	-	-	31,840	93,309	49,633
Eurocab FV 11 S.L.	**1,442,459**	1,186,868	-	47,019	-	-	66,824	87,670	54,079
Eurocab FV 12 S.L.	**1,522,417**	1,186,868	-	47,019	-	-	176,522	71,483	40,526
Eurocab FV 13 S.L.	**1,539,704**	1,186,868	-	47,019	-	226	176,499	79,340	49,752
Eurocab FV 14 S.L.	**1,520,391**	1,186,868	-	47,019	-	-	175,734	73,303	37,468
Eurocab FV 15 S.L.	**1,523,759**	1,186,868	-	47,019	-	-	178,113	74,639	37,120
Eurocab FV 16 S.L.	**1,521,383**	1,186,868	-	47,019	-	-	176,765	73,969	36,762
Eurocab FV 17 S.L.	**1,488,847**	1,150,573	-	47,019	-	-	177,348	70,537	43,369
Eurocab FV 18 S.L.	**1,531,181**	1,186,868	-	47,019	-	-	175,968	73,728	47,599
Eurocab FV 19 S.L.	**250,713**	52,649	-	-	-	76,000	86,920	2,499	32,645
Martifer Solar SGPS, S.A.	**838,667**	-	-	-	-	-	-	838,575	93

[1)] At the date of liquidation, this company no longer had assets or liabilities, since it had previously passed them to the parent company;

€	LIABILITIES	Debt NC	Trade payables and Other payables NC	Provisions	Debt C	Trade payables C	Other payables C	Current tax	Other current liabilities
Puerto Madero Generacion de Energia, S.A.[1)]	**-**	-	-	-	-	-	-	-	-
Martifer Renewables Colombia S.A.S.	**8,354**	-	-	-	-	812	2,019	93	5,430
Martifer Renewables ETVE, S.A.U.	**21,499,154**	18,477,919	32,000	-	2,745,794	116,673	0	1,400	125,368
Eurocab FV 1 S.L.	**1,408,033**	65,404	1,123,550	-	3,058	97,611	100,227	18,184	-
Eurocab FV 2 S.L.	**1,392,305**	84,085	1,076,748	-	4,066	93,794	115,012	18,601	-
Eurocab FV 3 S.L.	**1,369,699**	77,920	1,076,648	-	3,733	70,072	122,751	18,575	-
Eurocab FV 4 S.L.	**1,357,067**	65,404	1,045,748	-	3,058	96,698	127,715	18,445	-
Eurocab FV 5 S.L.	**1,381,687**	104,236	1,025,118	-	4,870	93,752	135,749	17,961	-
Eurocab FV 6 S.L.	**1,354,284**	104,236	989,045	-	4,870	94,738	143,235	18,159	-
Eurocab FV 7 S.L.	**1,356,451**	104,236	1,025,164	-	4,870	93,767	110,259	18,153	-
Eurocab FV 8 S.L.	**1,347,781**	85,556	1,037,380	-	3,862	95,405	107,526	18,051	-
Eurocab FV 9 S.L.	**1,345,161**	85,556	1,045,035	-	3,862	92,502	100,238	17,969	-
Eurocab FV 10 S.L.	**1,353,751**	85,556	1,059,239	-	3,862	93,763	93,512	17,818	-
Eurocab FV 11 S.L.	**905,022**	45,824	606,126	-	2,002	156,690	76,973	17,407	-
Eurocab FV 12 S.L.	**684,645**	45,824	119,068	390,326	2,002	38,845	74,687	13,893	-
Eurocab FV 13 S.L.	**686,507**	45,824	118,104	397,592	2,002	38,078	71,165	13,742	-
Eurocab FV 14 S.L.	**629,779**	45,824	44,432	404,871	2,002	38,704	80,080	13,867	-
Eurocab FV 15 S.L.	**624,785**	45,824	46,530	406,036	2,002	38,660	71,886	13,847	-
Eurocab FV 16 S.L.	**743,511**	45,824	183,306	380,269	2,002	47,361	70,944	13,806	-
Eurocab FV 17 S.L.	**555,561**	45,824	-	387,654	2,002	34,184	72,666	13,231	-
Eurocab FV 18 S.L.	**546,582**	45,824	-	400,303	2,002	14,886	69,948	13,619	-
Eurocab FV 19 S.L.	**176,684**	-	-	170,569	-	647	5,172	296	-
Martifer Solar SGPS, S.A.	**-**	-	-	-	-	-	-	-	-

[1)] At the date of liquidation, this company no longer had assets or liabilities, since it had previously passed them to the parent company;

3. OPERATING SEGMENTS

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

The Group is organised in three operational segments: 'Metallic Constructions', 'Naval Industry' and 'Renewables', all of which are coordinated and supported by Martifer SGPS.

The operational segment 'Metallic Constructions' includes the activities of metallic constructions, aluminium and glass façades and infrastructures for oil & gas. The 'Naval Industry' includes shipbuilding as well as the rendering of ship repair and ship conversion services. The segment 'Renewables' includes the promotion and development of renewable energy projects, with special focus on the wind energy sector.

Until 2016, the operational segment 'Metallic Constructions' included the naval industry but given the characteristics of this industry and the weight that it already assumes in the total activity of the Group, it became an operational segment in 2017 and started being reported from then on as such. Martifer Metallic Constructions, SGPS, SA remains as the *subholding* aggregating the operational segments 'Metallic Constructions' and 'Naval Industry'.

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

The accounting policies and valuation criteria used in the preparation of the information by segments were the same as those of the attached financial statements (Note 1.4 xxvii).

On 31 December 2019 and 2018, sales and services rendered by operatiional segments can be analysed as follows:

	SALES TO EXTERNAL CUSTOMERS (NOTE 4)		INTERSEGMENT SALES		TOTAL	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Metallic Construction	129,098,545	108,622,969	24,537,807	16,313,289	153,636,352	124,936,258
Naval Industry	95,222,963	80,869,099	1,991,807	1,686,651	97,214,770	82,555,750
Renewables	11,593,366	11,098,296	535,372	741,104	12,128,738	11,839,400
Others	-	-	990,180	1,010,058	990,180	1,010,058
	235,914,875	**200,590,363**	**28,055,166**	**19,751,102**	**263,970,040**	**220,341,466**
Intersegment eliminations					(28,013,195)	(19,730,868)
Own work capitalized (Note 5)					(41,972)	(20,234)
					235,914,875	**200,590,363**

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

	FY 2019	FY 2018
Iberian Peninsula		
Metallic Construction	64,024,518	70,639,296
Naval Industry	95,222,963	80,869,098
Renewables	4,078,594	4,829,494
Central Europe		
Metallic Construction	55,690,634	26,843,609
Renewables	7,478,944	5,964,843
Other markets		
Metallic Construction	9,383,393	11,140,064
Renewables	35,829	303,958
	235,914,875	**200,590,363**

In the year 2019, the sales and services rendered registered an increase of approximately 35 million Euros, compared to the same period of the previous year. This increase essentially results from the acceleration of activity in some geographies in the ‘Metallic Constructions’ segment, with emphasis on the United Kingdom, France, Saudi Arabia and Romania, despite a decrease in activity in Portugal, Angola and Spain. There was also large growth in the 'Naval Industry' segment, which increased these revenues by about 14.4 million Euros compared to 2018.

As regards the sales and services rendered by country of origin, the main contributions are from Portugal with approximately 154.5 million Euros, from the United Kingdom with approximately 26.3 million Euros and from France with around 22.0 million Euros. ‘Other Markets’ include Angola and Saudi Arabia, with sales and services rendered of 1.4 million Euros and 8.0 million Euros, respectively.

On 31 December 2019 and 2018, the operating income as well as the operating results before (EBITDA) and after depreciation/ amortisation and provisions and impairment losses (EBIT) and the Net Income for the period by operating segments can be analysed as follows:

	OPERATING PROFIT		EBITDA		EBIT		NET PROFIT FOR THE YEAR	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Metallic Constructions	138,148,884	124,602,680	(3,781,240)	5,610,015	(6,389,338)	2,355,773	(8,842,001)	(3,076,025)
Naval Industry	97,525,852	82,166,701	8,863,082	7,418,423	7,812,604	6,683,797	5,190,874	5,327,347
Renewables	33,434,749	14,122,538	24,261,839	4,254,679	17,219,054	(638,556)	23,559,898	377,616
Others	(2,173,858)	(4,532,336)	(470,288)	(2,035,803)	(360,854)	(655,239)	1,537,908	(1,034,957)
	266,935,627	**216,359,583**	**28,873,393**	**15,247,313**	**18,281,467**	**7,745,775**	**21,446,679**	**1,593,982**

In 2019, the consolidated EBITDA recorded a positive value of 28.9 million Euros, to which the Renewables segment contributed with 24.3 million Euros and the Naval Industry segment with 8.9 million Euros. In the Metallic Constructions segment, EBITDA had a negative variation of 9.4 million Euros to -3.8 million Euros, which was mainly due to the recognition of impairments of clients and other debtors in Martifer Angola. Overall, EBITDA improved by 89% compared to 2018.

The losses and gains in associate companies, the value in the balance sheet of financial assets in associate companies, as well as the constitution and reversal of provisions and impairment losses by operational segments are as follows:

	LOSSES IN ASSOCIATE COMPANIES		GAINS IN ASSOCIATE COMPANIES		CARRYING AMOUNT OF THE FINANCIAL ASSETS RECORDED UNDER THE EQUITY METHOD	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Metallic Constructions	474,548	1,890,617	2,610,303	317,986	303,173	-
Naval Industry	791,985	-	-	27,087	-	780,394
Renewables	88,171	149,049	6,785,085	2,262,937	3,669,379	7,790,484
Others (Note 13)	14,674	937,685	-	1,500,000	-	-
	1,369,378	**2,977,350**	**9,395,388**	**4,108,010**	**3,972,553**	**8,570,878**

	PROVISIONS AND IMPAIRMENT LOSSES RECORDED IN THE YEAR		REVERSALS OF PROVISIONS AND IMPAIRMENT LOSSES RECORDED IN THE YEAR	
	FY 2019	FY 2018	FY 2019	FY 2018
Metallic Constructions	714,900	221,241	1,114,766	208,056
Naval Industry	29,021	-	-	-
Renewables	2,742,203	160,189	198,263	62,985
Others	-	375,000	110,114	1,755,750
	3,486,124	**756,430**	**1,423,143**	**2,026,791**

The investment (acquisition of right of use assets, tangible and intangible fixed use assets) and the depreciation/ amortisations of the Group by operational segments until 31 December 2019 and 2018 are as follows:

	CAPITAL EXPENDITURES		AMORTISATIONS	
	FY 2019	FY 2018	FY 2019	FY 2018
Metallic Constructions	1,140,342	1,048,084	3,137,531	3,241,057
Naval Industry	5,401,697	41,631	1,021,457	734,626
Renewables	1,143,149	755,100	4,369,277	4,796,031
Others	97,043	1,313	680	186
	7,782,231	**1,846,128**	**8,528,944**	**8,771,899**

It should be noted that the values of the 'Investment' column in 2019 include the impact of applying IFRS 16 by registering assets under the right of use. Excluding this impact, the total value of the investment in 2019 amounts to around 1.8 million Euros.

The Group's assets and liabilities by operating segments until 31 December 2019 and 2018 are as follows:

	ASSETS		LIABILITIES	
	FY 2019	FY 2018	FY 2019	FY 2018
Metallic Constructions	178,433,832	181,044,834	218,713,023	214,677,095
Naval Industry	69,081,290	59,197,594	57,864,484	48,483,253
Renewables	138,124,480	144,117,463	15,309,522	44,170,520
Holding	401,499,523	401,962,955	140,235,356	142,296,593
Intra-group eliminations	(499,539,223)	(466,605,071)	(113,124,349)	(80,184,171)
	287,599,902	**319,717,776**	**318,998,036**	**369,443,290**

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

	ASSETS		CAPITAL EXPENDITURES	
	FY 2019	FY 2018	FY 2019	FY 2018
Iberian Peninsula	157,029,912	189,764,908	6,276,565	1,183,301
European Union	103,359,213	97,476,786	1,395,123	584,612
Other markets	27,210,777	32,476,079	110,544	78,214
	287,599,902	**319,717,776**	**7,782,231**	**1,846,128**

4. SALES AND SERVICES RENDERED

The breakdown of sales and services rendered for the periods ended on 31 December 2019 and 2018 is as follows:

	FY 2019	FY 2018
Revenue from the sale of goods	82,070,569	141,287,518
Services rendered	153,844,306	59,302,845
	235,914,875	**200,590,363**

In 2019, sales and services rendered increased by 18% compared to 2018 to 236 million Euros. This variation results from the significant increase occurred in the segments ‘Metallic Constructions’ and 'Naval Industry', as can be seen below.

The breakdown of sales and services rendered by operating segment on 31 December 2019 and 2018 is as follows:

	FY 2019	FY 2018
Metallic Constructions	129,098,545	108,622,969
Naval Industry	95,222,963	80,869,099
Renewables	11,593,366	11,098,296
	235,914,875	**200,590,363**

The breakdown of sales and services by type of revenue on 31 December 2019 and 2018 is as follows:

	FY 2019	FY 2018
Metallic Constructions - Metallic structures and aluminium building	112,845,636	95,741,453
Metallic Constructions - Operation and maintenance	12,638,216	9,589,280
Metallic Constructions - Others	3,614,693	3,292,235
Metallic Constructions - Total	**129,098,545**	**108,622,969**
Naval Industry - Building	78,432,125	66,987,003
Naval Industry - Repair	15,825,726	13,326,444
Naval Industry - Others	965,113	555,652
Naval Industry - Total	**95,222,963**	**80,869,099**
Renewables - Sale of energy	5,935,468	7,537,367
Renewables - Sale of Green Certificates	3,407,387	2,257,803
Renewables - Operation and maintenance	2,178,479	869,339
Renewables - Others	72,031	433,786
Renewables - Total	**11,593,366**	**11,098,296**
	235,914,875	**200,590,363**

The future component of revenue allocated to not yet fulfilled or partially fulfilled performance obligations can be analysed as follows:

	FY 2020	FY 2021 AND FOLLOWING	TOTAL
Metallic Constructions	118,027,606	36,653,196	154,680,801
Naval Industry	136,959,625	270,098,714	407,058,339
	254,987,231	**306,751,910**	**561,739,140**

The impact of the recognition of the Angolan and Argentinian companies as part of a hyperinflationary economy, in accordance with IAS 29, was an increase of approximately 0.1 million euros.

5. OTHER OPERATING INCOME

Other operating income of the years ended on 31 December 2019 and 2018 can be analysed as follows:

	FY 2019	FY 2018
Change in production	(1,209)	(1,763)
Own work capitalised (Note 3)	41,972	20,234
Taxes	84,878	26,948
Supplementary income	954,650	687,368
Capital gains on non-financial assets	21,226,742	334,048
Operating subsidies	71,936	12,527
Investments subsidies	97,221	81,623
Exchange rate gains	4,148,699	8,322,285
Investment properties rents (Note 21)	388,027	-
Other operating income	4,007,834	6,285,949
Total	**31,020,752**	**15,769,220**

On 31 December 2019, the ‘Capital gains in non-financial assets’ result mainly from the sale of the Eurocab companies (Martifer Renewables ETVE, S.A.U. and its subsidiaries) from the ‘Renewables’ segment (20.0 million Euros), as well as gains from the sale of tangible fixed assets made by Martifer Construções (1.2 million Euros). In 2018, it referred mainly to gains on the sale of Tangible Fixed Assets in Martifer Construções.

As regards 'Supplementary Income' of 2018, it essentially includes revenue of the ‘Metallic Constructions’ area (0.6 million Euros), of which we highlight the contributions of Portugal and Saudi Arabia. The ‘Supplementary Income’ item in 2019 has as its main contribution income in Portugal both in the ’Metallic Constructions’ and in the ‘Naval Industry’ segments.

The ‘Exchange rate gains' are related to the occurrence of exchange rate variations in non-financial transactions, mainly in the Group's subsidiaries outside the Euro Zone (Note 1.4.xiv).

The item 'Other operating income’ in 2018 includes the impacts of the change from the equity method of consolidation to the full consolidation method in the 'metallic constructions' segment, in the amount of 3.6 million Euros (companies: Promoquatro, Liszki Green Park and M City Gliwice, as well as the same situation in the 'Renewables' segment with the impact of 0.9 million Euros (company: FW Warta). In 2019, the value of contractual penalties received by Eviva Nalbant SRL of the Renewables segment in Romania (0.9 million Euros), as well as values related to the development of projects carried out by Martifer Renewables, SA in Poland (0.9 million Euros). In the area of ‘Metallic Constructions’ and ‘Naval Industry’, the contributions of Portugal stand out.

It should be noted that with reference to 31 December 2018, Martifer Group identified the line ‘Impairment losses on financial assets’ that were previously considered in ‘Other operating income’ under the item ‘Reversals of impairment losses for customers and other debtors’ and ‘Other operating expenses’ under the heading ‘Impairment losses of clients and other debtors’. See detail in Note 1.2.b.

From the financial year 2019 on, Martifer Group began to recognise the gains associated with investment property in this category, and until the last period, they were recorded in ‘Sales and Services rendered’. The Group considered that this would be the most appropriate classification for this type of income.

6. COST OF GOODS SOLD

The cost of goods sold for the years ended on 31 December 2019 and 2018 can be analysed as follows:

FY 2019	TOTAL
Opening balance (Note 24)	21,116,099
Purchases	92,621,138
Changes in the consolidation perimeter, currency exchange differences, transfers and others	(10,423,498)
Impact of Hyperinflationary Economies (Note 1.4)	13,739
Closing balance (Note 24)	18,663,861
	84,663,616

FY 2018	TOTAL
Opening balance (Note 24)	10,609,480
Purchases	80,141,662
Changes in the consolidation perimeter, currency exchange differences, transfers and others	4,195,825
Impact of Hyperinflationary Economies (Note 1.4)	177,326
Closing balance (Note 24)	21,116,098
	74,008,195

The increase of this item in the financial year 2019 is a consequence of the increase in activity, production and respective sales.

7. SUBCONTRACTS

The value of subcontracts in the years ended on 31 December 2019 and 2018 is as follows:

	FY 2019	FY 2018
Metallic Constructions	33,976,402	19,436,310
Naval Industry	29,454,640	26,808,803
Renewables	1,074,924	327,274
	64,505,967	**46,572,386**

The subcontracts relate to the subcontracting of works carried out mainly in the segments 'Naval Industry' and 'Metallic Constructions', and the increase is justified by the increase of activity in 2019.

8. EXTERNAL SERVICES AND SUPPLIES

The breakdown of external services and supplies for the periods ended on 31 December 2019 and 2018 is as follows:

	FY 2019	FY 2018
Specialised works	7,290,114	7,693,591
Leases and rents	5,845,286	5,377,821
Transport of goods	4,207,615	3,705,415
Electricity and Fuel	2,226,601	2,486,643
Insurance	2,202,420	2,159,918
Service Fees	2,008,650	3,028,790
Maintenance and repairs	2,253,237	1,806,061
Travelling expenses	1,639,960	1,795,947
Commissions	564,179	225,932
Cleaning services	582,374	521,439
Security	619,171	608,313
Communications	279,996	302,848
Legal and notarial fees	163,701	119,470
Advertising	212,727	199,370
Tools and devices	78,940	102,585
Other	841,069	759,276
	31,016,039	**30,893,417**

Specialised work includes expenditure on auditing services, consulting services, information systems, studies and opinions, and it decreased from 2018, especially in the 'Naval Industry' segment.

The heading 'Service Fees' in 2019 decreased compared to 2018, which is mainly due to a decrease in the fees that must be supported with the sale of green certificates in Romania, in the 'Renewables' segment.

Despite the first adoption of IFRS 16 in 2019, there was a significant increase in activity this year compared to 2018, which generated an increase in the 'Leases and Rents' item, being especially justified by the increase in activity in France, the United Kingdom and Spain in the 'Metallic Constructions' segment. In all other geographies of all segments, there was a decrease in this item.

On 31 December 2019, due to the application of IFRS 16, under the item 'Leases and Rents' 488,507 Euros were recorded regarding rents on low-value leases, as well as 5,356,779 Euros for lease contracts of less than 12 months.

Also, 'Transport of Goods' suffered an increase compared to 2018, due to the increase of activity in the United Kingdom and in France in the 'Metallic Constructions' segment.

The item 'Commissions' had an increase compared to 2018 as a result of greater activity in the 'Naval Industry' segment.

9. STAFF COSTS

The Staff costs for the periods ended on 31 December 2019 and 2018 can be analysed as follows:

	FY 2019	FY 2018
Salaries	28,640,504	27,454,361
Social contributions and others	8,782,801	7,148,909
	37,423,304	**34,603,270**

The value of social fees and other fees is essentially related to Social Security payments, meal allowances and sickness benefits, with occupational accident insurance and indemnities/compensations related to the termination of employment contracts.

AVERAGE NUMBER OF EMPLOYEES

During 2019 and 2018, the company’s average number of personnel was as follows:

	FY 2019	FY 2018
Directors	12	14
Other employees	1,401	1,347
	1,413	1,361
Portuguese	1,116	1,076
Portuguese in foreign countries and foreigners	297	285
	1,413	1,361

10. OTHER OPERATING EXPENSES

Other expenses for the years ended on 31 December 2019 and 2018 are as follows:

	FY 2019	FY 2018
Taxes	1,629,363	1,419,317
Impairment losses:		
Other impairment losses	1,813,896	-
Capital losses on non-financial assets	307,496	831,274
Exchange rate losses	5,639,589	10,926,451
Trade debtors write-off	361,008	3,454
Fines and penalties	253,592	210,176
Other operating expenses	1,537,183	696,166
Total	**11,542,126**	**14,086,838**

The item ‘Impairment losses’ in 2019 concerns an impairment recorded in Martifer Construções, for a land that was recorded in inventories and was sold at the beginning of 2020.

The item 'Capital losses on non-financial assets' in 2019 essentially respects the loss on the sale of tangible fixed assets in Martifer Construções. In 2018, it refers to losses on the sale of Tangible Fixed Assets in Martifer Construções as well as the losses as a result of the termination of the companies Martifer Renováveis - Geração de Energia e Participações, SA and Eviva Hidro SRL, both of the 'Renewables' segment.

The item ‘Exchange rate losses' is related to the occurrence of exchange rate variations in non-financial transactions, mainly in the Group's subsidiaries outside the Euro Area (Note 1.4.xiv). Both in 2019 and in 2018, the countries that contributed the most to the increase in this item were Angola and Saudi Arabia.

In 2019, the ‘Trade debtor write-offs’ item mainly concerns recognised losses in France in the ‘Metallic Constructions’ segment.

The value of the item 'Other operating expenses' in 2018 mostly includes the expenses associated with the 'Metallic Constructions' segment in Romania. In 2019, the amount of other expenses in Romania, Spain and France in the ‘Metallic Constructions’ segment was highlighted.

It should be noted that with reference to 31 December 2018, Martifer Group identified the line ‘Impairment losses on financial assets’ that was previously considered in ‘Other operating income’ under the item ‘Reversals of impairment losses for trade debtors and other debtors’ and ‘Other operating losses’ under the heading ‘Impairment losses of trade debtors and other debtors’. See detail in Note 1.2.b.

11. PROVISIONS AND IMPAIRMENT LOSSES IN FIXED ASSETS

Provisions and impairment losses for the periods ended on 31 December 2019 and 2018 are as follows:

	FY 2019	FY 2018
Impairment losses		
In tangible fixed assets (Note 19)	2,732,810	-
	2,732,810	**-**
Provisions (Note 35)		
Quality guarantees	(362,405)	112,960
Onerous contracts	(415,007)	(99,775)
Ongoing legal claims	189,886	375,000
Provisions on contractual obligations	(82,302)	(1,658,546)
	(669,829)	**(1,270,361)**

The impairment in tangible fixed assets registered in 2019 was in the ‘Renewables’ segment and refers to the variation in the market value of the wind turbines (Suzlon S88-2.1) registered in Cedilhas ao Vento, and which will be partly used in the Wind Farm of Fonte Cova.

The 'Provisions for onerous contracts' relate to ongoing construction contracts where it is estimated that the cost to be incurred to comply with the obligation exceeds the expected economic benefits. These provisions relate essentially to the 'Metallic Constructions' segment. In 2019 and in 2018 the value of provisions related to onerous contracts has a negative value due to the fact that part of the provisions previously constituted were reversed.

In 2019, there was a record of around 0.3 million Euros in ‘Ongoing legal claims’ resulting from Martifer Construções’s cases. In 2018, there was the recognition of 0.4 million Euros referring to a provision in Martifer SGPS related with a judicial proceeding in progress.

In the 'Provisions on contractual obligations’ in 2018, with the termination of a contract, and consequently the associated contractual contingencies, around 1.8 million Euros were reversed.

12. FINANCIAL RESULTS

The financial results for the periods ended on 31 December 2019 and 2018 may be analysed as follows:

FINANCIAL INCOME	FY 2019	FY 2018
Loans and accounts receivable (including bank deposits)		
- Interest income	18,695	74,729
Other financial income related to other financial assets		
- Exchange rate gains	935,902	3,415,121
- Gains on the sale of financial assets	-	20
- Other financial income	2,799,113	172,390
	3,753,711	**3,662,259**

FINANCIAL EXPENSES	FY 2019	FY 2018
Loans and accounts payable		
- Interest expenses on bank loans	4,658,574	4,835,696
- Interest expenses on leases	564,447	130,253
Other financial income related to other financial liabilities		
- Exchange rate losses	1,253,389	2,699,261
- Other financial expenses	1,224,510	1,585,284
	7,700,919	**9,250,494**

The items ‘Exchange rate gains/losses' are related to the occurrence of exchange rate variations, mainly in the Group's subsidiaries outside the Euro area (Note 1.4.xiv).

In 2019, 'Other financial income’ include, in almost all of the amount, the gain arising from a financial renegotiation agreement (amortisation of the debt with discount) (see Note 31).

The ‘Interest expenses on leases’ item increased in 2019, mainly due to the interest on leases resulting from the first application of IFRS 16.

There has been a decrease in interest on bank loans as there has been a reduction in the comparable gross debt of 65.4 million Euros compared to 2018.

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

The gains and losses on associate companies and joint arrangements in the years ended on 31 December 2019 and 2018 can be analysed as follows:

	FY 2019	FY 2018
Equity method		
Martifer MPC Renewable Energies Development S.A.S	(88,172)	(133,340)
Ventinveste, S.A.	37,470	1,244,948
SPEE 2 – Parque Eólico de Vila Franca de Xira, S.A.	251,662	680,279
SPEE 3 – Parque Eólico do Baião, S.A.	194,308	183,211
Liszki Green Park, Sp. Zo.o	-	(20,450)
M City Gliwice Sp. Zo.o	-	(3,270)
Promoquatro	-	(65,942)
Duelobrigatório	(14,674)	(937,685)
Martifer-Visabeira, S.A.	598,226	(508,564)
Amal Construções Metálicas Moçambique, S.A.	-	197,614
Martimetal	(474,547)	(1,537,529)
FW Warta Sp. Z.o.o	-	(15,709)
CNA Chantier Naval d'Arzew, SPA	(1,512)	27,087
	502,761	**(889,350)**
Others		
Duelobrigatório provision for closure of associate companies (Note 35)	-	1,500,000
Gain of Dividends from Ventiveste due to % above participation	15,000	154,500
Gain of the Settlement of Amal Construções Metálicas Moçambique, S.A.	-	365,510
Sale of SPEE 2 – Parque Eólico de Vila Franca de Xira, S.A.	4,186,918	-
Sale of SPEE 3 – Parque Eólico do Baião, S.A.	1,919,641	-
Sale of Martifer MPC Renewable Energies Development S.A.S	180,087	-
Reversal of provision arising from equity method of Martimetal, Spa	2,012,076	-
Participation cancellation in CNA Chantier Naval d’Arzew, Spa	(790,473)	-
	7,523,249	**2,020,010**
	8,026,010	**1,130,660**

The positive amount of 502,761 Euros which results from the application of the Equity Method in 2019, the positive value of 393,757 Euros impacts on the variations of 'Investments in associate and jointly controlled companies’ (Note 22), whereas the positive amount of 109,003 Euros, is used in the movement of Provisions resulting from the application of the Equity Method (Note 35).

The negative amount of 889,350 Euros which results from the application of the Equity Method in 2018, the positive value of 1,774,656 Euros impacts on variations of ‘Investments in associate companies and joint arrangements’ (Note 22), whereas the negative amount of 2,664,006 Euros is used in the movements of Provisions resulting from the application of the Equity Method (Note 35).

The 'Duelobrigatório impairment' recorded in 2016 is related to the financial investment and to supplementary payments in Duelobrigatório, SA (the company that owns the assets of the Solar segment in the United States which were not sold in the Martifer Solar, SA sale process), since it was expected that the shares held in a Fund by its subsidiary would originate losses. In 2017, the sale of shares to the Fund in question occurred, so the impairment regarding the abovementioned Financial Investment (5 million Euros) was reverted and took over the result of this subsidiary and was acknowledged in the proportion of the Equity Method (6.9 million Euros). In relation to the impairment of the supplementary payments of this subsidiary, it remained the same on 31 December 2019.

In 2017, a provision of 1.5 million Euros was constituted to deal with any expenses with the closure of Duelobrigatório and of its subsidiaries. It was reverted in 2018 since the subsidiaries were terminated.

In 2019, the positions held in the companies Parque Eólico de Vila Franca de Xira, S.A., SPEE 3 – Parque Eólico do Baião, S.A. and Martifer MPC Renewable Energies Development S.A.S. were sold. In addition, as regards the participation in Martimetal, Spa, the provision arising from the application of the equity method was reversed since there were no additional liabilities other than the investment made, and the participation in CNA Chantier Naval d'Arzew, Spa was cancelled since there is no perspective of the recovery of the investment made.

Also in 2018, Martifer Renewables SA received, according to the shareholders agreement, 26.5% of dividends (2.7 million Euros) of its subsidiary Ventinveste, i.e., 1.5% more than its participation in the share capital, so this difference of 154,000 Euros was not eliminated from the consolidated accounts, having been transferred from the item 'Dividends' to 'Results in associate companies'. Also in 2019, Martifer Renewables SA received, according to the shareholders agreement, 26.5% of dividends (0.265 million Euros) of its subsidiary Ventinveste, i.e., 1.5% more than its participation in the share capital, so this difference of 15,000 Euros was not eliminated from the consolidated accounts, having been transferred from the item 'Dividends' to 'Results in associate companies'.

The information on the associate companies and joint arrangements is in Notes 22 and 35.

14. INCOME TAX

The breakdown of assets and liabilities giving rise to deferred tax in the periods ended on 31 December 2019 and 2018 may be analysed as follows:

	FY 2019		FY 2018	
DEDUCTIBLE TEMPORARY DIFFERENCES	BASIS	DEFERRED TAX	BASIS	DEFERRED TAX
With impact in Net Profit				
Provisions not accepted for tax purposes	6,592,341	1,463,125	9,797,759	2,265,637
Tax losses	24,415,185	5,084,440	28,661,963	5,916,251
Others	908,828	83,021	3,390,452	703,727
	31,916,354	**6,630,586**	**41,850,174**	**8,885,615**
With impact in Equity				
Others	14,234	4,270	-	-
	14,234	**4,270**	**-**	**-**
	31,930,588	**6,634,856**	**41,850,174**	**8,885,615**

TAXABLE TEMPORARY DIFFERENCES	FY 2019 BASIS	FY 2019 DEFERRED TAX	FY 2018 BASIS	FY 2018 DEFERRED TAX
With impact in Net Profit				
Differences between cost and fair value	10,722,875	2,394,678	10,723,120	2,394,751
Others	1,975,477	576,415	314,781	128,532
	12,698,352	**2,971,093**	**11,037,901**	**2,523,283**
With impact in Equity				
Fair value on the acquisition of subsidiaries	-	-	2,295,300	605,354
Others	2,784,248	794,306	4,220,802	1,087,128
	2,784,248	**794,306**	**6,516,102**	**1,692,482**
	15,482,600	**3,765,399**	**17,554,003**	**4,215,765**

Under the item 'Others' of deferred tax liabilities, with impact on the net result as well as with impact on equity, the impacts arising from the application of IAS 29 to the Angolan companies of 'Metallic Constructions' were recorded.

The distribution of deferred taxes by country can be presented as follows:

	DEFERRED TAX ASSETS FY 2019	DEFERRED TAX ASSETS FY 2018	DEFERRED TAX LIABILITIES FY 2019	DEFERRED TAX LIABILITIES FY 2018
Portugal	5,547,454	5,453,640	3,031,589	3,031,589
Spain	93	1,927,619	-	-
Angola	-	-	717,949	1,181,060
Romania	-	427,266	-	-
United Kingdom	855,268	813,458	-	-
Others	232,041	263,633	15,861	3,116
	6,634,856	**8,885,615**	**3,765,399**	**4,215,765**

The amount of 717,949 Euros for Angola derives from the application of IAS 29, as well as the amount of 15,861 Euros in the item ‘Others’ relates to the application of IAS 29 in Argentina.

In 2019, there was a reduction in the value of ‘Deferred tax assets’ in Spain, due to the sale of the shareholding in Eurocabs (Martifer Renewables ETVE, S.A.U. and its subsidiaries) in the ‘Renewables’ segment.

According to the tax returns and estimates of income tax of the companies that record deferred tax assets related to tax losses, on 31 December 2019 and 2018, using for the purpose tax rates at that time, they were reportable as follows:

TIME LIMIT	FY 2019 BASIS	FY 2019 DEFERRED TAX	FY 2018 BASIS	FY 2018 DEFERRED TAX
2022	-	-	2,670,410	427,266
2026	20,138,472	4,229,079	20,138,472	4,229,079
	20,138,472	**4,229,079**	**22,808,882**	**4,656,345**
Without limited time use	4,276,713	855,361	5,853,082	1,259,906
	24,415,185	**5,084,440**	**28,661,963**	**5,916,251**

On 31 December 2019, the assets and deferred tax liabilities amounted to 6,634,856 Euros and 3,765,399 Euros, respectively (2018: 8,885,615 Euros and 4,215,765 Euros, respectively), and the effect on the P&L was negative in 275,451 Euros (in 2018 a negative effect of 461,984 Euros).

On 31 December 2019 and 2018, compared to the tax legislation in force in Portugal, in what concerns the taxation of dividends, temporary differences relating to the share of results of associates and subsidiaries for which deferred tax liabilities were not recorded, are not materially relevant to the annexed financial statements.

On 31 December 2019, there were reported tax losses, calculated in the companies taxed under the Special Regime for Taxation of Corporate Groups (RETGS) of which Martifer SGPS is the dominant company, before and during the application of RETGS, amounting to 89,286,838 Euros (72,178,642 Euros on 31 December 2018), whose potential deferred tax assets amount to

20,089,539 Euros (16,240,195 Euros on 31 December 2018). In a perspective of prudence, deferred tax assets were registered, related to tax losses in Portugal to be used in the future, only in the amount of 4,229,079.00 Euros.

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

	FY 2019			FY 2018		
	TAX LOSS	TAX CREDIT	TIME LIMIT	TAX LOSS	TAX CREDIT	TIME LIMIT
Generated in 2014	26,068,784	5,865,476	2026	28,860,620	6,493,639	2026
Generated in 2015	5,081,758	1,143,395	2027	5,094,387	1,146,237	2027
Generated in 2016	32,310,271	7,269,811	2028	21,237,388	4,778,412	2028
Generated in 2017	5,754,682	1,294,803	2022	16,986,247	3,821,906	2022
Generated in 2019	20,071,344	4,516,053	2024	-	-	-
	89,286,838	**20,089,539**		**72,178,642**	**16,240,195**	

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

i. The tax losses generated in 2014 suffered change, compared to the reportable amount on 31 December 2018, in the overall amount of 2,791,836,39 Euros. This change results from the following: the notification of the final decision of the discretionary appeal handed by Martifer SGPS, due to and on behalf of RETGS, in which the Tax Authority partially deferred what the Group defended, resulting in the correction to the Martifer SGPS tax result (individual) in the amount of 2,522,067.91 Euros and to MTR SGPS in the amount of 242,116.44 Euros, which are not being disputed by RETGS in the context of a Judicial Dispute; and the liquidation of Martifer Solar SGPS in 2019, under which the right to deduct the share of tax losses related to that company, in the amount of 27,652.04 Euros, terminates;

ii. The tax losses recorded in 2015 were altered, in view of the amount reportable on 31 December 2018, in the total amount of 12,629,56 Euros, corresponding to the share of the tax losses incurred by Martifer Solar SGPS, in respect of which the right to deduct ends because that Company was terminated in 2019;

iii. The tax losses calculated in 2016 increased by 11,072,882.93 Euros, due to the correction made by the Tax Authority, in the context of an inspection procedure carried out to the company MMC SGPS, which was not contested by MMC SGPS, or by RETGS;

iv. The tax losses generated in 2017 changed, compared to the reportable amount on 31 December 2018, in the global amount of 11,231,565.45 Euros, due to the following facts: correction to the tax result of the company MMC SGPS, in the amount of 11,072,882.93 Euros, by the Tax Authority, following an inspection procedure, which was not contested by MMC SGPS, or RETGS; and the share of Martifer Solar SGPS's tax losses, in the amount of 58,682.52 Euros, for which the right of deduction terminates due to the fact that that company was terminated in 2019.

The reconciliation of tax for the period and current tax can be analysed as follows:

	FY 2019	FY 2018
Current tax	**721,422**	**1,198,983**
Deferred tax - generated by temporary differences	(93,814)	386,344
Deferred tax - reversal of temporary differences	41,441	70,678
Deferred tax assets - recognition of tax losses	419,896	(16,703)
Others	(92,072)	21,665
Deferred tax	**275,451**	**461,984**
Income tax	**996,873**	**1,660,968**

On 31 December 2019 and 2018, the reconciliation between the nominal and effective tax rate is as follows:

	FY 2019	FY 2018
Profit before tax	**22,443,553**	**3,254,950**
Income tax rate (nominal rate of 21%)	4,713,146	683,540
Non-taxable gains and losses:		
Gains/ Losses of financial assets	(10,511,200)	(1,095,109)
Reversions/ Amortisations and Provisions not accepted for tax purposes	(11,038)	(573,681)
Impairment losses	1,762,360	(1,037,169)
Results of associates using the equity method	(105,580)	186,763
Tax benefits	(2,086)	14,717
Not recognised deferred tax assets arising from losses of current year	6,961,639	3,299,843
Use of tax losses generated in previous years for which no deferred tax assets were recognised	(435,815)	(738,036)
Recognition of the effect of hyperinflationary economies (IAS29)	85,603	160,129
Creation/ Reversal of deferred tax assets in the year	275,451	461,984
Different tax rates	(37,973)	(38,219)
Municipaly surchage and autonomous taxes	525,800	586,604
Excess/ Insufficiency of income tax estimate	(285,164)	51,872
Others	(1,938,270)	(302,270)
Effective income tax (current + deferred)	**996,873**	**1,660,968**
Effective tax rate	**4.44%**	**51.03%**

In 2019, Martifer SGPS, SA and its Portuguese investees are subject to taxation on Corporate Income Tax ("IRC") at the normal rate of 21%, plus a municipal surcharge of up to 1.5% of the taxable profit.

Additionally, in what concerns the taxable profit above 1,500,000.00 Euros, subject and not exempted from IRC, the following local state rates are involved: 3% on the part above 1,500,000.00 Euros and below 7,500,000.00 Euros; 5% on the part above 7,500,000.00 Euros and less than 35,000,000.00 Euros; and 9% that is charged on the part of the taxable income that exceeds 35,000,000.00 Euros.

Pursuant to article no. 88 of the IRC Code, Portuguese companies are additionally subject to autonomous taxation on a set of charges, at the rates provided for in the norm.

In 2011, Martifer SGPS, SA chose the application of the Special Regime for the Taxation of Groups of Companies ("RETGS"), which includes Portuguese companies that directly or indirectly hold at least 75% of their capital and that comply simultaneously with the other conditions defined by that regime.

The remaining companies, which are not included in the special scheme of taxation of Group Martifer, are taxed individually, based on the respective tax base and the applicable tax rates.

The results generated in foreign subsidiaries are taxed at the rates of local income tax, in particular, the results generated in Angola, in Saudi Arabia, in Brazil, in France, in Poland, in Romania, in Spain, in the United Kingdom and in Argentina are taxed respectively at 30%, 20%, 34%, 32.02 %, 19%, 16%, 25%, 19% and 30%.

For the calculation of deferred taxes in Spain, in Angola, in Romania, in the United Kingdom and in Argentina, the rates were 25%, 30%,16%, 19% and 30%, respectively.

Under the Portuguese law in force, the tax returns of Portuguese companies are subject to revision and correction by the tax authorities during a period of four years (five years for social security), except when tax losses have occurred, tax benefits have been granted, or inspections, claims or appeals are undergoing, in which cases, depending on the circumstances, the time limits may be extended or suspended. Consequently, the tax declarations for the years 2016 through to 2019 may be subject to review and amendments.

In the financial year 2018, tax inspections on the 2014 period were completed, which consisted in the additional payment of IRC plus compensatory interest and procedural costs that resulted in a total amount of 282,786.71€. In this respect, the Group's Board of Directors considers that there are arguments to contest such settlement, and therefore Martifer SGPS, as the dominant company of the group of companies taxed within the framework of RETGS in 2019, appealed against such settlement of tax in legal terms, having submitted a guarantee regarding the amount settled by the Tax Authority.

On 31 December 2019 and 2018, the balance of income tax receivable and payable can be shown as follows:

	FY 2019	FY 2018
Income tax - Assets	1,005,954	967,862
Income Tax - Liabilities	(918,643)	(1,228,512)
Net income tax	**87,311**	**(260,650)**

15. DIVIDENDS

In 2019 and 2018 dividends were not distributed.

16. EARNINGS PER SHARE

Martifer SGPS has issued solely ordinary shares, so there are no special dividends or voting rights.

Martifer SGPS, SA's share capital is represented by 100,000,000 ordinary shares, totally subscribed and paid-up, representing a share capital of 50,000,000.00 Euros.

The weighted average number of shares in circulation is reduced in 2,215,910 shares, corresponding to own shares acquired by Martifer SGPS.

As of 31 December 2019 and 2018, there is no difference between the calculation of basic earnings per share and the calculation of diluted earnings per share, which can be demonstrated as follows:

	FY 2019	FY 2018
Profit for the year (I)	**23.546.244**	**1.306.965**
Weighted average number of shares outstanding (II)	97.784.090	97.784.090
Basic and diluted earnings per share (I) / (II)	**0,2408**	**0,0134**

17. GOODWILL

The changes in 'Goodwill' in the years ended on 31 December 2019 and 2018 are as follows:

	FY 2019	FY 2018
Gross amount		
Opening balance	**14,115,669**	**10,980,675**
Acquisition of subsidiaries	-	5,909,062
Sale of subsidiaries	-	(2,825,638)
Effect of foreign currency exchange differences	32,910	51,570
Closing balance	**14,148,579**	**14,115,669**
Carrying amount at the beginning of the period	**14,115,669**	**10,980,675**
Carrying amount at the end of the period	**14,148,579**	**14,115,669**

Since the functional currency of the company FW Warta differs from the Euro (in this case, PLN), its Goodwill is always subject to the exchange rate update. The exchange rate update for 2019, as presented in the movement, was positive in 32,910 Euros which makes its total value updated in terms of exchange rate 3,173,930 Euros.

The detail of 'Goodwill' for the years ended on 31 December 2019 and 2018 can be analysed as follows:

	FY 2019	FY 2018
	CARRYING AMOUNT	CARRYING AMOUNT
Martifer Construções	5,457,165	5,457,165
Martifer Metallic Constructions	3,898,809	3,898,809
Navalria	1,618,675	1,618,675
FW Warta Sp. Z.o.o.	3,173,930	3,141,020
	14,148,579	**14,115,669**

The Group adopts the procedure of making annual impairment tests for Goodwill at the end of each period, as defined in Notes 1.4.i and 1.4.xxv.c.

For the purpose of impairment analysis, the Goodwill distributed by the cash-generating units that are expected to benefit from the synergies of the merger of company activities, within each operational segment. The recoverable amount of each of the cash-generating units was determined based on the use-value, according to the discounted cash flow method, based on business plans developed by the managers of the companies and duly approved by the Group's Board of Directors and using discount rates that vary according to the inherent risks in various businesses.

On 31 December 2019, the methods and assumptions used in the measurement of the existence, or not, of impairment, for the main values of Goodwill recorded by each one of the segments in the financial statements annexed, were as follows:

METALLIC CONSTRUCTIONS AND NAVAL INDUSTRY

FY 2019	MARTIFER CONSTRUÇÕES	MARTIFER METALLIC CONSTRUCTIONS	NAVALRIA
Goodwill (1)	5,457	3,899	1,619
Period used	5-year cash flow projection	5-year cash flow projection	5-year cash flow projection
Growth rate (g) (2)	2%	2%	1%
Average growth rate of turnover for 5 years (3)	1.57%	3.61%	4.77%
Discount rate (4)	6.86%	6.86%	6.86%

(1) Values in thousands of Euros.
(2) Growth rate used to extrapolate cash flows beyond the period considered in the business plan;
(3) Estimated average growth rate based on the 5-year business plan of the company determined by the estimates and assumptions of the Board of Directors based on their best knowledge at the date of approval of the Financial Statements;
(4) Discount rate applied to projected cash flows.

The average growth rate of turnover registered in each segment is underlied by the following estimates and expectations: (i) in Martifer Construções a reduction in 2020 compared to 2019, given that some projects with significant value are being concluded, such as the Geneva Airport project (total value of 45 million Euros), and from 2021 on a turnover in line with 2019 and an annual growth in activity of around 2% to accompany the economic recovery of the Portuguese economy and the main world economies that are expected to happen; (ii) at Martifer Metallic Constructions, a significant increase in 2020 compared to 2019, and a slight reduction in the following years, mainly due to the order book in the Naval Industry; (iii) in Navalria, the high pace of growth that the naval area has had, both in construction and repair, and the synergies with West Sea.

The Board of Directors, supported on the value of the previsional cash flows of the cash-generating units in this segment, discounted at the rate considered applicable to each business, concluded that on 31 December 2019 the accounting value of the net assets, including Goodwill does not exceed its recoverable amount.

The cash flow projections were based on the historical performance and on the expectation of improvement in efficiency. Those responsible for this segment believe that a possible change (within a normal scenario) in the main assumptions used in the calculation of the recoverable value would have the impacts listed in the following tables:

MARTIFER CONSTRUÇÕES:

FY 2019	MARTIFER CONSTRUÇÕES	WACC increase in 1.0 p.p.	WACC decrease in 1.0 p.p.	Var. turnover +5.0 p.p. (1)	Var. turnover - 5.0 p.p. (1)	Increase in EBITDA/Turnover margin in 0.5 p.p. (2)	Decrease in EBITDA/Turnover margin in 0.5 p.p (2)
Weighted Average Cost of Capital (WACC)	6.86%	7.86%	5.86%	6.86%	6.86%	6.86%	6.86%
CAGR turnover [2019 ; 2024] (3)	1.57%	1.57%	1.57%	6.57%	-3.43%	1.57%	1.57%
EBITDA/ Turnover average margin [2019 ; 2024]	5.79%	5.79%	5.79%	5.79%	5.79%	6.29%	5.29%
Net Book Value (4)	5,457	5,457	5,457	5,457	5,457	5,457	5,457
Total recoverable amount (4)	7,463	(4,972)	26,373	33,159	(235)	16,270	(1,344)
Estimated impact (4)	2,006	(10,429)	20,916	27,702	(5,692)	10,813	(6,801)
Conclusions of the sensitivity analysis	No impairment	Impairment	No impairment	No impairment	Impairment	No impairment	Impairment

(1) Yearly variation of turnover in 5 p.p. (2019 = 100%), maintaining a constant EBITDA/ Turnover margin;
(2) Variation in the EBITDA/ Turnover margin, maintaining a constant turnover;
(3) Estimated average growth rate based on the company's 5-year business plan, determined by the Board of Directors' estimates and assumptions;
(4) Values in thousands of Euros.

MARTIFER METALLIC CONSTRUCTIONS:

FY 2019	MMC	WACC increase in 1.0 p.p.	WACC decrease in 1.0 p.p.	Var. turnover +5.0 p.p. (1)	Var. turnover - 5.0 p.p. (1)	Increase in EBITDA/Turnover margin in 0.5 p.p. (2)	Decrease in EBITDA/Turnover margin in 0.5 p.p (2)
Weighted Average Cost of Capital (WACC)	6.86%	7.86%	5.86%	6.86%	6.86%	6.86%	6.86%
CAGR turnover [2019 ; 2024] (3)	3.61%	3.61%	3.61%	8.61%	-1.39%	3.61%	3.61%
EBITDA/ Turnover average margin [2019 ; 2024]	7.39%	7.39%	7.39%	7.39%	7.39%	7.89%	6.89%
Net Book Value (4)	3,899	3,899	3,899	3,899	3,899	3,899	3,899
Total recoverable amount (4)	70,304	55,155	93,242	76,504	1,405	91,254	52,862
Estimated impact (4)	66,405	51,256	89,343	72,605	(2,494)	87,355	48,963
Conclusions of the sensitivity analysis	No impairment	No impairment	No impairment	No impairment	Impairment	No impairment	No impairment

(1) Yearly variation of turnover in 5 p.p. (2019 = 100%), maintaining a constant EBITDA/ Turnover margin;
(2) Variation in the EBITDA/ Turnover margin, maintaining a constant turnover;
(3) Estimated average growth rate based on the company's 5-year business plan, determined by the Board of Directors' estimates and assumptions;
(4) Values in thousands of Euros.

In the sensitivity analysis at Martifer Construções and Martifer Metallic Constructions there are some situations in which the conclusion is Impairment, but they were not recorded because they were considered unlikely scenarios.

NAVALRIA:

FY 2019	NAVALRIA	WACC increase in 1.0 p.p.	WACC decrease in 1.0 p.p.	Var. turnover +5.0 p.p. (1)	Var. turnover - 5.0 p.p. (1)	Increase in EBITDA/Turnover margin in 0.5 p.p. (2)	Decrease in EBITDA/Turnover margin in 0.5 p.p (2)
Weighted Average Cost of Capital (WACC)	6.86%	7.86%	5.86%	6.86%	6.86%	6.86%	6.86%
CAGR turnover [2019 ; 2024] (3)	4.77%	4.77%	4.77%	9.77%	-0.23%	4.77%	4.77%
EBITDA/ Turnover average margin [2019 ; 2024]	7.77%	7.77%	7.77%	7.77%	7.77%	8.27%	7.27%
Net Book Value (4)	1,619	1,619	1,619	1,619	1,619	1,619	1,619
Total recoverable amount (4)	93,840	78,476	115,578	117,175	66,580	105,168	88,497
Estimated impact (4)	92,221	76,857	113,959	115,556	64,962	103,550	86,878
Conclusions of the sensitivity analysis	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment

(1) Yearly variation of turnover in 5 p.p. (2019 = 100%), maintaining a constant EBITDA/ Turnover margin;
(2) Variation in the EBITDA/ Turnover margin, maintaining a constant turnover;
(3) Estimated average growth rate based on the company's 5-year business plan, determined by the Board of Directors' estimates and assumptions;
(4) Values in thousands of Euros.

RENEWABLES:

FY 2019	WARTA
Goodwill (1)	3,174
Period used	25-year cash flow projection
Growth rate (g) (2)	n.a.
Average growth rate of turnover for 25 years (3)	2.50%
Discount rate (4)	5.51%

(1) Values in thousands of Euros.
(2) Growth rate used to extrapolate cash flows beyond the period considered in the business plan;
(3) Estimated average growth rate based on the 25-year business plan of the company determined by the estimates and assumptions of the Board of Directors based on their best knowledge at the date of approval of the Financial Statements;
(4) Discount rate applied to projected cash flows.

The valorisation of business developed by each cash-generating unit of Martifer Group is carried out in accordance with the cash flows generated by each business, discounted at appropriate rates.

The period of the projection of future cash flows used is the useful life of a wind farm (25 years) which is consistent with the current depreciation method in the market. The cash flows consider the long-term contracts and long-term energy price estimates whenever the asset is exposed to the market. In this case, the projection starts in 2021, because the works are estimated to be completed then, and the farm shall begin its activity.

The Board of Directors, supported on the value of the previsional cash flows of the cash-generating units in this segment, discounted at the rate considered applicable to each business, concluded that on 31 December 2019 the accounting value of the net assets, including Goodwill does not exceed its recoverable amount.

The cash flow projections were based on the historical performance and on the expectation of improvement in efficiency. Those responsible for this segment believe that a possible change (within a normal scenario) in the main assumptions used in the calculation of the recoverable value would have the impacts listed in the tables below:

WARTA:

FY 2019	WARTA	WACC increase in 1.0 p.p.	WACC decrease in 1.0 p.p.	Var. turnover +1.0 p.p. (1)	Var. turnover - 1.0 p.p. (1)	Increase in EBITDA/Turnover margin in 0.5 p.p. (2)	Decrease in EBITDA/Turnover margin in 0.5 p.p (2)
Weighted Average Cost of Capital (WACC)	5.51%	6.51%	4.51%	5.51%	5.51%	5.51%	5.51%
CAGR turnover [2021 ; 2045] (3)	2.50%	2.50%	2.50%	3.53%	1.47%	2.50%	2.50%
EBITDA/ Turnover average margin [2021 ; 2045]	58.30%	58.30%	58.30%	58.30%	58.30%	58.75%	57.86%
Net Book Value (4)	3,174	3,174	3,174	3,174	3,174	3,174	3,174
Total recoverable amount (4)	12,290	8,462	16,769	16,688	8,503	12,522	12,059
Estimated impact (4)	9,116	5,288	13,595	13,514	5,329	9,348	8,885
Conclusions of the sensitivity analysis	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment

(1) Annual turnover variation in 1 p.p. maintaining a constant EBITDA/ Turnover margin;
(2) Variation in the EBITDA/ Turnover margin, maintaining a constant turnover;
(3) Estimated average growth rate based on the company's 25-year business plan, determined by the Board of Directors' estimates and assumptions;
(4) Values in thousands of Euros.

In relation to the period ended on 31 December 2018, the methods and assumptions used in the calculation of the existence, or not, of impairment, for the main values of Goodwill recorded by each one of the segments in the financial statements attached, were as follows:

METALLIC CONSTRUCTIONS AND NAVAL INDUSTRY:

FY 2018	MARTIFER CONSTRUÇÕES	MARTIFER METALLIC CONSTRUCTIONS	NAVALRIA
Goodwill [(1)]	5,457	3,899	1,619
Period used	5-year cash flow projection	5-year cash flow projection	5-year cash flow projection
Growth rate (g) [(2)]	2%	2%	1%
Average growth rate of turnover for 5 years [(3)]	1.68%	2.92%	0.29%
Discount rate [(4)]	6.41%	6.41%	6.41%

(1) Values in thousands of Euros.
(2) Growth rate used to extrapolate cash flows beyond the period considered in the business plan;
(3) Estimated average growth rate based on the 5-year business plan of the company determined by the estimates and assumptions of the Board of Directors based on their best knowledge at the date of approval of the Financial Statements;
(4) Discount rate applied to projected cash flows.

The average growth rate of turnover registered in each segment is underlied by the following estimates and expectations: (i) in Martifer Construções a reduction in 2019 compared to 2018, since some projects with significant value are being completed, such as the Geneva Airport project (total value of 45 million euros), and from 2020 on a turnover in line with 2017 and annual activity growth of around 2% following the consolidation of the announced economic recovery of the Portuguese economy and the main world economies; (ii) in Martifer Metallic Constructions a reduction in 2019 compared to 2018, due to the estimated impact previously explained in Martifer Construções and from 2020 on a stabilisation of activity as expected for the Metallic Constructions area and the consolidation of growth in the naval area where the pace of awards of contracts has been quite significant; (iii) in Navalria, the high pace of growth that the naval area has experienced, both in construction and in repair, and the synergies with West Sea.

The Board of Directors, supported on the value of the previsional cash flows of the cash-generating units in this segment, discounted at the rate considered applicable to each business, concluded that on 31 December 2018 the accounting value of the net assets, including Goodwill does not exceed its recoverable amount.

The cash flow projections were based on historical performance and on the expectation of improvement in efficiency. Those responsible for this segment believe that a possible change (within a normal scenario) in the main assumptions used in the calculation of the recoverable value would have the impacts listed in the tables below:

MARTIFER CONSTRUÇÕES:

FY 2018	MARTIFER CONSTRUÇÕES	WACC increase in 1.0 p.p.	WACC decrease in 1.0 p.p.	Var. turnover +5.0 p.p. [(1)]	Var. turnover - 5.0 p.p. [(1)]	Increase in EBITDA/Turnover margin in 0.5 p.p. [(2)]	Decrease in EBITDA/Turnover margin in 0.5 p.p [(2)]
Weighted Average Cost of Capital (WACC)	6.41%	7.41%	5.41%	6.41%	6.41%	6.41%	6.41%
CAGR turnover [2018 ; 2023] [(3)]	1.68%	1.68%	1.68%	6.68%	-3.32%	1.68%	1.68%
EBITDA/ Turnover average margin [2018 ; 2023]	8.41%	8.41%	8.41%	8.41%	8.41%	8.91%	7.91%
Net Book Value [(4)]	5,457	5,457	5,457	5,457	5,457	5,457	5,457
Total recoverable amount [(4)]	60,814	39,002	95,418	73,548	82,334	61,595	44,538
Estimated impact [(4)]	55,356	33,544	89,961	68,091	76,877	56,138	39,080
Conclusions of the sensitivity analysis	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment

(1) Yearly variation of turnover in 5 p.p. (2018 = 100%), maintaining a constant EBITDA/ Turnover margin;
(2) Variation in the EBITDA/ Turnover margin, maintaining a constant turnover;
(3) Estimated average growth rate based on the company's 5-year business plan, determined by the Board of Directors' estimates and assumptions;
(4) Values in thousands of Euros.

MARTIFER METALLIC CONSTRUCTIONS:

FY 2018	MMC	WACC increase in 1.0 p.p.	WACC decrease in 1.0 p.p.	Var. turnover +5.0 p.p. (1)	Var. turnover - 5.0 p.p. (1)	Increase in EBITDA/Turnover margin in 0.5 p.p. (2)	Decrease in EBITDA/Turnover margin in 0.5 p.p (2)
Weighted Average Cost of Capital (WACC)	6.41%	7.41%	5.41%	6.41%	6.41%	6.41%	6.41%
CAGR turnover [2018 ; 2023] (3)	2.92%	2.92%	2.92%	7.92%	-2.08%	2.92%	2.92%
EBITDA/ Turnover average margin [2018 ; 2023]	6.70%	6.70%	6.70%	6.70%	6.70%	7.20%	6.20%
Net Book Value (4)	3,899	3,899	3,899	3,899	3,899	3,899	3,899
Total recoverable amount (4)	88,404	66,321	123,293	140,321	68,323	105,109	78,427
Estimated impact (4)	84,505	62,422	119,394	136,422	64,424	101,211	74,528
Conclusions of the sensitivity analysis	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment

(1) Yearly variation of turnover in 5 p.p. (2018 = 100%), maintaining a constant EBITDA/ Turnover margin;
(2) Variation in the EBITDA/ Turnover margin, maintaining a constant turnover;
(3) Estimated average growth rate based on the company's 5-year business plan, determined by the Board of Directors' estimates and assumptions;
(4) Values in thousands of Euros.

NAVALRIA:

FY 2018	NAVALRIA	WACC increase in 1.0 p.p.	WACC decrease in 1.0 p.p.	Var. turnover +5.0 p.p. (1)	Var. turnover - 5.0 p.p. (1)	Increase in EBITDA/Turnover margin in 0.5 p.p. (2)	Decrease in EBITDA/Turnover margin in 0.5 p.p (2)
Weighted Average Cost of Capital (WACC)	6.41%	7.41%	5.41%	6.41%	6.41%	6.41%	6.41%
CAGR turnover [2018 ; 2023] (3)	0.29%	0.29%	0.29%	5.29%	-4.71%	0.29%	0.29%
EBITDA/ Turnover average margin [2018 ; 2023]	9.04%	9.04%	9.04%	9.04%	9.04%	9.54%	8.54%
Net Book Value (4)	1,619	1,619	1,619	1,619	1,619	1,619	1,619
Total recoverable amount (4)	96,346	81,968	117,302	146,827	90,125	102,304	90,786
Estimated impact (4)	94,727	80,349	115,683	145,208	88,506	100,685	89,167
Conclusions of the sensitivity analysis	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment

(1) Yearly variation of turnover in 5 p.p. (2018 = 100%), maintaining a constant EBITDA/ Turnover margin;
(2) Variation in the EBITDA/ Turnover margin, maintaining a constant turnover;
(3) Estimated average growth rate based on the company's 5-year business plan, determined by the Board of Directors' estimates and assumptions;
(4) Values in thousands of Euros.

RENEWABLES:

FY 2018	WARTA
Goodwill (1)	3,141
Period used	25-year cash flow projection
Growth rate (g) (2)	n.a.
Average growth rate of turnover for 25 years (3)	2.50%
Discount rate (4)	6.34%

(1) Values in thousands of Euros.
(2) Growth rate used to extrapolate cash flows beyond the period considered in the business plan;
(3) Estimated average growth rate based on the 25-year business plan of the company determined by the estimates and assumptions of the Board of Directors based on their best knowledge at the date of approval of the Financial Statements;
(4) Discount rate applied to projected cash flows.

The valorisation of business developed by each cash-generating unit of Martifer Group is carried out in accordance with the cash flows generated by each business, discounted at appropriate rates.

The period of the projection of future cash flows used is the useful life of a wind farm (25 years) which is consistent with the current depreciation method in the market. The cash flows consider the long-term contracts and long-term energy price estimates, whenever the asset is exposed to the market. In this case, the projection starts in 2021, because the works are estimated to be completed then, and the farm shall begin its activity.

The Board of Directors, supported on the value of the previsional cash flows of the cash-generating units in this segment, discounted at the rate considered applicable to each business, concluded that on 31 December 2018 the accounting value of the net assets, including Goodwill does not exceed its recoverable amount.

The cash flow projections were based on historical performance and on the expectation of improvement in efficiency. Those responsible for this segment believe that a possible change (within a normal scenario) in the main assumptions used in the calculation of the recoverable value would have the impacts listed in the tables below:

WARTA:

FY 2018	WARTA	WACC increase in 1.0 p.p.	WACC decrease in 1.0 p.p.	Var. turnover +1.0 p.p. (1)	Var. turnover - 1.0 p.p. (1)	Increase in EBITDA/Turnover margin in 0.5 p.p. (2)	Decrease in EBITDA/Turnover margin in 0.5 p.p (2)
Weighted Average Cost of Capital (WACC)	6.34%	7.34%	5.34%	6.34%	6.34%	6.34%	6.34%
CAGR turnover [2021 ; 2045] (3)	2.50%	2.50%	2.50%	3.53%	1.47%	2.50%	2.50%
EBITDA/ Turnover average margin [2021 ; 2045]	70.27%	70.27%	70.27%	70.27%	70.27%	70.74%	69.79%
Net Book Value (4)	3,141	3,141	3,141	3,141	3,141	3,141	3,141
Total recoverable amount (4)	13,728	9,647	18,483	18,443	9,656	13,981	13,476
Estimated impact (4)	10,587	6,506	15,342	15,302	6,515	10,840	10,335
Conclusions of the sensitivity analysis	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment

(1) Yearly variation of turnover in 1 p.p. (2021 = 100%), maintaining a constant EBITDA/ Turnover margin;
(2) Variation in the EBITDA/ Turnover margin, maintaining a constant turnover;
(3) Estimated average growth rate based on the company's 25-year business plan, determined by the Board of Directors' estimates and assumptions;
(4) Values in thousands of Euros.

18. INTANGIBLE ASSETS

This item is analysed as follows:

	FY 2019	FY 2018
Gross amount, reduced by impairment losses:		
Software and other rights	15,321,461	18,237,690
Intangible assets in progress	-	9,718
	15,321,461	**18,247,408**
Accumulated depreciation:		
Software and other rights	14,706,139	16,015,888
	14,706,139	**16,015,888**
Carrying amount	**615,322**	**2,231,520**

The value recorded in ‘Software and other rights’ relates mainly to computer programs purchased by companies of the Group, as well as exploration permits of wind farms.

The information relating to the gross values of the intangible asset, minus impairment losses, for the years ended on 31 December 2019 and 2018, can be analysed as follows:

FY 2019	SOFTWARE AND OTHER RIGHTS	INTANGIBLE ASSETS IN PROGRESS	TOTAL
Opening balance on 1 January 2019	**18,237,690**	**9,718**	**18,247,408**
Additions	67,191	-	67,191
Sales, disposals and write-offs	(46,327)	-	(46,327)
Effect of foreign currency exchange differences	(318,020)	-	(318,020)
Impact of Hyperinflationary Economies (Note 1.4)	41,039	-	41,039
Changes in the consolidation perimeter	-	(9,718)	(9,718)
Transfers and other movements	(2,660,111)	-	(2,660,111)
Closing balance on 31 December 2019	**15,321,462**	**-**	**15,321,461**

FY 2018	SOFTWARE AND OTHER RIGHTS	INTANGIBLE ASSETS IN PROGRESS	TOTAL
Opening balance on 1 January 2018	**19,052,461**	**-**	**19,052,461**
Additions	47,407	9,718	57,125
Sales, disposals and write-offs	(349,992)	-	(349,992)
Effect of foreign currency exchange differences	(653,971)	-	(653,971)
Impact of Hyperinflationary Economies (Note 1.4)	134,422	-	134,422
Changes in the consolidation perimeter	722	-	722
Transfers and other movements	6,639	-	6,639
Closing balance on 31 December 2018	**18,237,690**	**9,718**	**18,247,408**

The information related to the accumulated amortisation values of the intangible asset, with reference to the years ended on 31 December 2019 and 2018, can be analysed as follows:

FY 2019	SOFTWARE AND OTHER RIGHTS	INTANGIBLE ASSETS IN PROGRESS	TOTAL
Opening balance on 1 January 2019	**16,015,887**	**-**	**16,015,887**
Additions	60,644	-	60,644
Sales, disposals and write-offs	(36,699)	-	(36,699)
Effect of foreign currency exchange differences	(83,587)	-	(83,587)
Transfers and other movements	(1,259,812)	-	(1,259,812)
Impact of Hyperinflationary Economies (Note 1.4)	9,706	-	9,706
Closing balance on 31 December 2019	**14,706,138**	**-**	**14,706,138**

FY 2018	SOFTWARE AND OTHER RIGHTS	INTANGIBLE ASSETS IN PROGRESS	TOTAL
Opening balance on 1 January 2018	**16,220,300**	**-**	**16,220,300**
Additions	247,017	-	247,017
Sales, disposals and write-offs	(349,992)	-	(349,992)
Effect of foreign currency exchange differences	(141,624)	-	(141,624)
Transfers and other movements	12,159	-	12,159
Impact of Hyperinflationary Economies (Note 1.4)	27,303	-	27,303
Changes in the consolidation perimeter	723	-	723
Closing balance on 31 December 2018	**16,015,887**	**-**	**16,015,887**
Carrying Amount:			
31 December 2018	**2,221,803**	**9,718**	**2,231,521**
31 December 2019	**615,322**	**-**	**615,322**

In 2019, with the sale of the subsidiaries SPEE 2 – Parque Eólico de Vila Franca de Xira, S.A. and SPEE 3 – Parque Eólico do Baião, S.A., the value of the licenses for the exploration of wind farms associated with them was derecognised, which justifies the amounts of around -2.7 million Euros and -1.3 million Euros in the movement 'Transfers and other movements' in the gross amounts and depreciation, respectively.

The net impact of the application of IAS 29 to the Angolan and Argentinian companies in this item is approximately 0.9 million Euros (Note 43).

19. TANGIBLE FIXED ASSETS

This item is analysed as follows:

	FY 2019	FY 2018
Gross amount, reduced by impairment losses:		
Land and buildings	55,855,530	73,240,846
Equipment	71,867,851	78,738,139
Tangible assets in progress	10,929,705	12,581,630
Other tangible assets	2,343,811	51,339,475
	140,996,897	**215,900,090**
Accumulated depreciation:		
Land and buildings	20,518,313	27,136,811
Equipment	53,296,801	55,953,668
Other tangible assets	1,834,882	25,799,262
	75,649,996	**108,889,741**
Carrying amount	**65,346,902**	**107,010,349**

The accumulated impairment losses on 31 December 2019 amount to 32.1 million Euros.

Following the adoption of IFRS 16, and as described in more detail in Note 1.2 and Note 1.4, as of 1 January 2019, the Group began recording the 'Tangible fixed assets' acquired in the form of a financial lease until 31 December 2018 under the item 'Assets under the right of use', so these amounts were transferred from the account (Note 20). We can see the detail of the amounts transferred in the movements below.

The information concerning the gross values of land and buildings, equipment, tangible fixed assets in progress and other tangible fixed assets, net of accumulated impairment losses for the years ended in 2019 and 2018 can be analysed as follows:

FY 2019	LAND AND BUILDINGS	EQUIPMENT	TANGIBLE ASSETS IN PROGRESS	OTHER TANGIBLE ASSETS	TOTAL
Closing balance on 31 December 2018	**73,240,844**	**78,738,139**	**12,581,629**	**51,339,475**	**215,900,090**
First adoption of IFRS 16	(11,301,220)	(2,397,586)	-	-	(13,698,806)
Opening balance on 1 January 2019	**61,939,625**	**76,340,553**	**12,581,629**	**51,339,475**	**202,201,282**
Additions	40,547	593,923	1,046,452	4,066	1,684,988
Sales, disposals and write-offs	(2,565,275)	(1,862,774)	-	(17,084)	(4,445,133)
Effect of foreign currency exchange differences	(3,371,290)	(3,462,790)	(42,935)	(56,110)	(6,933,125)
Impairment losses (Note 11)	-	-	(2,732,811)	-	(2,732,810)
Transfers and other movements	-	-	22,144	-	22,144
Impact of Hyperinflationary Economies (Note 1.4)	362,084	288,282	55,225	15,105	720,696
Changes in the consolidation perimeter	(550,161)	(29,343)	-	(48,941,641)	(49,521,145)
Closing balance on 31 December 2019	**55,855,529**	**71,867,850**	**10,929,703**	**2,343,810**	**140,996,897**

FY 2018	LAND AND BUILDINGS	EQUIPMENT	TANGIBLE ASSETS IN PROGRESS	OTHER TANGIBLE ASSETS	TOTAL
Opening balance on 1 January 2018	**78,945,713**	**86,481,411**	**11,440,071**	**51,279,926**	**228,147,121**
Additions	216,675	869,384	571,314	131,629	1,789,002
Sales, disposals and write-offs	(964,390)	(4,398,767)	(20,306)	(32,778)	(5,416,241)
Effect of foreign currency exchange differences	(6,218,704)	(5,581,275)	(197,125)	(100,964)	(12,098,068)
Transfers and other movements	(14,348)	227,233	(162,402)	-	50,483
Impact of Hyperinflationary Economies (Note 1.4)	1,275,899	1,135,767	49,593	28,097	2,489,356
Changes in the consolidation perimeter	-	4,386	900,484	33,565	938,435
Closing balance on 31 December 2018	**73,240,844**	**78,738,139**	**12,581,629**	**51,339,475**	**215,900,090**

The investment in tangible fixed assets in 2019 occurred in the 'Metallic Constructions' segment (0.6 million Euros) and in the 'Renewables' segment (1.0 million Euros), with the acquisition of equipment and capitalised cost in projects under development.

The perimeter variation that occurred in 2019 is mainly due to the sale of the Eurocab companies (Martifer Renewables ETVE, S.A.U. and its subsidiaries) in the ‘Renewables’ segment.

The information relating to the amounts of the accumulated depreciation of land and buildings, equipment, tangible fixed assets in progress and other tangible fixed assets for the years ended in 2019 and 2018 can be analysed as follows:

FY 2019	LAND AND BUILDINGS	EQUIPMENT	TANGIBLE ASSETS IN PROGRESS	OTHER TANGIBLE ASSETS	TOTAL
Closing balance on 31 December 2018	**27,136,809**	**55,953,667**	**-**	**25,799,261**	**108,889,741**
First adoption of IFRS 16	(5,689,716)	(1,738,573)	-	-	(7,428,288)
Opening balance on 1 January 2019	**21,447,093**	**54,215,094**	**-**	**25,799,261**	**101,461,449**
Additions	1,971,885	3,274,940	-	2,054,796	7,301,621
Sales, disposals and write-offs	(1,573,435)	(1,814,834)	-	(17,084)	(3,405,353)
Effect of foreign currency exchange differences	(1,503,207)	(2,657,734)	-	(44,740)	(4,205,676)
Impact of Hyperinflationary Economies (Note 1.4)	175,975	289,065	-	6,724	471,764
Changes in the consolidation perimeter	-	(9,731)	-	(25,964,077)	(25,973,808))
Closing balance on 31 December 2019	**20,518,311**	**53,296,800**	**-**	**1,834,880**	**75,649,996**

FY 2018	LAND AND BUILDINGS	EQUIPMENT	TANGIBLE ASSETS IN PROGRESS	OTHER TANGIBLE ASSETS	TOTAL
Opening balance on 1 January 2018	**27,497,701**	**59,997,741**	**-**	**23,392,873**	**110,888,315**
Additions	2,378,865	3,661,934	-	2,484,353	8,525,152
Sales, disposals and write-offs	(609,425)	(4,030,357)	-	(32,778)	(4,672,560)
Effect of foreign currency exchange differences	(2,665,273)	(4,621,381)	-	(88,711)	(7,375,364)
Changes in the consolidation perimeter	(9,925)	3,998	-	4,891	(1,035)
Impact of Hyperinflationary Economies (Note 1.4)	544,866	938,953	-	18,485	1,502,304
Changes in the consolidation perimeter	-	2,779	-	20,148	22,928
Closing balance on 31 December 2018	**27,136,809**	**55,953,667**	**-**	**25,799,261**	**108,889,741**
Carrying Amount:					
31 December 2018	**46,104,036**	**22,784,472**	**12,581,629**	**25,540,214**	**107,010,349**
First adoption of IFRS 16	(5,611,504)	(659,014)	-	-	(6,270,518)
Opening balance on 1 January 2019	**40,492,532**	**22,125,458**	**12,581,629**	**25,540,214**	**100,739,833**
31 December 2019	**35,337,218**	**18,571,050**	**10,929,703**	**508,930**	**65,346,902**

The valuation criteria adopted and the depreciation rates used are referred to in Note 1.4.iv ‘Main accounting policies, judgements and estimates’.

The net impact of the application of IAS 29 to the Angolan and Argentinian companies in this item is approximately 6.2 million Euros (Note 43).

On 31 December 2018, the cost of the acquisition of tangible fixed assets held by the Group in the context of financial lease contracts is as follows:

ASSETS ACQUIRED BY FINANCIAL LEASE CONTRACTS	GROSS VALUE	DEPRECIATION	TOTAL
	31 DECEMBRO 2018		
Land and Buildings	11,301,220	(5,689,716)	5,611,504
Equipment	2,397,586	(1,738,573)	659,014
Total	**13,698,806**	**(7,428,288)**	**6,270,518**

On 31 December 2018, the value of the debts relating to financial lease contracts is presented in Note 33.

On 31 December 2018, except for the assets acquired under financial leasing, Project Finance and for the assets mentioned in Note 40, there were no other tangible fixed assets that were pledged or mortgaged to financial institutions as collateral for loans obtained by the Group.

During the year, the Group estimated the recoverable amount of some tangible fixed assets, taking into account internal and external factors that indicated that they could be accounted for by a superior value than their recoverable amount.

The measurement of the existence of impairment for tangible fixed assets of the Group was done based on the business plans of various companies whose assumptions are detailed below.

RENEWABLES

	PORTUGAL	ROMANIA
Tangible Fixed Assets (1)	5,356	25,636
Period	25 anos	18 anos
Growth rate (g) (2)	n.a.	n.a.
Average growth rate of Turnover [2021 ; 2046]; [2019 ; 2037](3)	5.97%	-0.26%
Weighted Average Cost of Capital (WACC) (4)	6.22%	6.40%

(1) Values in thousands of Euros;
(2) Growth rate used to extrapolate cash flows beyond the period considered in the business plan;
(3) Estimated average growth rate based on the Company's business plan considering the estimates and assumptions made by the Board of Directors;
(4) Discount rate applied to projected cash flows.

Cash flow projections were based on historical performance, in the case of Babadag I and II wind farms (Romania), and on expectations of efficiency improvement, both for the Fonte Cova project (Portugal) and for Babadag (Romania). Those responsible for this segment believe that a possible change (within a normal scenario) in the main assumptions used in the calculation of the recoverable value would have the impacts listed in the table below:

PORTUGAL:

	Cash Generating Unit	WACC increase in 1.0 p.p.	WACC decrease in 1.0 p.p.	Var. turnover +1.0 p.p. (1)	Var. turnover - 1.0 p.p. (1)	Increase in EBITDA/Turnover margin in 0.5 p.p. (2)	Decrease in EBITDA/Turnover margin in 0.5 p.p (2)
Weighted Average Cost of Capital (WACC)	6.22%	7.22%	5.22%	6.22%	6.22%	6.22%	6.22%
CAGR turnover [2021 ; 2045] (3)	5.97%	5.97%	5.97%	7.07%	4.87%	5.97%	5.97%
EBITDA / Turnover average margin [2021 ; 2045]	57.08%	57.08%	57.08%	57.08%	57.08%	57.56%	56.60%
Net Book Value (4)	5,356	5,356	5,356	5,356	5,356	5,356	5,356
Total recoverable amount (4)	5,360	4,358	6,563	7,119	3,872	5,424	5,296
Estimated impact (4)	4	(998)	1,207	1,763	(1,484)	67	(60)
Conclusions of the sensitivity analysis	No impairment	Impairment	No impairment	No impairment	Impairment	No impairment	Impairment

(1) Annual variation of turnover in 1 p.p (2021 = 100%), keeping the EBITDA/ Turnover margin constant;
(2) Variation in the EBITDA/ urnover margin, maintaining a constant turnover;
(3) Estimated average growth rate based on the company's 5-year business plan, determined by the Board of Directors' estimates and assumptions;
(4) Values in thousands of Euros.

ROMANIA:

	Cash Generating Unit	WACC increase in 1.0 p.p.	WACC decrease in 1.0 p.p.	Var. turnover +1.0 p.p. (1)	Var. turnover - 1.0 p.p. (1)	Increase in EBITDA/ margin in 0.5 p.p. (2)	Decrease in EBITDA/Turnover margin in 0.5 p.p (2)
Weighted Average Cost of Capital (WACC)	6.40%	7.40%	5.40%	6.40%	6.40%	6.40%	6.40%
CAGR Turnover [2019 ; 2037] (3)	-0.26%	-0.26%	-0.26%	0.80%	-1.31%	-0.26%	-0.26%
EBITDA/ Turnover average margin [2019;2037]	49.57%	49.57%	49.57%	49.57%	49.57%	50.05%	49.10%
Net book value (4)	25,636	25,636	25,636	25,636	25,636	25,636	25,636
Total recoverable amount (4)	25,556	23,558	27,797	25,785	25,327	25,760	25,352
Estimated impact (4)	(80)	(2,078)	2,161	149	(309)	124	(284)
Conclusions of sensitivity analysis	Impairment	Impairment	No impairment	No impairment	Impairment	No impairment	Impairment

(1) Annual variation of turnover in 1 p.p (2019 = 100%), keeping the EBITDA/ Turnover margin constant;
(2) Variation in the EBITDA/ Turnover margin, maintaining a constant turnover;
(3) Estimated average growth rate based on the company's 5-year business plan, determined by the Board of Directors' estimates and assumptions;
(4) Values in thousands of Euros.

In 2019, in Portugal, the impairment in registered tangible fixed assets is related to the variation in the market value of the wind turbines (Suzlon S88-2.1) registered in Cedilhas ao Vento, which will be used in part in the Fonte Cova Wind Farm. In 2018 there was no recognition of impairment.

In the case of Portugal, the projection starts in 2021, because the works are estimated to be completed then, and the farm shall begin its activity.

The Group believes that the different sensitivity analysis in which the conclusion is 'Impairment" is possible but an unlikely scenario, so additional impairment was not recorded.

METALLIC CONSTRUCTIONS

	MARTIFER CONSTRUÇÕES
Fixed assets (1)	20,277
Period	5 years
Growth rate (g) (2)	2%
Average growth rate of Turnover for 5 years (3)	1.57%
Discount rate (4)	6.86%

(1) Values in thousands of Euros.
(2) Growth rate used to extrapolate cash flows beyond the period considered in the business plan;
(3) Estimated average growth rate based on the 5-year business plan of the company considering the estimates and assumptions of the Board of Directors based on their best knowledge at the date of approval of the Financial Statements;
(4) Discount rate applied to projected cash flows.

The calculated average turnover growth rate considers a decrease in 2020 compared to 2019, since some projects of significant value are near completion, such as the Geneva Airport project (total value of 45 million Euros), and from 2021 on a turnover in line with 2019 and an annual growth in activity of around 2% accompanying the economic recovery of the Portuguese economy and the main world economies that is expected to happen.

The cash flow projections were based on the historical performance and on the expectation of improvement in efficiency. Those responsible for this segment believe that a possible change (within a scenario of normality) in the main assumptions used in the calculation of the recoverable amount will not cause impairment losses in addition to those already registered, according to the following analysis:

	MARTIFER CONSTRUÇÕES	WACC increase in 1.0 p.p.	WACC decrease in 1.0 p.p.	Var. turnover +5.0 p.p. (1)	Var. turnover - 5.0 p.p. (1)	Increase in EBITDA/Turnover margin in 0.5 p.p. (2)	Decrease in EBITDA/Turnover margin in 0.5 p.p (2)
Weighted Average Cost of Capital (WACC)	6.86%	7.86%	5.86%	6.86%	6.86%	6.86%	6.86%
CAGR turnover [2019 ; 2024] (3)	1.57%	1.57%	1.57%	6.57%	-3.43%	1.57%	1.57%
EBITDA/ Turnover average margin [2019 ; 2024]	5.79%	5.79%	5.79%	5.79%	5.79%	6.29%	5.29%
Net book value (4)	20,277	20,277	20,277	20,277	20,277	20,277	20,277
Total recoverable amount (4)	61,488	49,053	80,398	81,402	53,790	68,678	54,297
Estimated impact (4)	41,211	28,776	60,121	61,126	33,514	48,401	34,021
Conclusions of sensitivity analysis	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment

(1) Yearly variation of turnover in 5 p.p. (2019 = 100%), maintaining a constant EBITDA/ Turnover margin;
(2) Variation in the EBITDA/ Turnover margin, maintaining a constant turnover;
(3) The estimated average growth rate based on the company's 5-year business plan considering the Board of Directors' estimates and assumptions;
(4) Values in thousands of Euros.

20. ASSETS UNDER RIGHT OF USE

Assets under the right of use on 31 December 2019 are as follows:

	FY 2019
Gross amount, reduced by impairment losses:	
Land and buildings	12,204,071
Equipment	3,170,273
Other right-of-use assets	10,136,365
	25,510,709
Accumulated depreciation:	
Land and buildings	6,061,495
Equipment	2,125,965
Other right-of-use assets	335,468
	8,522,928
Carrying amount	**16,987,781**

Following the adoption of IFRS 16, and as described in more detail in Note 1.2. and Note 1.4, as of 1 January 2019, the Group started to register ‘Tangible fixed assets’ acquired in the form of a finance lease until 31 December 2018 under the item ‘Assets under right of use’. Also following the application of IFRS 16, operating lease contracts up to 31 December 2018 that had no representation in the balance sheet (asset) were recognised in the item ‘Assets under right of use’ as of 1 January 2019.

‘Other right-of-use assets’ concern sub-concessions of shipyards.

The information related to the gross values of land and buildings, equipment and other assets under the right of use, minus accumulated impairment losses, on 31 December 2019 can be analysed as follows:

FY 2019	LAND AND BUILDINGS	EQUIPMENT	OTHER RIGHT-OF-USE ASSETS	TOTAL
Opening balance on 1 January 2019	-	-	-	-
First adoption of IFRS 16	13,174,169	2,911,491	4,813,099	20,898,759
Additions	448,005	258,781	5,323,266	6,030,052
Changes in the consolidation perimeter	(1,418,103)	-	-	(1,418,103)
Closing balance on 31 December 2019	**12,204,071**	**3,170,273**	**10,136,365**	**25,510,709**

The perimeter variation that occurred in 2019 is due to the sale of the Eurocab companies (Martifer Renewables ETVE, S.A.U. and its subsidiaries) in the ‘Renewables’ segment.

The increase under the heading ‘Other assets under the right of use’ was due to the extension until 2056 of the sub-concession contract for the Estaleiros Navais de Viana do Castelo granted to West Sea.

The information relating to the amounts of the accumulated depreciation of land and buildings, equipment and other assets under the right of use on 31 December 2019 can be analysed as follows:

FY 2019	EQUIPMENT	OTHER RIGHT-OF-USE ASSETS	TOTAL	EQUIPMENT
Opening balance on 1 January 2019	**-**	**-**	**-**	**-**
First adoption of IFRS 16	5,689,716	1,738,573	-	7,428,289
Additions	443,488	387,393	335,468	1,166,349
Changes in the consolidation perimeter	(71,709)	-	-	(71,709)
Closing balance on 31 December 2019	**6,061,495**	**2,125,966**	**335,468**	**8,522,929**
Carrying Amount:				
31 December 2019	**6,142,576**	**1,044,306**	**9,800,897**	**16,987,781**

21. INVESTMENT PROPERTIES

The item 'Investment Properties' includes the following properties held by Group Martifer: Benavente Business Centre, warehouses in Albergaria-a-Velha and the "Martifer Construções OF1 building", all in Portugal, all intended to be leased or valued in the long-term.

These assets are recorded at market value according to an independent evaluation, taking as a basis the normal use of each property, carried out by specialised entities, in accordance with international standards of 'RICS Valuation Standards' (RICS Red Book). Group Martifer performs regular evaluations to these properties, and any variations in fair value are recorded in the results.

The assessment reports carried out by an independent entity were done in accordance with Law no. 16/2015 of 24 February and Law no. 153/2015 of 14 September, and with the CMVM Regulation no. 2/2015 of 17 July.

The methods for calculating the value of property were the following:

- Market comparative method, income method and replacement costs method;
- Market comparative method and the discounted cash flow method.

The value assigned to each of the property resulted from the arithmetic average of the methods used in the assessment.

The assessments were made based on the information provided by the Group, visits to sites, geographical location and market research. In all the assessments, the assumption that it is possible to transact the property was made as well as that they are free from any encumbrances, charges or liabilities.

The movement occurred in the years 2019 and 2018 under the item 'Investment Properties' was as follows:

	FY 2019	FY 2018
Opening balance	20,826,300	20,826,300
Closing balance	**20,826,300**	**20,826,300**

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

FY 2019	APPRAISAL METHOD	YIELD	FAIR VALUE LEVEL	FAIR VALUE	INDEPENDENT APPRAISAL
Warehouse in Albergaria-a-Velha	Comparison, Revenue and Cost of Replacement	7.00	3	1,415,300	1,440,000
Benavente Business Centre	Comparison, Revenue and Cost of Replacement	7.00	3	9,364,000	9,370,000
Martifer Construções OF1 Building	Comparison, Revenue and Cost of Replacement	7.50	3	10,047,000	10,300,000
				20,826,300	**21,110,000**

Given that the difference between the fair value recorded and the independent assessment is reduced, the Group chose not to make an accounting adjustment to the fair value of these assets.

The return on investment property in 2019 was 388,027 Euros and is recorded in 'Other operating income' (Note 5). In 2018 it was 492,507 Euros, and it was recorded in 'Sales and services rendered'.

As of the 2019 financial year, Martifer Group started to recognise the gains associated with investment properties in 'Other operating income', and until 2018 they were recorded under 'Sales and Services Rendered'. The Group considered that it would be the most appropriate classification for this type of income.

22. INVESTMENTS IN ASSOCIATE COMPANIES AND JOINT ARRANGEMENTS

On 31 December 2019 and 2018, the information relating to associate companies and joint arrangements, as well as the value of the shares is as follows:

	% CAPITAL HELD	TOTAL EQUITY WITHOUT SUPPLEMENTARY CAPITAL	FINANCIAL PARTICIPATION BY EQUITY METHOD	SUPPLEMENTARY CAPITAL	SUPPLEMENTARY CAPITAL IMPAIRMENTS	NET INCOME	31 DECEMBER 2019
	31 DECEMBER 2019						
Martifer-Visabeira, S.A.	50.00%	(1,768,874)	-	1,187,610	(884,437)	1,196,453	303,173
Ventinveste, S.A.	48.50%	7,565,731	3,669,379	-	-	77,257	3,669,379
CNA Chantier Naval d'Arzew, SPA[1)]	49.00%	1,613,210	-	-	-	(3,085)	-
Duelobrigatório, S.A.[2)]	55.00%	(14,422,176)	-	4,950,000	(4,950,000)	(26,680)	-
							3,972,553

	% CAPITAL HELD	TOTAL EQUITY WITHOUT SUPPLEMENTARY CAPITAL	FINANCIAL PARTICIPATION BY EQUITY METHOD	SUPPLEMENTARY CAPITAL	SUPPLEMENTARY CAPITAL IMPAIRMENTS	NET INCOME	31 DECEMBER 2018
	31 DECEMBER 2018						
SPEE 3 - Parque Eólico de Baião, S.A.	50.00%	2,148,366	1,074,183	-	-	366,422	1,074,183
SPEE 2 - Parque eólico de Vila Franca de Xira, S.A.	50.00%	4,905,979	2,452,989	-	-	1,360,558	2,452,989
Martifer-Visabeira, S.A.	50.00%	(2,902,627)	-	1,163,243	(1,163,243)	(1,451,314)	-
Martifer MPC Renewable Energies Development S.A.S	50.00%	327,217	163,609	-	-	(266,680)	163,609
Ventinveste, S.A	48.50%	8,452,997	4,099,703	-	-	2,566,902	4,099,703
CNA Chantier Naval d'Arzew, SPA	49.00%	1,592,641	780,394	-	-	55,279	780,394
Duelobrigatório, S.A. [2)]	55.00%	(14,395,309)	-	4,950,000	(4,950,000)	(1,704,881)	-
							8,570,878

1) In 2019, the participation in CNA Chantier Naval d'Arzew, SPA was annulled since there is no perspective of the recoverability of the investment made;
2) At the end of 2016, the participation that the Group held in Duelobrigatório, SA was considered totally impaired by prudence, since no return is expected, because of the uncertainty about the recovery of the investment in the Fund in the USA. In 2017, the sale of the Fund in question occurred, so the impairment regarding the Financial Investment described above was reversed, and the outcome of this subsidiary was assumed in the proportion of the Equity Method. In relation to the impairment of ancillary benefits of this subsidiary, it remained the same on 31 December 2019, since there is no prospect of being received.

Provisions were constituted for the remaining financial holdings, due to having negative equity and they are disclosed in Note 35.

In 2019, the shareholdings in SPEE 2 – Parque Eólico de Vila Franca de Xira, S.A., SPEE 3 – Parque Eólico do Baião, S.A. and Martifer MPC Renewable Energies Development S.A.S. were sold. In 2018, Martifer MPC Renewable Energies Development S.A.S. went from Full Consolidation Method to Equity Method, and FW Warta Sp. Z.o.o. changed from the Equity Method to the Full Consolidation Method.

The movement occurred under this item, in the periods ended on 31 December 2019 and 2018, is as follows:

	FY 2019	FY 2018
Opening balance	8,570,878	12,228,126
Acquisition of 15% of Martifer-Visabeira	-	25
Change in consolidation method of Martifer MPC S.A.S	-	21,844
Change in consolidation method of FW Warta Sp. Z.o.o.	-	(572,841)
Sale of SPEE 2 – Parque Eólico de Vila Franca de Xira, S.A.	(2,704,650)	-
Sale of SPEE 3 – Parque Eólico do Baião, S.A.	(1,268,491)	-
Sale of Martifer MPC Renewable Energies Development S.A.S.	(76,556)	-
Annulment of the shareholding in CNA Chantier Naval d'Arzew, Spa 1)	(790,473)	-
Application of the equity method		
- From performance in results 2)	393,757	1,774,656
- Other equity changes	(414,700)	(4,919,100)
Supplemntary Capital Payments/ Receipts	24,367	236,821
Effect of foreign currency exchange differences	(40,385)	41,698
Impairment movements	278,806	(240,351)
Closing balance	**3,972,553**	**8,570,878**

1) In 2019, the participation in CNA Chantier Naval d'Arzew, SPA was annulled since there is no perspective of the recoverability of the investment made;
2) The impact in the result of the application of the Equity Method is different from what is recognised in Note 13 due to the fact that part of the result was affected to the constitution/ reversal of provisions (Note 35);

On 31 December 2019 and 2018, the summarised information on the major financial investments in associate companies and joint arrangements with positive equity, extracted from their individual financial statements, is as follows:

FY 2019	Martifer-Visabeira, S.A.	Ventinveste, S.A.
% Capital Held	50.0%	48.5%
Non-currrent Assets	8,288,092	11,802,511
Cash and Cash equivalents	885,694	1,862,088
Other current assets	1,674,000	467,618
Non-currrent Liabilities	3,064,059	5,024,955
Currrent Liabilities	6,070,763	1,541,532
Equity	1,712,964	7,565,731
Total supplementary capital	3,481,837	-
Equity without supplementary capital	(1,768,874)	7,565,731
Supplementary capital from Group	1,187,610	-
Supplementary capital from Group Impairments	(884,437)	-
Sales and Services Rendered	6,655,511	2,497,775
Amortisations and Depreciation	407,187	1,002,400
Income Tax	5,487	13,893
Net Profit for the year	1,196,453	77,257

FY 2018	CNA Chantier Naval d'Arzew, SPA	SPEE 3 - Parque Eólico de Baião, S.A.	SPEE 2 - Parque Eólico de Vila Franca de Xira, S.A.	Ventinveste, S.A	Martifer MPC
% Capital Held	49.0%	50.0%	50.0%	48.5%	50.0%
Non-currrent Assets	4,113,736	4,970,475	10,109,200	12,758,623	61,818
Cash and Cash equivalents	948,359	152,675	321,363	2,656,850	355,364
Other current assets	2,102,330	503,221	808,755	408,827	30,455
Non-currrent Liabilities	1,638	2,001,645	4,047,159	6,024,690	29,053
Currrent Liabilities	21,913	1,476,361	2,286,180	1,396,614	91,367
Equity	7,140,875	2,148,366	4,905,978	8,402,997	327,217
Equity without supplementary capital	7,140,875	2,148,366	4,905,978	8,402,997	327,217
Unrealised capital	2,718,635	-	-	-	-
Sales and Services Rendered	-	1,501,088	3,440,218	2,431,644	-
Amortisations and Depreciation	4,740	473,379	957,067	975,027	14
Income Tax	1,608	106,626	387,919	1,235	34
Net Profit for the year	55,279	366,422	1,360,558	2,566,902	(266,680)

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

NON-CURRENT

On 31 December 2019 and 2018, the detail of the non-current 'Financial assets at fair value through profit or loss' is as follows:

	FY 2019	FY 2018
Green Certificates	3,687,398	4,455,163
Others	152,881	130,580
	3,840,278	**4,585,742**

The movement occurred in the 2019 and 2018 periods under the item non-current 'Financial assets recorded at fair value through profit or loss' was as follows:

	FY 2019	FY 2018
Opening balance	4,585,742	-
Reclassification due to First Adoption of IFRS 9	-	5,961,419
Additions	72,055	39,283
Reductions	(787,248)	-
Transfers	742,661	(749,000)
Other	(772,931)	(665,960)
Closing balance	**3,840,278**	**4,585,742**

The increase in this item in 2019 essentially results from the award of medium/ long-term green certificates to Eviva Nalbant, SRL and the unit price considered in 2019 was RON 136.8, which was the minimum value defined by law for this year.

On 31 December 2019 and 2018, the detail of the medium/ long-term Green Certificates held by the Group is as follows:

	FY 2019	FY 2018
Number of green certificates held	128,912	154,700
Unit Price (RON)	136,813	134,302
Total Amount (RON)	17,636,825	20,776,535
Total Amount (EUR)	3,687,398	4,455,163

CURRENT

On 31 December 2019 2018, the detail of current 'Financial assets at fair value through profit or loss' is as follows:

	FY 2019	FY 2018
Green Certificates	1,130,687	1,602,874
Others	234,096	61,596
	1,364,783	**1,664,470**

The movement occurred in the 2019 and 2018 period under the item current 'Financial assets recorded at fair value through profit or loss' was as follows:

	FY 2019	FY 2018
Opening balance	1,664,470	-
Reclassification due to First Adoption of IFRS 9	-	963,482
Additions	3,097,224	1,462,213
Reductions	(3,385,563)	(2,257,883)
Transfers	(742,661)	742,661
Other	731,313	753,997
Closing balance	**1,364,783**	**1,664,470**

The movements of this item, essentially refer to the purchase and sale of short-term green certificates by Eviva Nalbant, SRL, and the unit price considered in 2019 was 136.8 RON, which was the minimum value defined by law for this year.

On 31 December 2019 and 2018, the detail of the medium/long-term Green Certificates held by the Group is as follows:

	FY 2019	FY 2018
Number of green certificates held	39,529	55,658
Unit Price (RON)	136,813	134,302
Total Amount (RON)	5,408,077	7,474,965
Total Amount (EUR)	1,130,687	1,602,874

24. INVENTORIES

The information on inventories for the periods ended on 31 December 2019 and 2018 can be analysed as follows:

	FY 2019	FY 2018
Gross Value:		
Raw-materials, subsidiaries and other consumables (Note 6)	2,752,356	5,138,559
Work in progress	-	1,377,831
Merchandise (Note 6)	15,911,505	15,977,539
Finished goods	205,008	206,216
	18,868,869	**22,700,146**
Accumulated impairment losses:		
Raw-materials, subsidiaries and other consumables	264,032	264,132
Work in progress	-	1,377,831
Merchandise	8,512,049	6,938,359
Finished goods	165,501	165,501
	8,941,582	**8,745,823**
Net value - Inventories	**9,927,286**	**13,954,322**

The item 'Merchandise' concerns primarily plots of land located in Taveiro, in Amarante and in Poland (Liszki Green Park). For these lands, an impairment of around 1.8 million Euros was recorded in Martifer Construções, for a land that was registered in 'Goods' and was sold at the beginning of 2020, so that its net value would be the same in 2019 to the value that was realized in 2020, since there was a loss of value.

The item 'Prepayments' mainly concerns purchases made by West Sea for incorporation in the construction of vessels, with a balance of 7,801,573 Euros in 2019 (in 2018 the amount was 2,590,628 Euros).

25. TRADE RECEIVABLES AND OTHER RECEIVABLES

The information relating to 'Trade receivables and other receivables' for the periods ended on 31 December 2019 and 2018 can be analysed as follows:

	NON-CURRENT		CURRENT	
	FY 2019	FY 2018	FY 2019	FY 2018
Gross Value:				
Trade receivables:				
Trade receivables	10,580,272	13,181,767	54,870,972	58,733,364
Notes receivables	-	-	-	-
Doubtful trade receivables	-	-	10,245,769	8,949,391
	10,580,272	**13,181,767**	**65,116,741**	**67,682,755**
Other receivables:				
Related companies	500,538	500,829	91,914	111,870
Advances to suppliers	-	-	146,548	5,661,744
Others	1,319,279	118,827	4,440,841	7,598,038
	1,819,817	**619,656**	**4,679,303**	**13,371,652**
Total Gross Value	**12,400,089**	**13,801,423**	**69,796,044**	**81,054,407**

The item 'Trade receivables' includes amounts related to retentions in construction contracts, and in 2019 as well as in 2018 the vast majority of these retentions are found in the "Non-current" column. The total amount of retentions recorded on 31 December 2019 amounts to 16,769,252 Euros (2018: 17,003,112 Euros), of which 12,670,249 Euros (12,052,592 in 2018) refers to ongoing projects (Note 27).

In 2019, even with the increase in turnover, it was possible to maintain the trend of reducing the value of clients that had already been verified in previous years, with a reduction in the total value of clients of 6.4%. This reduction is the result of greater efficiency in the collection processes combined with the possibility of optimising payment conditions in the contracting phase.

On 31 December 2019, the current and non-current balances with 'associate companies, subsidiaries and other shareholders' are mainly concerned with the loans granted due to joint ventures and to associates, which bear interest at Euribor 3 months plus a spread of 3.5%.

The item 'Others' in 'Other receivables' relates mainly to the countries Portugal, Angola and Brazil, and refers to operations that are not related to the main activity of the companies, such as the sale of financial holdings or fixed assets.

The accumulated impairment losses on Trade receivables and other receivables are as follows:

	NON-CURRENT		CURRENT	
	FY 2019	FY 2018	FY 2019	FY 2018
Accumulated impairment losses:				
Trade receivables	-	-	29,696,615	22,257,816
Other receivables	1,314,681	115,079	266,423	2,947,356
	1,314,681	**115,079**	**29,963,038**	**25,205,172**
Carrying amount – trade receivables	**10,580,272**	**13,181,767**	**35,420,126**	**45,424,939**
Carrying amount - other receivables	**505,136**	**504,577**	**4,412,880**	**10,424,295**
Total	**11,085,408**	**13,686,344**	**39,833,006**	**55,849,234**

The movement of accumulated impairment losses on receivables is as follows:

	TRADE RECEIVABLES		OTHER RECEIVABLES	
	FY 2019	FY 2018	FY 2019	FY 2018
Opening balance	22,257,816	13,922,075	3,062,435	8,270,952
First adoption of IFRS 9 (Note 1.4.vii.1)	-	11,186,419	-	-
Additions	9,736,174	2,030,205	-	-
Reductions	(824,992)	(1,029,249)	-	(52,792)
Applications	(76,212)	(4,945,209)	-	(4,545,870)
Changes of consolidation perimeter, foreign currency exchange rate difference and transfers	(1,396,170)	1,093,575	(1,481,331)	(609,854)
Closing balance	**29,696,615**	**22,257,816**	**1,581,104**	**3,062,435**

The increase in the impairment of 'Trade receivables' in 2019 mainly refers to the recognition of impairments of clients under IFRS 9 in Martifer Angola. In 2018, IFRS 9 was adopted for the first time, with an increase of approximately 11.2 million Euros.

The net value between increases and reversals of impairments in 2019 is negative by 8,911,182 Euros, and this can be observed in the Consolidated Profit and Loss Statement under the item 'Impairment losses on financial assets'.

On 31 December 2019 and 2018, the ageing of the balances of accounts receivable, before accumulated impairment losses, can be detailed as follows:

FY 2019			PAST DUE			
	TOTAL	NOT DUE	UNTIL 90 DAYS	90 TO 180 DAYS	180 TO 360 DAYS	MORE THAN 360 DAYS
Trade receivables	65,451,244	27,754,275	8,588,326	4,281,676	1,741,354	23,085,612
Doubtful trade receivables	10,245,769	-	-	14,914	168,036	10,062,820
Other receivables	6,499,120	3,088,088	627,831	-	-	2,783,202
Total	**82,196,133**	**30,842,363**	**9,216,157**	**4,296,590**	**1,909,390**	**35,931,634**

FY 2018			PAST DUE			
	TOTAL	NOT DUE	UNTIL 90 DAYS	90 TO 180 DAYS	180 TO 360 DAYS	MORE THAN 360 DAYS
Trade receivables	71,915,131	29,612,141	13,226,143	5,921,305	1,681,228	21,474,314
Doubtful trade receivables	8,949,391	-	-	739,317	-	8,210,074
Other receivables	13,991,308	8,697,191	16,278	2,250	2,491	5,273,098
Total	**94,855,830**	**38,309,332**	**13,242,421**	**6,662,872**	**1,683,719**	**34,957,486**

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

The average collection period of accounts receivable of the Group was 98 days in 2019, having decreased in relation to the previous year (143 days in 2018). This positive evolution is due to a great improvement in non-Group clients, with a reduction in the total balance of customers and other debtors by 13%, with the most relevant reduction in current account customers by around 6.4 million Euros.

The Board of Directors of the Group believes that the amounts of 'Trade and Other receivables' recorded in the balance sheet are very close to their fair value, and in particular in what regards debt overdue for more than 180 days, no significant losses are expected in addition to the impairment losses recorded. Some of the higher balances and that have been overdue the longest relate to clients that given the current economic situation are going through temporary liquidity difficulties, in particular in Angola where a significant part of the credits are concentrated. However, the Group has taken many steps and established agreements in order to define payment plans and obtain guarantees regarding the receipt.

In 2019, in addition to the incorporation of the advance payment component in contracts, the Management managed to negotiate with some of its main clients alternative ways of collecting, such as *Confirming* and *Reverse Factoring*, which allowed to finance its operational activity through the anticipation of credits, with a fairly reduced associated financial cost.

26. CURRENT TAX/ INCOME TAX - ASSETS

On 31 December 2019 and 2018, the balance of the item ‘State and other public entities’ is as follows:

	FY 2019	FY 2018
Income tax (Note 14)	**1,005,954**	**967,862**
Value added tax	3,244,469	4,750,222
VAT requested refunds	4,217,411	6,254,039
Other taxes	127,994	371,692
Current tax assets	**7,589,873**	**11,375,953**

The value of the VAT items corresponds essentially to the tax to be recovered in Portugal and is a consequence of the fact that the activity in the 'Naval Industry' and the 'Metallic Constructions' segments is mainly for export.

In 2017, the item ‘VAT requested refunds' included recoverable amounts for the purchase of wind turbines in the Renewables segment (around 2.3 million Euros). The refund was requested in 2017, but on 31 December 2018, it had not been received. This refund was received in 2019.

27. CONTRACT ASSETS

The information concerning Contract assets by business segment, net of advance payments, on 31 December 2019 and 2018 can be analysed as follows:

	FY 2019	FY 2018
Accrued income net of advances from customers:		
Metallic Constructions	10,124,166	7,255,185
Naval Industry	17,711,771	2,903,083
	27,835,936	**10,158,269**

The movement occurred in the financial year 2019 in contract assets and contract liabilities related to contracts with clients, excluding the component of advance payments, can be analysed as follows:

	FY 2019
Balances on 1 January 2019	**(20,182,924)**
- Contract Assets	10,158,269
- Contract Liabilities (Note 38)	(30,341,193)
Increases resulting from accomplishing new performance obligations not yet invoiced	28,753,843
Performance bonds from 2018 invoiced in 2019	(9,595,730)
Advanced invoicing in 2018 for performance bonds from 2019	11,127,852
invoicing in 2019 without corresponding performance obligation	(16,385,512)
Exchange differences, changes in perimeter and other	660,613
Balances on 31 December 2019	**(5,621,858)**
Balances on 31 December 2019	
- Contract Assets	27,835,936
- Contract Liabilities (Note 38)	(33,457,795)
	(5,621,858)

The value of the accrued income in 2019 mainly regards 'Naval Industry' in Portugal.

On 31 December 2019 and 2018, the information regarding construction contracts in progress is as follows:

	FY 2019	FY 2018
Total costs incurred with construction contracts in progress:	434,862,628	383,767,014
Costs incurred with construction contracts in progress in the year:	159,579,272	132,328,536
Total revenue incurred with construction contracts in progress	498,169,458	424,482,889
Revenue incurred with construction contracts in progress in the year:	192,801,141	153,561,076
Advanced payments received from customers of construction contracts in progress (Note 38)	17,363,112	14,408,904
Retentions performed by customers in construction contracts in progress (Note 25)	12,670,249	12,052,592
Guarantees provided to customers in relation to construction contracts in progress (Note 40)	25,209,233	34,777,304
Accrued income net of advances from customers related with construction contracts in progress (Note 27)	27,835,936	10,158,269
Deferred income and accounts payable related with construction contracts in progress (Note 38)	33,457,795	30,341,193
Deferred Cost related with construction contracts in progress (Note 28)	9,709,752	6,093,936
Accrued Cost related with construction contracts in progress (Note 39)	13,546,197	7,110,613
Provision to Onerous Contracts related with construction contracts in progress (Note 35)	788,002	1,216,969

The guarantees granted to project owners, in the 'Metallic Constructions' segment, as referred to in Note 40 relate to projects in progress and to completed projects within the warranty period, for which the average period is 5 years.

Also, the retentions made by clients in construction contracts, in the ‘Metallic Constructions’ segment, referred to in Note 25 concern work in progress and completed works in the warranty period.

On 31 December 2019 and 2018, the Group's main ongoing projects that justify the balance of 'Contract assets' are as follows:

	FY 2019	FY 2018
World Navigator (West Sea)	9,659,463	-
World Voyager (West Sea)	7,678,224	1,273,195
Metz Stadium (Martifer Construções)	1,383,215	-
Open Sky Buchelay (Martifer Construções and Martifer France)	1,172,500	-
STORIES (Martifer Construções and Martifer France)	1,066,278	-
Royal Wharf - Phase 2B (Martifer UK)	1,048,827	936,244
West End Gate (Martifer Construções and Martifer UK)	1,004,857	428,452
Future Beer Factory (Martifer Angola)	726,767	1,119,019
London Dock - Building C1 (Martifer Construções and Martifer UK)	354,533	-
Aile Est BAT 2 - Genève (Martifer Construções Sucursal Genebra)	7,642	505,968
Knots Porche Boufarik (Martifer Construções)	-	148,979
Viking Helgrim (West Sea)	-	542,266
Pavillon 6 - Porte de Versailles (Martifer Construções and Martifer France)	-	550,952
SENVION - Project Saint Martin l'Ars (Martifer Construções)	-	873,934
Ria Blades	-	502,000
Others	3,733,631	3,277,261
	27,835,936	**10,158,269**

28. OTHER CURRENT ASSETS

On 31 December 2019 and 2018, the item 'Other current assets' can be analysed as follows:

	FY 2019	FY 2018
Accrued income:		
Interest to be received	-	11,939
Other accrued income	2,870,038	2,811,671
	2,870,038	**2,823,611**
Prepayments:		
Insurances	407,045	353,140
Financial expenses	18,508	15,783
Rents	104,979	63,000
Other prepayments	668,749	480,319
Deferred Cost - Work in Progress	9,709,752	6,093,936
	10,909,033	**7,006,178**
	13,779,072	**9,829,789**

The heading 'Other accrued income' is strongly related with the invoicing to be issued by the Metallic Constructions segment in Portugal, both in 2019 and in 2018. In Portugal, this effect is due in particular to the invoicing to companies that consolidate by the equity method (approximately 2.8 million Euros to Martifer-Visabeira S.A. (Mozambique)).

On 31 December 2019, the item 'Other prepayments' includes, essentially, the disbursements made by the Group associated with specialized services, which will be rendered/used in 2020.

Thus, on 31 December 2019 and 2018, the main ongoing projects of the Group that justify the balance of 'Expenses to be recognised - ongoing projects' are as follows:

	FY 2019	FY 2018
STORIES (Martifer Construções)	2,725,587	-
London Dock - Building C1 (Martifer Construções)	1,443,625	-
Senvion - Soliedra (Martifer Construções)	1,297,301	-
West End Gate (Martifer UK)	1,026,638	1,465,374
Cabinda General Hospital (Martifer UK)	829,444	-
Siège Vinci - Bat A (Martifer Construções)	716,588	-
Porto Office Park (Martifer Construções)	-	515,997
55 Gresham Street (Martifer Construções)	-	53,591
East Wing of Geneva Airport (Martifer Construções)	-	2,695,253
Effect of the restatement of the hyperinflationary economy in Angola (IAS 29)	1,442	2,220
Others	1,669,127	1,361,501
	9,709,752	**6,093,936**

29. CASH AND CASH EQUIVALENTS

The item ‘Cash and cash equivalents’ may be analysed as follows:

	FY 2019	FY 2018
Cash and cash equivalents:		
Bank deposits	34,931,100	33,361,098
Cash	73,340	53,732
	35,004,440	**33,414,830**

On 31 December 2019 and 2018, no restrictions existed as to the use of the balances recorded in the item ‘Cash and cash equivalents’.

30. EQUITY

<u>Share capital</u>

Martifer SGPS’s share capital, fully subscribed and paid up on 31 December 2019 and 2018, amounted to 50,000,000 Euros and is represented by 100,000,000 nominative shares with a face value of 0.50 Euros each. All shares hold the same rights, namely one share, one vote. During the 2019 and 2018 economic periods, there were no changes in the number of shares representing the Group’s share capital.

During the 2019 period, Martifer SGPS didn’t acquire own shares through the stock exchange. The Group holds 2,215,910 own shares, corresponding to 2.22% of its share capital.

On 31 December 2019, the share capital of the company is 38% held by I'M SGPS, S.A. (held by Carlos Manuel Marques Martins and by Jorge Alberto Marques Martins), 4.89% by two Board Members related to I'M SGPS, SA (Carlos Manuel Marques Martins and Jorge Alberto Marques Martins), 37.5% by Mota-Engil SGPS, SA (a company listed on the stock exchange), 2.22% in own shares, and the remaining 17.39% dispersed in the Stock Exchange.

<u>Share issuance premiums</u>

Share premiums correspond to gains with the issue of or an increase in share capital. Following the Portuguese commercial legislation, the amounts included in this item must comply with the regime applicable to ‘legal reserves’, that is, they are not distributable except in the event of liquidation, but they may be used to offset losses, after all the other reserves have been used up, and/or be incorporated in share capital.

Reserves

Legal reserves

The Portuguese commercial legislation establishes that at least 5% of the annual net income must be used to increase the 'legal reserve' until the latter represents at least 20% of the share capital. This reserve is non-distributable, except in the event of liquidation, but may be used to offset losses, after all the other reserves have been used up, and/ or been incorporated in the share capital.

This value is included under the heading 'Other Reserves and retained earnings' and amounts to 7,766,907 Euros.

Own shares

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

Foreign currency translation reserves

The foreign currency translation reserves reflect the foreign-exchange fluctuations that occurred: (i) in translating the financial statements of subsidiaries in a currency other than the Euro; (ii) in the update of the net investment in subsidiaries; and (iii) in updating the *Goodwill*, which are not likely to be distributed or be used to absorb losses, being transferred to results when the subsidiaries are sold or terminated.

Other reserves and retained earnings

In addition to the legal reserve in the amount of 7,766,907.00 Euros, this item includes the results of previous periods and an unavailable reserve in the amount of 2,868,519.00 Euros related to own shares.

Under the Portuguese legislation, the amount of reserves considered distributable is determined based on the Entity's individual financial statements, prepared in accordance with the International Financial Reporting Standards (IFRS).

On 31 December 2019, Martifer SGPS, SA has no distributable reserves available.

Capital management policy (See Note 1.4.xxxii)

Capital management is made to ensure the continuity and development of operational activities, and focus is given to the management of the financial debt and liquidity risk.

Non-controlling interests

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

	FY 2019	FY 2018
Opening balance	(35,857,959)	(30,748,263)
First adoption of IFRS 9	-	(2,586,738)
Profit for the year	(2,099,565)	287,017
Other changes in equity of subsidiaries	(680,038)	(1,406,002)
Application of the Equity Method	11,300	33,840
Changes in the consolidation perimeter	-	(950,996)
Transactions with non-controlling interests	(163,840)	-
Others	(163,241)	(486,817)
	(38,953,345)	**(35,857,959)**

The movements with non-controlling interests in 2018 essentially reflect, in addition to the defined result, the impact of the application of IFRS 9.

In 2019, the significant impacts that justify the decline of non-controlling interests are the net result of the negative economic period, as well as the 'Other changes in equity' which also have a negative impact that results mainly in exchange devaluation of some geographies.

	% NON-CONTROLLING INTERESTS		FY 2019	FY 2018
	FY 2019	FY 2018		
Metallic Constructions				
Martifer – Construções Metálicas Angola, S.A.	40.94%	40.94%	(4,386,600)	(936,971)
Martifer Alumínios Angola, S.A.	40.94%	25.00%	(531,139)	(257,004)
Martifer Constructions, SAS	25.00%	25.00%	(1,239,967)	(1,198,567)
Martifer UK Limited	25.00%	25.00%	(1,579,610)	(1,585,010)
Jubimax Sp. Zo.o.	25.00%	25.00%	(2,371,374)	(2,357,870)
Savimex Sp. Zo.o	25.00%	25.00%	(2,137,109)	(2,127,016)
Liszki Green Park Sp. Zo.o	32.50%	32.50%	(2,794,787)	(2,812,365)
Park Logistyczny Biskupice Sp. Zo.o	-	25.00%	-	(654,419)
M City Gliwice Sp. Zo.o	25.00%	25.00%	(1,652,683)	(1,657,152)
Martifer - Construções Metalomecânicas, S.A.	25.00%	25.00%	(19,718,382)	(19,352,280)
Martifer Metallic Constructions SGPS, S.A.	25.00%	25.00%	3,849,507	3,382,214
Martifer Romania S.R.L.	24.50%	24.50%	(5,569,512)	(5,403,139)
Martifer Energia S.R.L.	25.00%	25.00%	(788,486)	(820,506)
Saudi Martifer Constructions LLC	25.00%	25.00%	544,540	390,407
Other non-controlling interests			(1,083,404)	(830,421)
Naval Industry				
Navalria - Docas, Construções e Reparações Navais, S.A.	25.00%	25.00%	(1,996,724)	(2,007,555)
West Sea - Estaleiros Navais,Lda	25.00%	25.00%	2,373,559	2,258,774
Renewables			-	
Martifer Renewables O&M Sp. Zo.o	48.00%	48.00%	128,826	110,921
			(38,953,345)	**(35,857,959)**

The non-controlling interests relate mainly to the business segments 'Metallic Constructions' and 'Naval Industry', and these segments are 25% held by Vetor Diálogo - SGPS, SA (a company that does not belong to Martifer Group).

On 31 December 2019, the summarised financial information on the main subsidiaries controlled by the Group with non-controlling interests was the following:

FY 2019	NON-CURRENT ASSETS	CURRENT ASSETS	NON-CURRENT LIABILITIES	CURRENT LIABILITIES	NET PROFIT FOR THE YEAR
Martifer - Construções Metálicas Angola, S.A.	4,329,100	13,925,855	1,625,186	24,734,436	(7,254,517)
Martifer Alumínios Angola, S.A.	572,062	1,911,876	-	5,349,280	188,195
Martifer Constructions, SAS	903,001	10,775,413	291,850	11,141,430	(165,599)
Martifer UK Limited	2,802,286	14,682,598	151,391	16,222,338	18,682
Jubimax Sp. Zo.o	-	338,592	4,537,215	4,350,348	7,400
Savimex Sp. Zo.o	11,889	344,542	6,731,592	390,443	(22,261)
Liszki Green Park Sp. Zo.o.	583	5,461,923	13,069,101	971,455	(79,467)
M City Gliwice Sp. Zo.o	7,264,239	13,085,186	26,713,441	234,884	(173,047)
Martifer - Construções Metalomecânicas, S.A.	45,884,251	80,142,790	52,996,193	43,758,591	1,983,815
Navalria - Docas, Construções e Reparações Navais, S.A.	3,356,922	2,946,017	3,051,138	1,650,571	43,324
Martifer Metallic Constructions SGPS, S.A.	197,344,383	18,316,996	46,144,955	41,412,719	2,412,765
West Sea - Estaleiros Navais, Lda	10,748,310	52,544,677	9,297,357	44,380,054	5,147,550
Martifer Romania S.R.L.	7,000,897	2,069,049	260,270	11,848,012	(667,466)
Martifer Energia S.R.L.	-	232,749	-	168,072	140,725
Saudi Martifer Constructions LLC	2,460,987	6,242,686	649,357	5,821,629	582,675

31. LOANS

The Loans obtained, regarding the periods ended on 31 December 2019 and 2018 are as follows:

FY 2019	UNTIL 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
Loans from financial institutions:					
Bank loans	4,432,820	51,764,695	13,096,546	70,230,455	139,524,516
Authorised overdrafts	297,070	-	-	-	297,070
Other loans:					
Other loans	145,568	492,802	187,797	161,320	987,487
	4,875,458	**52,257,497**	**13,284,343**	**70,391,775**	**140,809,073**

FY 2018	UNTIL 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
Loans from financial institutions:					
Bank loans	7,912,199	109,116,331	35,132,739	52,310,003	204,471,272
Bank overdrafts	391,648	-	-	-	391,648
Authorised overdrafts	457,406	-	-	-	457,406
Other loans:					
Other loans	22,332	84,861	524,991	213,997	846,181
	8,783,585	**109,201,192**	**35,657,730**	**52,524,000**	**206,166,507**

In 2019, the value of the Group's loans consolidated its downward trajectory, registering a reduction of about 32% compared to last year in the total of the Group's financing, which amounted to 206,166,507 Euros on 31 December 2018.

In December 2019, an addendum was signed to the Financial Restructuring Agreement for the Group's operational perimeter, in order to adjust maturity and the reimbursement plan to the *cash flows* generated by the Group. The adequacy of the weight of the short-term debt to the degree of permanence of long-term assets is maintained so that cash surpluses are sufficient to meet their responsibilities.

On 31 December 2019, the short-term debt was 4,875,458 Euros with a weight of 3.4% on the Group's total loans.

Other loans

The amount registered in the item 'Other loans corresponds essentially to a development support operation obtained by the Portuguese Agency for Foreign Trade and Investment (AICEP) and the Institute for Support to Small and Medium-sized Companies and to Investment (IAPMEI).

Between 2018 and 2019, there were variations in loans that did not affect cash flows, namely the perimeter variation resulting from the sale of Eurocab (Martifer Renewables ETVE, S.A.U. and its subsidiaries) from the 'Renewables' segment that had around 20.5 million Euros at that date, whose ownership has been transferred to the new owner. In addition, it was observed that there were 2.9 million Euros that did not affect cash flows due to a financial renegotiation agreement (amortisation of discounted debt). The variation of loans between 2018 and 2019 is as follows:

	FY 2018	CASH-FLOWS	CHANGES OF CONSOLIDATION PERIMETER	TRANSACTIONS WITH NO EFFECT IN CASH-FLOWS	FY 2019
Bank loans	206,166,507	(42,007,766)	(20,454,308)	(2,895,361)	140,809,073
Total	**206,166,507**	**(42,007,766)**	**(20,454,308)**	**(2,895,361)**	**140,809,073**

All the variations of loans between 2017 and 2018 affected the cash flows. The variation in loans between 2017 and 2018 is as follows:

	FY 2017	CASH-FLOWS	TRANSACTIONS WITH NO EFFECT IN CASH-FLOWS	FY 2018
Bank loans	222,733,171	(16,566,664)	-	206,166,507
Total	**222,733,171**	**(16,566,664)**	**-**	**206,166,507**

On 31 December 2019 and 2018, the amounts relating to loans are in the following currencies:

FY 2019	FINANCIAL INSTITUTIONS	OTHER LOANS	TOTAL
Kuanza	297,070		297,070
Euro	132,866,929	987,487	133,854,416
New Leu	6,657,587		6,657,587
	139,821,587	**987,487**	**140,809,073**

FY 2018	FINANCIAL INSTITUTIONS	OTHER LOANS	TOTAL
Euro	196,544,876	846,181	197,391,057
New Leu	8,318,044	-	8,318,044
Kuanza	457,406	-	457,406
	205,320,326	**846,181**	**206,166,507**

The average interest rates supported on loans are the following:

FY 2019	AVERAGE RATES	RANGE OF INTEREST RATES (%)
Loans from Financial institutions:		
Bank loans	2.35%	[1.12% a 6.74%]
Authorized overdrafts	21.05%	[21.05%]
Other loans:		
Other loans	0.88%	[0.00% a 5.30%]

FY 2018	AVERAGE RATES	RANGE OF INTEREST RATES (%)
Loans from Financial institutions:		
Bank loans	2.27%	[1.26% a 7.06%]
Bank overdrafts	3.60%	[3.60%]
Authorized overdrafts	21.09%	[21.09%]
Other loans:		
Other loans	0.00%	n.a.

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

COUNTRY	INDEX	SPREAD
Angola	Luibor	[4.00]
Portugal	Euribor	[1.50 a 3.00]
Romania	Robor	[2.50 a 3.75]

Martifer's debt is entirely subject to variable interest rates. In 2019, interest rates in the Euro area remained negative, and according to the information recently disclosed by the European Central Bank, this will continue until 2022. In what concerns the funding margin applied by financial institutions (*spread*), this remained at low levels in accordance with the debt restructuring agreements in force that reached their fifth year of implementation.

On 31 December 2019, the main bank loans obtained by the Group are as follows:

COMPANY	CONTRACT CURRENCY	VALUE (EUROS)	DUE DATE	GRACE PERIOD OF CAPITAL	INSTALMENT PAYMENTS	FIRST INSTALMENT AMOUNT	LAST INSTALMENT AMOUNT
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	2,150,000	31-12-2026	4 Months + 4 Years+ 1 Quarter	Quarterly	32,673	945,172
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	1,500,000	31-12-2026	4 Months + 4 Years+ 1 Quarter	Quarterly	22,795	659,399
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	6,500,000	31-12-2026	2 + 4 Years+ 1 Quarter	Quarterly	325,000	1,558,724
Martifer Metallic Constructions SGPS, S.A. [PT]	EUR	20,000,000	31-12-2026	1 + 4 Years + 1 Quarter	Quarterly	1,250,000	12,193,709
Martifer Metallic Constructions SGPS, S.A. [PT]	EUR	5,250,000	31-12-2026	1,5 + 4 Years + 1 Quarter	Quarterly	76,924	1,633,969
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	1,368,924	15-08-2025	3 Years + 5 Years	Quarterly	206,944	57,112
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	5,000,000	31-12-2026	1 Quarter + 6 Years + 1 Quarter	Quarterly	12,522	3,744,707
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	2,500,000	31-12-2026	2 + 5 Years + 1 Quarter	Quarterly	64,103	1,699,254
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	851,052	31-12-2026	5 Years + 1 Quarter	Quarterly	2,128	636,247
Martifer SGPS, S.A. [PT]	EUR	52,469,662	31-12-2020	-	Quarterly	1,485,640	23,780,533
Martifer SGPS, S.A. [PT]	EUR	21,718,376	31-12-2020	-	Quarterly	-	21,718,376
Martifer Metallic Constructions SGPS, S.A. [PT]	EUR	14,000,000	31-12-2026	5 Years + 1 Quarter	Quarterly	33,852	10,123,211
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	2,500,000	31-12-2026	4 Years + 1 Quarter	Quarterly	6,277	1,876,933
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	2,600,000	31-12-2026	4 Years + 1 Quarter	Quarterly	6,504	1,944,903
Martifer Metallic Constructions SGPS, S.A. [PT]	EUR	29,347,440	31-12-2026	1 Quarter	Quarterly	1,100,529	9,481,764
Martifer Metallic Constructions SGPS, S.A. [PT]	EUR	59,922	31-12-2026	3 Years + 1 Quarter	Quarterly	150	44,798
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	113,172	31-12-2026	3 Years + 1 Quarter	Quarterly	283	84,608
Navalria – Docas, Construções e Reparações Navais, S.A. [PT]	EUR	513,233	31-12-2026	3 Years + 1 Quarter	Quarterly	1,283	383,693
Martifer SGPS, S.A. [PT]	EUR	5,164,782	31-12-2020	-	Quarterly	38,438	1,511,719
Promoquatro – Investimentos Imobiliários, Lda. [PT]	EUR	2,035,204	31-12-2026	4 Years + 1 Quarter	Quarterly	5,088	1,521,520
Martifer Metallic Constructions SGPS, S.A. [PT]	EUR	3,048,379	31-12-2026	4 Years + 1 Quarter	Quarterly	7,621	2,278,970
Navalria – Docas, Construções e Reparações Navais, S.A. [PT]	EUR	254,032	31-12-2026	4 Years + 1 Quarter	Quarterly	635	189,914
Navalria – Docas, Construções e Reparações Navais, S.A. [PT]	EUR	1,624,246	31-12-2026	4 Years + 1 Quarter	Quarterly	4,061	1,214,287
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	310,155	31-12-2026	4 Years + 1 Quarter	Quarterly	775	231,872
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	1,016,422	31-12-2026	4 Years + 1 Quarter	Quarterly	2,541	759,877
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	1,016,126	31-12-2026	4 Years + 1 Quarter	Quarterly	2,540	759,657
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	3,299,532	31-12-2026	4 Years + 1 Quarter	Quarterly	8,249	2,466,732
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	4,318,537	31-12-2026	4 Years + 1 Quarter	Quarterly	10,796	3,228,541
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	3,299,468	31-12-2026	4 Years + 1 Quarter	Quarterly	8,249	2,466,684
Martifer - Construções Metalomecânicas, S.A. [PT]	EUR	3,048,645	31-12-2026	4 Years + 1 Quarter	Quarterly	7,622	2,279,169
Martifer Metallic Constructions SGPS, S.A. [PT]	EUR	351,719	31-12-2026	4 Years + 1 Quarter	Quarterly	879	262,945
West Sea, Lda [PT]	EUR	188,000	31-07-2022	-	Monthly	4,830	5,635

As regards the financing of Martifer SGPS, SA, and according to the Restructuring Agreement signed in 2015, the funding is paid at maturity, together with the interest capitalized during the period of validity. This agreement also foresees the repayment of debt throughout the contract with the sale of non-core assets, as set in the Strategic Plan of the Group.

In 2019, in compliance with the programme for the sale of non-core assets and following the sale of the projects Vila Franca de Xira and Baião wind farms and the Eurocabs solar parks, Martifer SGPS, SA amortised financing worth 34.7 million Euros.

On 31 December 2019, the main Project Finance obtained by the Group is as follows:

COMPANY	CONTRACT CURRENCY	VALUE	CONTRACT DATE	GRACE PERIOD OF CAPITAL	INSTALMENT PAYMENTS	FIRST INSTALMENT AMOUNT	LAST INSTALMENT AMOUNT
Eviva Nalbant, srl	RON	17,848,139	27-12-2023	2 Years + 1 Half	Half-yearly	1,486,750	898,947

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

On 31 December 2019 the Group's sensitivity to changes in indexed interest rates can be analysed as follows:

	ESTIMATED IMPACT 2019
Change in financial results due to a 0.5 p.p. alteration of the interest rate applied to the entire debt	704,045
Fixed-rate hedging	4,937
Sensitivity of the financial results due to interest rate changes	**699,108**

For this financing, the guarantees identified in Note 40 were provided.

32. LEASE LIABILITIES

On 31 December 2019, the amount of rents and the current amount of rents associated with lease liabilities is as follows:

	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
	FY 2019	FY 2019
No later than 1 year	1,941,490	1,012,372
Later than 1 year and not later than 5 years	7,260,720	3,783,285
Later than 5 years	30,378,880	19,077,910
	39,581,090	**23,873,567**
Future finance charges	(15,707,524)	-
Present value of minimum lease payments	**23,873,567**	**23,873,567**
Included in the financial statements as:		
Current lease payments	1,941,490	1,012,372
Non-current lease payments	21,932,077	22,861,195
	23,873,567	**23,873,567**

Following the adoption of IFRS 16, and as described in more detail in Note 1.2, as of 1 January 2019, the Group started to register ‘Obligation under finance leases’ related to finance leases until 31 December 2018 under the item 'Lease liability'. Also following the implementation of IFRS 16, operating lease contracts up to 31 December 2018 that had no representation in the balance sheet (liabilities) started being recognised under the heading ‘Lease liability’ as of 1 January 2019.

33. OBLIGATIONS UNDER FINANCE LEASES

On 31 December 2018, the value of rents and the current value of rents associated with finance lease contracts was as follows:

	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
	FY 2018	FY 2018
No later than 1 year	268,454	114,992
Later than 1 year and not later than 5 years	6,041,098	5,141,017
Later than 5 years	7,829,317	7,620,444
	14,138,869	**12,876,453**
Future finance charges	(1,262,416)	-
Present value of minimum lease payments	**12,876,453**	**12,876,453**
Included in the financial statements as:		
Current loans	268,454	114,992
Non-current loans	12,607,999	12,761,461
	12,876,453	**12,876,453**

Following the adoption of IFRS 16, and as described in more detail in Note 1.2, as of 1 January 2019, the Group started to register ‘Obligations under finance leases’ related to finance leases until 31 December 2018 under the item 'Lease Liabilities'.

The more significant lease contracts in force on 31 December 2018 are summarised as follows:

ASSET DESCRIPTION	PERIOD	CONTRACT AMOUNT	PURCHASE PERIOD	PURCHASE OPTION AMOUNT	GUARANTEES
Martifer equipment	210 months	6,000,000	End of contract	120,000	Blank promissory note
Martifer equipment	210 months	1,250,000	End of contract	22,500	Blank promissory note
Various pieces of equipment (stripping camera, cutting table, Calandra)	190 months	2,192,058	End of contract	43,841	Blank promissory note
Mobile metallic structure	210 months	8,850,000	End of contract	177,000	Blank promissory note
Mobile metallic structure	202 months	5,185,415	End of contract	323,786	Blank promissory note
Ford Mondeo Station Diesel	159 months	24,975	End of contract	500	Blank promissory note
Autonomous Fractions A, B, C, D, E, F, G, H, I, J, L, M and N of the Benavente Business Centre	164 months	6,366,458	End of contract	2,234,287	Blank promissory note, and guarantee of MMC SGPS
Urban building	217 months	2,656,515	End of contract	53,130	Blank promissory note
Rural building	159 months	955,000	End of contract	21,100	Blank promissory note
Gebox Land - Vagos 2 parcels (articles no. 2874 and 2896)	159 months	47,284	End of contract	1,946	Promissory note guaranteed by Motofil and MT SGPS

Additionally, on 31 December 2018, the value of the rents associated with operational lease contracts is as follows:

	FY 2018
No later than 1 year	183,996
Later than 1 year and not later than 5 years	349,901
	533,897

During the year ended on 31 December 2018, 608,600 Euros were recognised under the item ‘External services and supplies’ related to the rents of operating lease contracts.

34. TRADE PAYABLES AND OTHER PAYABLES

The information regarding Trade payables and other payables for the periods ended on 31 December 2019 and 2018 may be analysed as follows:

	NON-CURRENT		CURRENT	
	FY 2019	FY 2018	FY 2019	FY 2018
Trade payables	**3,545,024**	**4,141,210**	**48,483,804**	**49,573,725**
Other payables:				
Fixed assets suppliers	-	37,329	114,613	124,957
Related companies and other shareholders	-	-	825,999	825,366
Other payables	414,577	410,279	4,148,540	3,895,870
Other payables	**414,578**	**447,608**	**5,089,152**	**4,846,193**
Total	**3,959,603**	**4,588,818**	**53,572,956**	**54,419,918**

Even with the increase in turnover in 2019, the value of current and non-current trade payables is reduced, with a reduction of 14% in the value of debts to non-current suppliers and 2% at the level of current trade payables.

On 31 December 2019 and 2018, the ageing of accounts payable in the items ‘Trade payables’ and ‘Other payables’ was as follows:

FY 2019			PAST DUE			
	TOTAL	NOT DUE	UNTIL 90 DAYS	90 TO 180 DAYS	180 TO 360 DAYS	MORE THAN 360 DAYS
Trade payables	52,028,828	33,538,314	10,528,096	1,857,930	1,280,373	4,824,116
Other payables	5,503,730	377,820	116,017	2,380	1,848,624	3,158,889
Total	**57,532,559**	**33,916,133**	**10,644,113**	**1,860,310**	**3,128,997**	**7,983,005**

FY 2018			PAST DUE			
	TOTAL	NOT DUE	UNTIL 90 DAYS	90 TO 180 DAYS	180 TO 360 DAYS	MORE THAN 360 DAYS
Trade payables	53,714,935	36,344,885	8,994,171	1,111,249	1,317,380	5,947,250
Other payables	5,293,801	2,388,987	128,225	43,103	51,411	2,682,074
Total	**59,008,735**	**38,733,872**	**9,122,396**	**1,154,353**	**1,368,792**	**8,629,324**

The average term of payment of purchases and services acquired by the Group is around 177 days reflecting a great improvement compared to the previous year, in which the average term of payment was around 228 days.

Similar to what happens with clients (Note 25), the retentions made to ‘Trade payables’ (3,246,638 Euros in 2019 and 4,075,617 Euros in 2018) are included in the item 'Trade payables', except those in which the bank guarantee is issued by the supplier and not by Martifer, these being considered as 'not overdue'.

35. PROVISIONS

The information regarding provisions for the periods ended on 31 December 2019 and 2018 may be detailed as follows:

	FY 2019	FY 2018
Quality guarantees	1,378,966	1,742,849
Ongoing legal claims	1,211,066	1,273,713
Onerous Contracts	788,002	1,216,969
Contractual obligations	1,475,970	4,506,693
Provisions arising from the use of the equity method	7,932,197	9,767,594
	12,786,201	**18,507,817**

The movement occurred in the item 'Provisions' in the periods ended on 31 December 2019 is as follows:

	OPENING BALANCE	ADDITIONS (Note 11)	DEDUCTIONS (Note 11)	APPLICATIONS	CHANGE OF CONSOLIDATION PERIMETER, EXCHANGE RATE DIFFERENCES, TRANSFERS	CLOSING BALANCE
Quality guarantees	1,742,849	-	(362,405)	-	(1,478)	1,378,966
Ongoing legal claims	1,273,713	300,000	(110,114)	(264,886)	12,353	1,211,066
Onerous Contracts	1,216,969	314,354	(729,361)	-	(13,961)	788,002
Provisions on contractual obligations	4,506,693	138,959	(221,263)	(8,105)	(2,940,315)	1,475,970
Provisions arising from the use of the equity method	9,767,594	-	-	-	(1,835,397)	7,932,197
	18,507,817	**753,313**	**(1,423,142)**	**(272,991)**	**(4,778,798)**	**12,786,201**

The financial investments which are registered by the Equity Method and for which provisions were constituted, on 31 December 2019 and 2018 are as follows:

	% CAPITAL HELD	EQUITY	NET PROFIT	FY 2019
	FY 2019	FY 2019	FY 2019	
Martimetal, SPA [1]	49.00%	(4,160,644)	(968,465)	-
Duelobrigatório, S.A.	55.00%	(14,422,176)	(26,680)	(7,932,197)
				(7,932,197)

[1] In what concerns the participation in Martimetal, Spa, the provision arising from the application of the equity method was reversed since there were no additional liabilities besides the investment made.

	% CAPITAL HELD	EQUITY	NET PROFIT	FY 2018
	FY 2018	FY 2018	FY 2018	
Martimetal, SPA	49.00%	(3,187,965)	(3,137,814)	(1,562,103)
Martifer-Visabeira, S.A. [1]	50.00%	(2,902,627)	(937,338)	(288,071)
Duelobrigatório, S.A.	55.00%	(14,395,309)	(1,704,881)	(7,917,420)
				(9,767,594)

[1] This company has impairment on supplementary payments of 1,163,243 Euros (Note 22), adding to the 288,071 Euros of provisions which is above, equals 1,451,314 Euros which correspond to the 50% responsibility which has to be undertaken by Martifer on 31 December 2018.

The movement occurred in these provisions, in the periods ended on 31 December 2019 and 2018, is as follows:

	FY 2019	FY 2018
Opening balance	(9.767.594)	(16.374.830)
Reversal of provision arising from equity method of Martimetal, Spa	2.038.716	-
Settlement of Amal S.A.	-	400.618
Change in consolidation method of Promoquatro – Investimentos Imobiliários, Lda	-	546.917
Change in consolidation method of Liski Green Park Z.o.o.	-	3.871.644
Change in consolidation method of M City Gliwice Sp. Zo.o	-	3.309.056
Application of the equity method		
- From performance in results [1]	109.003	(2.664.006)
- Other equity changes	(33.517)	1.143.008
Other changes	(278.806)	-
Closing balance	**(7.932.197)**	**(9.767.594)**

[1] The impact in the result of the application of the Equity Method is different from what is recorded in Note 13, due to the fact that part of the result has been affected to the increase/ decrease of Financial Holdings (Note 22).

On 31 December 2019 and 2018, the summarised information on the significant financial investments in associates and jointly controlled companies with negative equity, extracted from their individual financial statements, is as follows:

FY 2019	Duelobrigatório, S.A.
% Capital Held	55.0%
Non-currrent Assets	6,159,186
Cash and Cash equivalents	125,033
Other current assets	(4,447,823)
Non-currrent Liabilities	3,892,261
Currrent Liabilities	3,373,444
Equity	(5,429,308)
Total supplementary capital	9,000,000
Equity without supplementary capital	(14,429,308)
Supplementary capital from Group	4,950,000
Supplementary capital from Group Impairments	(4,950,000)
Net Profit for the year	(33,812)

FY 2018	Martimetal, SPA	Martifer -Visabeira, S.A. (Moçambique)	Duelobrigatório, S.A.
% Capital Held	49.0%	50.0%	55.0%
Non-currrent Assets	11,366,235	8,393,967	6,159,186
Cash and Cash equivalents	659,558	1,313,597	86,351
Other current assets	8,709,779	639,168	(4,447,008)
Non-currrent Liabilities	11,917,853	3,598,774	7,021,116
Currrent Liabilities	12,005,684	6,258,318	172,724
Equity	(3,187,965)	489,640	(5,395,309)
Total supplementary capital	-	3,392,268	9,000,000
Equity without supplementary capital	(3,187,965)	(2,902,627)	(14,395,309)
Supplementary capital from Group	-	1,163,243	4,950,000
Supplementary capital from Group Impairments	-	(1,163,243)	(4,950,000)
Sales and Services Rendered	8,475,280	2,712,600	-
Amortisations and Depreciation	1,278,281	393,496	-
Income Tax	-	24,812	-
Net Profit for the year	(3,137,814)	(614,126)	(1,704,881)

The provisions for quality guarantees are intended to deal with any quality problems in the projects carried out by the Group, which have, on average, a warranty period of 5 years. The provisions are constituted by a percentage of approximately 0.13% of the construction value, which corresponds to the incurred historical costs.

In 2019, there was a record of around 0.3 million Euros in ‘Ongoing legal claims’ resulting from Martifer Construções’s legal cases. In 2018, there was the recognition of 0.4 million Euros referring to a provision in Martifer SGPS related with a judicial proceeding in progress.

In the year 2019 and in 2018, provisions for onerous contracts relate exclusively to the projects of the 'Metallic Constructions' segment and the main contribution is from Portugal and Romania. The detail for each project can be seen below:

	FY 2019	FY 2018
KAFD Parcel 5.03 (Martifer Construções)	147,699	-
KAFD Parcel 4.02 (Martifer Construções)	146,728	-
Pod peste raul Dombovia (Martifer Romania)	108,136	403,882
Pod peste soseaua Virtutii (Martifer Romania)	26,230	319,433
Others	359,209	493,654
	788,002	**1,216,969**

The value of 'Contractual obligations' on 31 December 2018 includes approximately 2.9 million Euros of a provision constituted by the companies Eurocab 12 to 19, due to a dispute concerning the fulfilment of the requirements for the application of the tariff regime that regulates the activity of energy production in special regime. In 2019, there was a reduction in the value of the 'Contractual obligations', since the Eurocab shareholding was sold (Martifer Renewables ETVE, S.A.U. and its subsidiaries) in the 'Renewables' segment and with it, these obligations were transferred to the new owner, and were recognised in the column of 'Perimeter changes'.

As referred to in Note 1.3.b, a provision for investments in associates whose equity is negative (based on the percentage of equity held) is constituted against Gains/ Losses in associates and joint ventures (Note 22).

Given the unpredictability of the moment of the reversal of provisions and given the nature for which they are intended, the Group did not financially update them.

36. CONTINGENT ASSETS AND LIABILITIES

On 31 December 2019 there were the following contingent liabilities:

i) Lawsuit in an arbitration court brought against the subsidiary Martifer Construções Metalomecânicas, S.A. (MTC) and a third party, by the client Andrade Gutierrez Engenharia SA (AG) within the scope of the implementation of the Particular Contract for the Supply and Assembly of Metallic Structures and PTFE Membranes of the Arena of Amazonia stadium, totalling 4.3 million Euros for return and 2.4 million BRL for additional costs, ongoing at CCBC - Chamber of Commerce Brazil-Canada, in articulated phase. The Board of Directors of the Company, supported by the legal opinions of its lawyers, considers that, as a result of the proceedings, it is not possible to determine which responsibilities may arise for the subsidiary MTC, although it considers that the possibility of a conviction is small, because it has already reallocated 12.7 million BRL as additional costs and additional work;

ii) Lawsuit brought against the subsidiary Martifer Metallic Constructions SGPS, SA (MMC) and others, by Armando Leite Mendes Abreu, within the scope of the execution of an alleged guarantee, issued to a former subsidiary in Brazil at a time prior to the sale of this subsidiary by MMC, with a request totalling 15.4 million BRL as alleged joint and several liability, ongoing in the court of law of Fortaleza, Brazil. The Board of Directors of the Company, supported by the legal opinions of its lawyers, considers that, as a result of the proceedings, it is not possible to determine which responsibilities may arise for the MMC subsidiary, although it considers that the proceedings are not the case itself and the joint and several liability invoked has no cause, so, there are very few possibilities of conviction.

37. CURRENT TAX/ INCOME TAX - LIABILITIES

On 31 December 2019 and 2018, the balance of the caption 'Current tax' is as follows:

	FY 2019	FY 2018
Income Tax (Note 14)	**918,643**	**1,228,512**
Value added tax	2,082,377	2,057,375
Social security contributions	1,323,481	925,885
Withholding tax	332,839	419,761
Other taxes	52,504	99,445
Current tax liabilities	**3,791,201**	**3,502,466**

38. CONTRACT LIABILITIES

The information on the Contract liabilities by business segment with reference to 31 December 2019 and 2018 can be analysed as follows:

	FY 2019			FY 2018		
	ADVANCES FROM CUSTOMERS	DEFERRED INCOME	TOTAL	ADVANCES FROM CUSTOMERS	DEFERRED INCOME	TOTAL
Metallic Constructions	17,363,112	10,433,959	27,797,071	14,408,904	3,211,098	17,620,002
Naval Industry	-	23,023,836	23,023,836	-	27,130,095	27,130,095
Total Liability on contracts with clients	**17,363,112**	**33,457,795**	**50,820,907**	**14,408,904**	**30,341,193**	**44,750,097**

The movement that occurred in the 2019 financial year on advance payments received from clients can be analysed as follows:

	FY 2019
Balance on 1 January 2019	**14,408,904**
Revenue recognised in the year associated with liability recorded in previous years	(11,904,093)
Advances received in the year	14,858,301
Balance on 31 December 2019	**17,363,112**

On 31 December 2019 and 2018, the Group's major projects in progress that justify the balance of deferred income in the item 'Contract liabilities' are as follows:

	FY 2019	FY 2018
Ocean Patrol Vessels (West Sea)	14,017,370	16,937,466
Integrated communication project (Martifer Angola)	5,575,486	-
SS Douro (West Sea)	3,622,423	-
Amadouro (West Sea)	1,607,566	2,593,065
Bouaké Stadium (Martifer Construções)	1,538,614	-
Arosa (West Sea)	1,443,244	2,435,708
Siège Vinci - Bat A (Martifer France)	728,111	-
Kafd Parcel (Martifer Construções)	668,297	657,746
Viking Helgrim (West Sea)	544,112	-
Polar Express (West Sea)	483,686	1,825,016
Cabinda General Hospital (Martifer Construções Angola)	141,611	-
FPM41 Building (Martifer Construções)	-	642,600
Douro Splendor (West Sea)	-	1,366,958
Effect of the restatement of the hyperinflationary economy in Angola (IAS 29)	-	130,554
Others	3,087,274	3,752,080
	33,457,795	**30,341,193**

39. OTHER NON-CURRENT/ CURRENT LIABILITIES

NON-CURRENT

The information regarding other non-current liabilities for the periods ended on 31 December 2019 and 2018 is as follows:

	FY 2019	FY 2018
Deferred income		
Subsidies/ Government grants	47,715	-
Other deferred income	3,687,398	4,455,191
	3,735,113	**4,455,191**

The item 'Other deferred income' in 2019, as well as in 2018, results exclusively from the recognition of the deferred income with the attribution of green certificates in Eviva Nalbant S.R.L, whose sale will only occur in more than 365 days.

CURRENT

The information regarding other current liabilities for the periods ended on 31 December 2019 and 2018 is as follows:

	FY 2019	FY 2018
Accrued expenses		
Accrued Expenses - Work in progress	13,546,197	7,110,613
Holiday pay and bonuses	3,228,286	3,066,170
Interest borne but not yet overdue	806,400	686,770
Production performed by third parties not yet invoiced	43,603	23,071
Other accrued expenses	2,130,466	2,017,606
	19,754,952	**12,904,230**
Deferred income		
Subsidies / Government grants	79,733	224,669
Other deferred income	1,130,687	1,602,846
	1,210,420	**1,827,515**
	20,965,372	**14,731,745**

The 'Other accrued expenses' on 31 December 2019 correspond to supplies and external services rendered in 2019 and not yet invoiced.

The item 'Other deferred income' in 2019, as in 2018, resulting primarily from the recognition of deferred income with the attribution of the green certificates in Eviva Nalbant S.R.L, whose sale will occur in 2020.

The heading 'Accrued expenses - Work in Progress' includes work executed and material supplied and incorporated in the manufacturing process but not yet invoiced by suppliers.

Thus, on 31 December 2019 and 2018, the major projects in progress of the Group that justify the balance of 'Accrued expenses - Work in Progress' are as follows:

	FY 2019	FY 2018
East wing of Geneva Airport (Martifer Construções Sucursal Genebra)	2,797,888	1,552,905
Metz Stadium (Martifer France)	1,940,325	-
Sodiba Factory (Martifer Construções)	1,405,170	1,405,170
Al Faisaliah Redevelopment Project - Early Works Façade Package	1,106,144	-
STORIES (Martifer França)	922,445	-
Bouaké Stadium (Martifer Construções)	905,139	-
Open Sky Buchelay (Martifer França)	641,462	-
Viaduc HACHEF_ Marocco (Martifer Construções)	614,963	611,932
Future Beer Factory (Martifer Angola)	341,722	654,489
Pavillon 6 - Porte de Versailles (Martifer France and Martifer Romania)	355	553,264
Knots Porche Boufarik (Martifer Construções)	-	613,009
Others	2,870,583	1,719,843
	13,546,197	**7,110,613**

40. COMMITMENTS

Financial guarantees

On 31 December 2019 and 2018, the guarantees provided by the Group to third parties, relating to bank guarantees and guarantee insurance, provided to project owners for which various Group companies are responsible, indicated by currency are as follows:

	FY 2019	FY 2018
Euro	30,448,780	35,239,623
Zlotys	790,613	-
New Leu	-	34,895
US dollar (*)	5,979,778	6,876,656
Moroccan Dirham	83,842	82,113
Pound Sterling	7,532,218	7,791,874
	44,835,231	**50,025,161**

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

The detail per Group company is as follows:

	FY 2019	FY 2018
Martifer Construções Metalomecânicas S.A.	15,865,348	27,928,360
Martifer Metallic Constructions SGPS	17,824,747	12,267,586
Navalria S.A.	120,000	120,000
West Sea Lda	3,702,826	4,356,306
Martifer Romania SRL	242,579	277,474
EUROCAB FV 1 SL	-	31,154
EUROCAB FV 8 SL	-	11,227
EUROCAB FV 9 SL	-	11,227
EUROCAB FV 10 SL	-	11,227
EUROCAB FV 11 SL	-	11,227
EUROCAB FV 12 SL	-	11,227
EUROCAB FV 17 SL	-	11,227
EUROCAB FV 18 SL	-	11,227
Martifer Renewables SGPS	1,228,912	-
Martifer Construções SAS	50,000	50,000
Martifer Construções Metálicas Angola S.A.	5,010,206	4,915,690
Wind Farm LADA Sp. Zoo	318,549	-
WARTA	414,114	-
PV Sol 1 sp. z o.o	13,010	-
PV Sol 2 sp. z o.o	13,320	-
PV Sol 3 sp. z o.o	14,067	-
PV Sol 4 Sp. z o.o.	17,553	-
	44,835,231	**50,025,161**

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

- The advance payment guarantee aims to guarantee the value given by the Client at the beginning of the project for the purchase of material. The advance amount is defined in the contract and will be settled by invoices, and the client cancels the guarantee once the entire advance payment is deducted;
- The proper execution guarantees aim to ensure the fulfilment of the contract (execution deadlines, quality, etc.). The validity of this kind of guarantees is defined contractually and they are canceled when the definitive reception of the project is carried out;
- Tender guarantees are issued as a guarantee that the company that presents itself for the tender will be capable to execute the work in the future and to give the guarantee of proper execution that is necessary in the event that the tender is awarded.

The amount of active bank guarantees on 31 December 2019 is 44.8 million Euros, having decreased 10% compared to the year 2018. This decrease contributed to a large extent to the decrease in guarantees in the ‘Metallic Constructions’ and ‘Naval Industry’ segments, as well as an increase in guarantees in the ‘Renewables’ segment.

On 31 December 2019 and 2018, there are no commitments with documentary credits on import.

On 31 December 2019 and 2018, there are no active credit insurances.

Disbursements related to the commitments mentioned above are not expected.

Real Guarantees

On 31 December 2019 the real guarantees given by the Company may be summarised as follows:

COMPANY	GUARANTEE	ASSET VALUE	DEBT AMOUNT
Martifer Metallic Constructions SGPS	Share pledge of Martifer Construções SA 20% (no. shares 1,500,000)	5,854,451	16,188,130
Martifer Construções SA	5M€ Generic Mortgage of building Vale Tripeiro, lot 10 - I/J/K/L/M/N/O (Benavente)	2,410,605	4,971,399
Martifer Construções SA	1st degree mortgage of the administrative building, 2nd degree mortgage of the industrial building Tower's plant (article 1914)	5,132,200	3,274,722
Martifer Construções SA			3,274,786
Navalria SA			1,612,064
Martifer Construções SA	Mortgage of industrial building Martifer Construções (article 2079)	711,398	3,100,566
Martifer Construções SA	1st degree share pledge of 25% of Martifer Renewables SGPS (no. shares 25,000,000)	30,671,533	3,025,780
Martifer Construções SA			1,008,505
Promoquatro Lda			2,019,940
Martifer Metallic Constructions SGPS			3,025,516
Martifer Construções SA	Mortgage of Land and Warehouse in Albergaria	1,415,300	5,073,795
			13,439,378
Martifer SGPS	Generic Mortgage (7.5 M€) of industrial building Towers' plant (article 1914).	6,843,704	47,010,628
Martifer SGPS	1st degree share pledge of Martifer Renewables SGPS 65% (no. shares 65,000,000)	79,745,985	
Martifer SGPS	Pledge of 8 Wind Turbines Suzlon S88 - 2,1 MW Hub height 79m	6,187,191	
Martifer SGPS	Martifer OF warehouse	10,593	
	Multipark Paços de Ferreira	361,646	
	Other Lands MGI	81,924	
	1st degree share (10%) pledge of Martifer Renewables SGPS (no. shares 10,000,000)	12,268,613	
	Various Mercantil equipment pledge	144,716	509,384
	Equipment Mercantil pledge	17,708	112,323
Martifer Romania SRL	Mortgage of the factory	3,734,763	35,545
Eviva Nalbant	Mortgage of farm land and all equipment/ construction included in the project/ farm	26,710,753	6,622,042
	Share pledge of 100% of Eviva Nalbant shares 1)	(8,739,789)	
	Pledge over all movable assets (insurance, bank accounts, accounts receivable, intelectual property, etc.)	955,135	
		174,518,429	**114,304,504**

[1)] This company had negative Equity attributable to the Group on 31 December 2019

During the 2019 financial year, no additional real guarantees were constituted. The registered evolution results, thus, from the alienation of some tangible fixed assets within the scope of the Strategic Plan for the disposal of non-core assets.

41. SUBSIDIES

The detail of the investment subsidies allocated to the Group with impact in the year ended on 31 December 2019 is as follows:

	INVESTMENT AMOUNT	SUBSIDIES GRANTED	DEFERRED INCOME (NOTE 39)	AMOUNT RECORDED IN INCOME STATEMENT (NOTE 5)
Buildings and other constructions	5,797,465	4,203,885	17,756	44,472
Basic equipment	7,832,920	2,373,768	109,691	52,749
Office equipment	89,387	89,387	-	-
Tools and utensils	61,233	53,023	-	-
Closing balance on 31 December 2019	**13,781,005**	**6,720,063**	**127,448**	**97,221**

The detail of operating subsidies registered in the P&L Statement for the year ended on 31 December 2019, under the item 'other operating income/(expenses)' is as follows:

COMPANY	DESIGNATION	AMOUNT RECORDED IN INCOME STATEMENT (NOTE 5)
Martifer Construções	EOEP	57,292
West Sea	IEFP	14,643
		71,936

42. RELATED PARTIES

a) Balances and transactions

The Group's subsidiaries have relations between them that qualify as transactions with related parties. All of these transactions are carried out at market prices.

In the consolidation procedures, these transactions with Group companies are eliminated, since the consolidated financial statements present information from the holding and its subsidiaries as if it were a single company.

The balances and transactions with associates and joint ventures, as well as with other shareholders and companies related to them, amounted to the following amounts:

	COSTS		REVENUES		ACCOUNTS RECEIVABLE (NOTE 25)		ACCOUNTS PAYABLE (NOTE 34)	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Associate companies [1)]	-	-	-1,802,432	475,153	6,034,235	7,127,370	17,641	17,641
Joint Ventures	-	-	45	106,498	91,914	145,709	1,717,884	1,710,790
Other related parties	507,334	627,296	18,857,674	6,676,171	13,502,886	8,007,628	4,167,094	1,831,752
	507,334	**627,296**	**17,055,287**	**7,257,822**	**19,629,035**	**15,280,707**	**5,902,619**	**3,560,183**

[1)] The value of the income is negative and derives from credits issued to an associated company

In addition to the values mentioned in the tables presented above and below, there are no other transactions or balances held with related parties of the Group.

Accounts receivable and payable to related companies will be settled in cash and are not covered by guarantees. During the years ended on 31 December 2019 and 2018 no impairment losses were recognised on accounts receivable from related parties.

The line of "Other Entities" is essentially related to companies belonging to I'M SGPS, S.A. Group and Mota-Engil SGPS, S.A. Group, reference shareholders of Martifer Group, and the vast majority of the balances and transactions originate from contracts in the "Metallic Constructions' segment.

The main companies included in the referred to item "Other Entities" (companies with balances and/or transactions in amounts over 10,000 Euros) are the following:

Other Relatd Parties
Mota-Engil, Engenharia e Construção - Suc. Angola
MRP - Promoção Imobiliária, Lda
Mota Engil Angola, S.A.
Mota-Engil, Engenharia e Construção Africa - Suc. Costa Marfim
Mota-Engil, Engenharia e Construção Africa - Suc. Camarões
HSF Prime Netherlands B.V.
Mota-Engil, Engenharia e Construção, S.A.
Mota-Engil SGPS, S.A.
IM SGPS, S.A.
Estia - SGPS, S.A.
Braseme
Severis SGPS, S.A.
Black And Blue Investimentos, S.A.

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

The remuneration granted to members of the Board of Directors and other key managers of the Group during the years ended on 31 December 2019 and 2018 amounted to 968,813 Euros and 871,518 Euros, respectively.

These remunerations are determined by the Remuneration Setting Committee, taking into account the individual performance and the evolution of this type of job market.

The remuneration attributed to the key management personnel, by remuneration category, can be summarised as follows (values in Euro):

	FY 2019	FY 2018
Fixed remuneration	968,813	871,518
	968,813	**871,518**

The remuneration policy applicable to Martifer's Board of Directors and supervisory bodies, approved in accordance to Law no. 28/2009, as well as the annual remuneration received by the members of the said bodies, in total and individually, is presented in the Corporate Governance Report.

In addition, the Board Members of Martifer SGPS are:

i. Carlos Manuel Marques Martins
ii. Arnaldo José Nunes da Costa Figueiredo
iii. Jorge Alberto Marques Martins
iv. Pedro Miguel Rodrigues Duarte
v. Pedro Nuno Cardoso Abreu Moreira
vi. Maria Sílvia da Fonseca Vasconcelos da Mota
vii. Vítor Manuel Álvares Escária
viii. Mariana França Gouveia

43. EFFECTS OF THE RESTATEMENT OF THE FINANCIAL STATEMENTS OF SUBSIDIARIES WHOSE FUNCTIONAL CURRENCY IS THE CURRENCY OF A HYPERINFLATIONARY ECONOMY

In 2017, Angola was considered a hyperinflationary economy, so the financial statements of subsidiaries of the Group that exercise activity in this country and whose functional currency is the Kwanza had to be restated in terms of the measuring unit current at the end of the reporting period by applying a general price index.

In 2019, according to IMF information, Angola stopped being a hyperinflationary economy, and from this point on it is considered that the figures reported in the financial statements at the end of the previous reporting period are considered the carrying amounts of the subsequent financial statements. The date considered as the last report for Angola within hyperinflation was on 30 June 2019, and the values of this country are maintained until the restated balance items are used up.

In 2018 it was Argentina's time to be considered a hyperinflationary economy, which resulted in the fact that companies that report in Argentine pesos had to be adjusted to those effects, a situation which is maintained in 2019.

The general price indices were calculated based on information on inflation provided by the Central Bank of the Argentine Republic.

The effect of the restatement in the consolidated statement of results for the financial year 2019 can be summarised as follows:

FY 2019	ANGOLA	ARGENTINA	TOTAL
Restatement of expenses and income	(267,149)	(87,849)	(354,998)
Monetary result	(39,217)	122,501	83,284
Impact on net income for the year	**(306,366)**	**34,652**	**(271,714)**

The effect of the restatement in the consolidated statement of financial position on 31 December 2019 can be summarised as follows:

FY 2019	ANGOLA	ARGENTINA	TOTAL
Intangible assets	866,142	3,779	869,921
Tangible fixed assets	6,061,609	118,547	6,180,156
Inventory	151,511	-	151,511
Deferrals	3,485	4,845	8,330
Impact on Assets	**7,082,747**	**127,171**	**7,209,918**
Reserves	5,128,347	75,788	5,204,135
Net Iincome for the year	(306,366)	34,652	(271,714)
Impact on Equity	**4,821,981**	**110,440**	**4,932,422**
Deferred tax liabilities	2,066,563	16,660	2,083,223
Deferrals	194,202	70	194,272
Impact on Liabilities	**2,260,766**	**16,730**	**2,277,496**

On the other hand, the effects of the restatement in the consolidated statement of financial position on 31 December 2018 can be summarised as follows:

FY 2018	ANGOLA	ARGENTINA	TOTAL
Intangible assets	844,631	2,416	847,047
Tangible fixed assets	6,336,272	56,351	6,392,623
Inventory	145,689	-	145,689
Deferrals	4,650	-	4,650
Impact on Assets	**7,331,243**	**58,767**	**7,390,010**
Reserves	5,617,256	115,150	5,732,405
Net Iincome for the year	(680,681)	(59,135)	(739,816)
Impact on Equity	**4,936,575**	**56,015**	**4,992,590**
Deferred tax liabilities	2,115,675	2,752	2,118,427
Deferrals	278,992	-	278,992
Impact on Liabilities	**2,394,668**	**2,752**	**2,397,419**

44. ANNEX TO THE CONSOLIDATED CASH FLOW STATEMENT

The receipt and payments of financial assets occurred in the periods ended on 31 December 2019 and 2018 may be analysed as follows:

	FY 2019	FY 2018
Cash Receivables:		
Sale of Eurocab (Martifer Renewables ETVE, S.A.U. and its subsidiaries)	23,500,000	-
Sale of SPEE 2 – Parque Eólico de Vila Franca de Xira, S.A.	8,167,490	-
Sale of SPEE 3 – Parque Eólico do Baião, S.A.	3,160,010	-
Sale of Martifer MPC Renewable Energies Development S.A.S	250,117	-
Sale of Eviva Energy Co S.A.S	7,215	-
Receivable of Martifer Solar Group	-	1,287,262
Sale of Cordillera Solar VIII S.A.	-	672,420
Receivable of Ancora Wind	-	20
Receivable of Parque Eólico Penha da Gardunha	-	1,925
Total of Receivables	**35,084,832**	**1,961,627**
Cash and cash equivalents derecognised with loss of control	(1,065,562)	-
Total of Net Receivables	**34,019,270**	**1,961,627**
Cash Payments:		
Acquisition of Cordillera Solar VIII S.A.	-	704,398
Acquisition of 50% from FW Warta Sp. Z.o.o.	-	600,000
Acquisition of 45% from Liszki Green ParK	-	10,647
Acquisition of 50% from M-City Gliwice	-	5,915
Acquisition of 50% from Promoquatro	-	2,500
Total of Payments	**-**	**1,323,460**
Cash and cash equivalents derecognised with gain of control	-	-
Total of Net Payments	**-**	**1,323,460**

The item 'Other receipts/ payments relating to operating activities' is mainly justified by the receipt of dividends from the subsidiary Ventinveste in 2018, in the amount of approximately 5.6 million Euros. In 2019, the only situation worth mentioning is the receipt of dividends from the shareholder Ventinveste, amounting to 0.5 million Euros, the rest of which are due to the regular activity of the Group.

45. SUBSEQUENT EVENTS

The year 2020 is marked by the spread of the coronavirus SARS-COV-2 and the disease caused by its infection, called COVID-19 by the World Health Organization (WHO). The disease is spreading at an alarming rate, both in terms of the number of people infected and its global spread, affecting almost all of the countries in the world, and WHO has, therefore, declared it a pandemic.

The dissemination of SARS-COV-2 and the containment measures adopted in reaction to this virus, by national and international authorities, reflected negatively in public health, in the world economy and in the financial markets; so, the negative impacts of COVID-19 are taking on a brutal dimension, and there are many uncertainties about the future.

Martifer Group is continuously monitoring the information disclosed and carefully complying with all recommendations of national and international authorities, in particular, the Portuguese Directorate-General for Health (DGS) and WHO; and implementing a set of measures to safeguard the health and well-being of its employees as much as possible, and to minimise the economic and financial impacts on the Group in order to ensure its future sustainability.

Given the uncertainty regarding the duration of the pandemic and the extent of its effects on the world economy, it is not possible for the Group to quantify the future impacts on its activity at the moment.

However, it is possible to leave some information regarding the effects that are already occurring and the measures taken by the Group, namely:

Operational activity

Naval Industry

Despite the state of emergency situation in Portugal, the Naval area is in operation, although there is a slowdown in activity. Essentially the decrease results from difficulties related to:

- reduction of employees at service, due to family support (having children aged <12) or suffering from diseases that consider them to be at risk;
- difficulty in moving people, mainly foreign technical service providers, due to restrictions on flights and air travel, which does not allow the continuity of some of the activity's tasks;

There is some difficulty in the supply chain for some raw materials and more difficulty in the orders being processed with equipment manufacturers, which may be delayed in their delivery compared to the initial planning. Despite this, the Naval area has stock of the main raw materials that allow it to work for a period of time estimated to be around three months.

Metallic Constructions

The aluminium and glass façades plant remains in operation with a slight slowdown in the activity, and the metallic structures plant has reduced activity, as a result of some supply difficulties by some suppliers and also due to the cancellation and deferral of some orders.

Works almost stopped in all countries as a result of restrictions on the movement of persons imposed by the States.

Renewables

The complete paralysis of the industry as a result of the lockdown measures imposed in the fight against the pandemic also had a strong impact on the energy sale price, which has fallen sharply as of March 2020. This may have consequences for the 'Renewables' segment. However, the expectation of the energy market players is that the price drop is only temporary, and the price is expected to recover in the second half of 2020.

Employees

The safeguard of employees' health is a priority, and the Group adopted a set of measures covering all companies, regardless of their geographical location, including the following examples:

- Dissemination of basic procedures for hand hygiene, information on respiratory etiquette procedures, disclosure of instructions for the placement of a community mask and disclosure of social conduct procedures;
- Promotion of the physical separation of office employees to other available facilities and maintenance of employees with operational functions separated in shifts, whenever possible;
- Strengthening the hygiene measures of the various installations;
- Cancellation of all travel except for return trips of displaced employees;
- Implementation of the teleworking system for all employees whose functions are compatible with this system;
- Organisation of the access to canteens in order to reduce the accumulation of people and, in some cases, the closure of the canteens, replacing the meal with the supply of a 'meal kit' delivered to each employee at the job site;
- Monitoring and sorting the persons on the premises at the entrance, in particular at the Viana do Castelo shipyard;

A COVID-19 Contingency Plan was prepared, which includes, in the Containment phase (period prior to the appearance of infected persons in the Martifer universe), the previously mentioned measures and the procedures for the Mitigation phase (if there is an infected person).

Currency exchange effect

With the pandemic hitting the United Kingdom, the price of the British Pound against the Dollar has fallen to the lowest level of the last 35 years. The expectation of the various market analysts is that the Pound can regain economic activity, but the near-probable postponement of the Brexit transition negotiations with the European Union is still an obstacle to the Pound's review.

In 2019, despite some indications of the recovery of the Angolan economy, the cycle of scarce transactionable currencies in Angola remained. In 2020, as a result of the crisis caused by the COVID-19 pandemic, the country's economy could be further affected not only by the temporary paralysis of economic activity, but also by the strong pressure on the oil price that has been seen. The intervention of oil-producing countries is expected to control their production. Nevertheless, given the strong interdependence of Angola's economy with the price evolution of this commodity, this situation could further accentuate the scarcity of currencies that has been witnessed in recent years.

The effects of the COVID-19 pandemic are also felt in the Mozambican market with strongly negative effects, forcing the Bank of Mozambique to inject foreign currency, since the possibility of exchange rate depreciation was predictable, which affects at least the cost of importing raw materials and other products. As the Mozambican economy is heavily dependent on the export of raw materials such as natural gas, coal, titanium and aluminium, we will see a constant devaluation of the currencies until the opening of the markets after COVID-19.

As a result of the pandemic, there has been a currency depreciation movement such as the Polish Zloty or the New Romanian Leu since March 2020. This trend may be maintained throughout 2020, given the need for these countries to have to resort to monetary policy through the issue of currency in order to inject liquidity into their economies.

Liquidity

The pandemic caused by COVID-19 is a huge risk to companies' liquidity. The paralysis of a significant part of the economic activity as a result of the measures to contain the progress of the pandemic will have strong consequences in terms of payments and receipts from companies.

Today, the expectation of resuming economic activity in the first half of 2020 combined with a set of liquidity-injection policies that are being implemented in various countries together with the decision communicated early April by the Eurogroup President Mario Centeno, could significantly help companies mitigate this risk. It foresees not only European Union support for member states during the pandemic containment period, but also the promise of a joint package of measures to relaunch European economies.

Despite the drop in activity, considering ongoing work, updated client information, the Group's financial consolidation in recent years, with substantial and systematic debt reduction, and a set of measures that have been implemented with significant impacts on productivity, in addition to the fact that there is a flexible cost structure, partly through the use of subcontracting, it is the conviction of the Board of Directors that the continuity of activity and the sustainability of the Group is assured. In terms of liquidity, the Group presents a balanced situation that allows it to look at the near future with some peace of mind.

The Group is accompanying and monitoring all developments in the situation and is attentive to all recommendations and measures that the States are taking to make assertive decisions to ensure future sustainability and minimise the impact of this crisis on its employees and stakeholders.

No other facts that affect the released financial information have occurred since the reference date, except the fact previously referred.

Given the uncertainty as to the duration of the pandemic and the extent of its effects on the world economy, it is not possible to quantify the future impacts on the Group's activity at this time. However, from the evaluation carried out, and taking into account the best information available at the present date, it is the firm conviction of the Board of Directors that despite the potential impacts arising from the appearance of the COVID-19 pandemic, the assumption of continuity, used in the preparation of the financial statements, remains appropriate.

46. FINANCIAL INSTRUMENTS

The financial instruments, in accordance with the accounting policies described in Note 1.4.vii, were classified as follows:

On 31 December 2019 and 2018, the financial instruments are as follows:

€	FY 2019	FY 2018
FINANCIAL ASSETS		
Financial assets at amortized cost		
Cash and cash equivalents	35,004,440	33,414,830
Non-current trade debtors and other debtors	11,085,408	13,686,344
Current trade debtors and other debtors	39,833,006	55,849,234
Prepayments	7,801,573	2,590,628
State and other public entities (without income tax)	7,589,873	11,375,953
	101,314,300	**116,916,989**
Financial assets at fair value through profit or loss		
Green Certificates non-current	3,687,398	4,455,163
Others non-current	152,881	130,580
Green Certificates current	1,130,687	1,602,874
Others current	234,096	61,596
	5,205,062	**6,250,213**
Carrying amount of Financial Assets	**106,519,362**	**123,167,202**

€	FY 2019	FY 2018
FINANCIAL LIABILITIES		
Financial liabilities at amortized cost		
Non-Current Loans	135,933,615	197,382,922
Non-current Lease liabilities	22,861,195	-
Non-current financial lease creditors	-	12,761,461
Non-current trade creditors and other creditors	3,959,602	4,588,818
Current Loans	4,875,458	8,783,585
Current Lease liabilities	1,012,372	-
Current financial lease creditors	-	114,992
Current trade creditors and other creditors	53,572,956	54,419,918
State and other public entities (without income tax)	3,791,201	3,502,466
	226,006,399	**281,554,162**
Carrying amount of financial liabilities	**226,006,399**	**281,554,162**

47. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 21 April 2020. In addition, the accompanying financial statements on 31 December 2019 are pending approval by the General Meeting Board. However, the Group's Board of Directors believes that these will be approved without significant changes.

Oliveira de Frades, 21 April 2020

The Certified Accountant

Marlene Henriques Pereira

The Board of Directors

Carlos Manuel Marques Martins
(President)

Arnaldo José Nunes da Costa Figueiredo
(Vice President)

Jorge Alberto Marques Martins (Vice President)

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

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

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

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

Mariana França Gouveia
(Member of the Board of Directors)

SEPARATE FINANCIAL INFORMATION

SEPARATE FINANCIAL STATEMENTS

13 | SEPARATE FINANCIAL STATEMENTS

SEPARATE FINANCIAL AND OTHER COMPREHENSIVE INCOME STATEMENTS FOR THE PERIODS ENDED ON 31 DECEMBER 2019 AND 2018

RUBRICS	NOTES	FY 2019	FY 2018
Sales and services rendered	2	990.180	1.010.058
External services and supplies	3	(766.898)	(327.601)
Staff costs	4	(691.363)	(713.350)
Other incomes	6	55.438	64.951
Other expenses	6	(56.617)	(187.830)
Profit before depreciation, provisions, impairments, financial expenses and tax		**(469.261)**	**(153.773)**
Amortization and depreciation costs	7 e 8	(680)	(186)
Provisions and impairment losses	5	(9.656.848)	(5.473.393)
Operating income (before financial expenses and tax)		**(10.126.788)**	**(5.627.352)**
Interest and similar revenue	9	3.204.240	1.015.149
Interest and similar expenses	9	(2.916.014)	(2.777.680)
Gains/losses recognised on subsidiary, associates and joint ventures	5	(9.670)	-
Earnings before taxes		**(9.848.231)**	**(7.389.883)**
Income tax	10	1.693.852	1.438.386
Net profit for the year		**(8.154.379)**	**(5.951.497)**
Other comprehensive income		-	-
Total comprehensive income for the period		**(8.154.379)**	**(5.951.497)**

Earnings per share / Total comprehensive per share			
Basic	**11**	**(0,0834)**	**(0,0609)**
Diluted	**11**	**(0,0834)**	**(0,0609)**

The accompanying notes are part of the financial statements.

SEPARATE STATEMENTS OF THE FINANCIAL POSITION ON 31 DECEMBER 2019 AND 2018

RUBRICS	NOTES	FY 2019	FY 2018
ASSETS			
Non-current assets			
Tangible fixed assets	8	1.613	1.204
Investments in subsidiaries and associate companies	12	145.630.964	156.231.486
Financial assets at fair value through profit or loss		2.839	2.541
Deferred tax assets	10	4.229.079	4.229.079
		149.864.495	**160.464.310**
Current assets			
Trade receivables	14	701.678	295.653
Advances to trade creditors		48.059	61.583
Group companies	13	13.539.057	14.515.934
Other receivables	14	1.571.746	962.810
Deferred expenses	16	1.390	1.108
Cash and cash equivalents	17	231.531	56.771
		16.093.461	**15.893.858**
TOTAL ASSETS		**165.957.956**	**176.358.168**
EQUITY			
Shared capital	18	50.000.000	50.000.000
Own shares	18	(2.868.519)	(2.868.519)
Legal reserves	18	8.575.019	8.575.019
Other reserves	18	2.868.519	2.868.519
Retained earnings	18	(19.196.723)	(13.245.226)
Profit for the year	18	(8.154.379)	(5.951.497)
TOTAL EQUITY		**31.223.917**	**39.378.296**
LIABILITIES			
Non-current liabilities			
Provisions	19	2.982.197	3.342.420
Loans	20	47.010.628	84.466.041
		49.992.825	**87.808.461**
Current liabilities			
Trade payables	21	576.135	403.670
State and other public entities	15	80.129	85.412
Income tax	10	74.255	444.476
Group companies	13	83.952.396	47.888.105
Other payables	21	58.300	349.748
		84.741.214	**49.171.411**
TOTAL LIABILITIES		**134.734.039**	**136.979.872**
TOTAL EQUITY AND LIABILITIES		**165.957.956**	**176.358.168**

The accompanying notes are part of the financial statements.

SEPARATE STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED ON 31 DECEMBER 2019 AND 2018

DESCRIPTION	ISSUED CAPITAL	TREASURY STOCK	LEGAL RESERVES	OTHER RESERVES	RETAINED EARNINGS	NET PROFIT FOR THE YEAR	TOTAL EQUITY
BALANCE AT THE BEGINNING OF 2018	**50.000.000**	**(2.868.519)**	**7.766.906**	**2.868.519**	**(28.599.368)**	**16.162.256**	**45.329.794**
Appropriation of the profit of 2017	-	-	808.113	-	15.354.142	(16.162.256)	-
Net profit for the year	**-**	**-**	**-**	**-**	**-**	**(5.951.497)**	**(5.951.497)**
BALANCE AT THE END OF 2018	**50.000.000**	**(2.868.519)**	**8.575.019**	**2.868.519**	**(13.245.226)**	**(5.951.497)**	**39.378.296**
BALANCE AT THE BEGINNING OF 2019	**50.000.000**	**(2.868.519)**	**8.575.019**	**2.868.519**	**(13.245.226)**	**(5.951.497)**	**39.378.296**
Appropriation of the profit of 2018	-	-	-	-	5.951.497	(5.951.497)	-
Integral result	**-**	**-**	**-**	**-**	**-**	**(8.154.379)**	**(8.154.379)**
BALANCE AT THE END OF 2019	**50.000.000**	**(2.868.519)**	**8.575.019**	**2.868.519**	**(7.293.729)**	**(20.057.374)**	**31.223.917**

To be read as the accompanying notes to the financial statements.

SEPARATE STATEMENTS OF THE CASH FLOWS FOR THE PERIODS ENDED ON 31 DECEMBER 2019 AND 2018

RUBRICS	NOTES	FY 2019	FY 2018
OPERATING ACTIVITIES			
Receipts from customers		812.316	1.399.433
Payments to suppliers		(742.267)	(641.016)
Payments to employees		(559.216)	(583.172)
Cash generated from operations		**(489.167)**	**175.244**
Income tax paid/received		1.554.676	(26.025)
Other receipts/payments relating to operating activities		(510.620)	5.220.418
Net cash generated by operating activities (1)		**554.889**	**5.369.637**
INVESTING ACTIVITIES			
Payments arising from:			
Tangible fixed assets		(1.615)	-
Financial assets	25	(14.069.251)	(35.836.189)
Other assets		-	(502)
		(14.070.866)	**(35.836.690)**
Receipts arising from:			
Tangible fixed assets		100	-
Financial assets	25	15.012.399	37.618.893
Interest and similar income		391.562	276.960
Dividends		60.000	618.000
		15.464.061	**38.513.853**
Net cash generated by investing activities (2)		**1.393.195**	**2.677.162**
FINANCING ACTIVITIES			
Receipts arising from:			
Loans	25	69.593.148	36.179.114
		69.593.148	**36.179.114**
Payments arising from:			
Loans	25	(71.349.010)	(44.206.142)
Interest and similar costs		(17.463)	(48.297)
		(71.366.473)	**(44.254.439)**
Net cash generated by financing activities (3)		**(1.773.324)**	**(8.075.325)**
Net increase in cash and cash equivalents (1 + 2 + 3)		**174.760**	**(28.976)**
Effect of foreign exchange currencies		**-**	**6**
Cash and cash equivalents at the beginning of the year	**17**	**56.771**	**85.741**
Cash and cash equivalents at the end of the year	**17**	**231.531**	**56.771**

The accompanying notes are part of the financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

14 | NOTES TO THE SEPARATE FINANCIAL STATEMENTS

INTRODUCTORY NOTE

A Martifer SGPS, S. A. (“Company”) is a limited company, with its registered office at Zona Industrial, Apartado 17, Oliveira de Frades - Portugal, incorporated on 29 October 2004 and has as its main activity the management of shareholdings held by it and the rendering of support services to Group companies. It is the holding of Martifer Group and has as its reference shareholders Mota-Engil, SGPS, S. A. (37.5%) and I’M, SGPS, S. A. (38%).

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

The Company is obliged, according to Article no. 4 of Regulation no. 1606/2002, of the European Parliament and Council, of 19 July, to prepare its consolidated financial statements in conformity with the International Financial Reporting Standards (IFRS) as adopted by the European Union in terms of Article no. 3 of the mentioned regulation.

As allowed by Decree-Law no. 158/2009 of 13 July, the separate financial statements were prepared according to the International Financial Reporting Standards.

All the amounts presented in these notes are expressed in Euro, unless otherwise expressly indicated.

1. PRESENTATION BASIS AND ACCOUNTING POLICIES

1.1 BASIS OF PRESENTATION

These accompanying consolidated financial statements relate to the separate financial statements of Martifer SGPS, S. A. and were prepared in accordance with the International Financial Reporting Standards (“IFRS”), as adopted by the European Union, in force at the beginning of the economic period started on 1 January 2019. These correspond to the International Financial Reporting Standards issued by the International Accounting Standards Board (“IASB”), and to the interpretations issued by the IFRS Interpretations Committee or by the previous Standing Interpretations Committee (“SIC”) that have been endorsed by the European Union.

The attached financial statements were prepared from the accounting records of the Company, under the assumption of continuity of operations and taking as a basis the historical cost.

The accounting policies and calculation criteria adopted by the Company in the 2019 financial period are consistent with those applied in the financial statements of the previous financial period, presented for comparative purposes, except in respect of the standards and interpretations entering into force on or after 1 January 2019, the adoption of which has not had a significant impact on the Company’s comprehensive income or financial position.

Effective amendments to standards as of 1 January 2019

	EFFECTIVE DATE
IFRS 16 – Leases	01-01-2019
IFRS 9 – Financial instruments	01-01-2019
IAS 19 – Employee benefits	01-01-2019
IAS 28 – Investments in associates and joint ventures	01-01-2019
Annual Improvements 2015 – 2017	01-01-2019

IFRS 16 (new), ‘Leases’. This new standard replaces IAS 17 - ‘Leases’, with a significant impact on accounting by lessees who are now required to record a lease liability reflecting future lease payments and a “right of use” asset for all lease contracts, except for certain short-term and low-value asset leases. The definition of a lease has also been changed, based on the “right to control the use of an identified asset”. As regards the transitional regime, the new standard can be applied retrospectively, or a modified retrospective approach can be followed. The adoption of this standard did not cause any impact on the presented financial statements.

Amendment to IFRS 9, 'Financial instruments'. This amendment introduces the possibility of classifying financial assets with prepayment conditions with negative compensation at amortised cost, provided that specific conditions are verified, instead of being classified at fair value through profit or loss. The adoption of this amendment did not cause significant changes in the presented financial statements.

Changes to IAS 19, 'Employee benefits'. This amendment to IAS 19 requires that an entity (i) uses updated assumptions to determine the current service cost and the net interest for the remaining period after the change, reduction or settlement of the plan; and (ii) recognises the result of the financial year as part of past service cost, or as a gain or loss in the settlement of any reduction in the surplus of coverage, even though the surplus of coverage has not been previously recorded due to the asset ceiling impact. The asset ceiling impact is always recorded in 'Other comprehensive income', and cannot be recycled by the result of the financial year. The adoption of this amendment did not cause significant changes in the presented financial statements.

Amendment to IAS 28, 'Investments in Associates and Joint Ventures'. This amendment clarifies that the long-term investments in associates and joint ventures (components of an entity's investment in associates and joint ventures), which are not being measured using the equity method, are accounted for under IFRS 9 – Financial instruments. The long-term investments in associates and joint ventures are subject to the impairment of estimated losses approach, before being added for the purposes of impairment testing to the overall investment in an associate or joint venture, when there are impairment indicators. The adoption of this amendment did not cause significant changes in the presented financial statements.

Annual improvements to IFRS 2015-2017 standards. This cycle of improvements affects the following regulations: IAS 23, IAS 12, IFRS 3 and IFRS 11. The adoption of these improvements did not cause significant changes in the presented consolidated financial statements.

<u>(New) standards (and amendments) which become effective on or after 1 January 2020, already endorsed by the E.U.:</u>

	EFFECTIVE DATE
IAS 1 – Presentation of financial statements; IAS 8 – Accounting policies, changes in accounting estimates and errors	01-01-2020
Conceptual framework - Amendments to references to other IFRS	01-01-2020

Amendments to IAS 1 and IAS 8, 'Accounting policies, changes in accounting estimates and errors' (effective for annual periods beginning on or after 1 January 2020). This amendment introduces a modification to the concept of material and clarifies that the mention of unclear information refers to situations whose effect is similar to omitting or distorting such information, and the entity should assess materiality by considering the financial statements as a whole. Further clarifications are made on the meaning of 'key users of the financial statements', these being defined as 'current and future investors, financiers, and creditors' who rely on the financial statements to obtain a significant part of the information they need.

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

To this date, no significant impacts are expected resulting from the adoption of the standards and amendments referred to above.

<u>(New) standards (and amendments) that become effective on or after 1 January 2020, not yet endorsed by the EU:</u>

	EFFECTIVE DATE
IFRS 3 – Business combinations	01-01-2020
IFRS 9, IAS 39 e IFRS 7 – Interest rate benchmark reform	01-01-2020
IFRS 17 - Insurance contracts	01-01-2021

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

Amendment to IFRS 9, IAS 39 and IFRS 7, 'Interest Rate Benchmark Reform' (effective for annual periods beginning on or after 1 January 2020). These amendments are still subject to approval by the European Union. These amendments are part of the first phase of the IASB 'IBOR Reform' project and allow exemptions related to the reform of *the benchmark* for reference interest rates. Exemptions refer to coverage accounting in terms of (i) risk components; (ii) 'highly probable' requirement; (iii) prospective assessment; (iv) retrospective efficacy testing (for those adopting IAS 39); and v) recycling of the cash flow coverage reserve, and are intended so that the reform of the reference interest rates does not determine the termination of coverage accounting. However, any ineffectiveness of the established coverage should continue to be recorded in the Profit and Loss Statement.

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

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

Interpretations that become effective on the date stated below:

	EFFECTIVE DATE
IFRIC 23 – Uncertainty over Income tax treatments	01-01-2019

IFRIC 23 (new) – 'Uncertainty over Income Tax Treatments'. It is an interpretation of IAS 12 - 'Income Taxes', referring to the requirements of measurement and recognition to be applied when there are uncertainties regarding the acceptance of a particular tax treatment by the Tax Authorities in relation to Income tax. In case of uncertainty regarding the position of the Tax Administration on a specific transaction, the entity shall make its best estimate and record income tax assets or liabilities under IAS 12 and not IAS 37 - 'Provisions, contingent liabilities and contingent assets', based on the expected value or on the most probable value. The application of IFRIC 23 can be retrospective or retrospectively modified. No significant impacts were found on the financial statements from the application of this interpretation.

In the preparation of the financial statements, in accordance with IAS/IFRS, the Company's Board of Directors adopted certain assumptions and estimates that can affect the reported assets and liabilities, as well as the profit and losses incurred in the reporting periods. All of the Board of Directors' estimates and assumptions were made taking into consideration the best knowledge available at the financial statements' approval date based on the information available at that time.

1.2 COMPARABILITY OF INFORMATION

The Company's financial statements on 31 December 2019 were prepared in accordance with the accounting policies and calculation methods similar to those presented in the financial statements on 31 December 2018.

1.3 MAIN ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

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

i) Financial investments in subsidiaries and associates

The equity holdings in Group and associates are registered at acquisition cost. An evaluation of the investments in subsidiaries and associated companies is made when there are signs that the asset may be impaired. In that case, the impairment losses that are shown to exist are registered as cost.

Subsidiaries are all entities (including special purpose entities) that the Company controls, by being exposed to or being holder of rights regarding the varying results generated by the entity through its relationship with this one, and it has the ability to allocate these results using the power it has over the entity.

Associates are entities on which the Company has a significant influence on the definition of the financial and operational policies.

ii) Tangible fixed assets

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

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

Office equipment	3 to 5 years

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

iii) Financial assets and liabilities

Financial assets and liabilities are recorded in the Company's statement of financial position when this becomes part of the instrument's contractual provisions.

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

The transaction costs directly attributable to the acquisition of financial assets or liabilities recorded at fair value under results are recorded immediately in the income statement.

iii.a) Financial assets

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

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

<u>Classification of financial assets:</u>

a) Debt instruments and receivables

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

(i) the financial asset is held taking into account a business model whose goal is to keep it in order to receive their contractual cash flows; and

(ii) the contractual terms of the financial asset give rise, on specific dates, to cash flows that are solely payments of capital and interest on the amount of capital in debt.

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

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

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

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

The debt instruments and receivables that comply with the following conditions are subsequently measured at fair value through other comprehensive income:

(i) the financial asset is held taking into account a business model whose objective foresees the receipt of its contractual cash flows and its divestiture; and

(ii) the contractual terms of the financial asset give rise, on specific dates, to cash flows that are solely payments of capital and interest on the amount of capital in debt.

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

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

The designation at fair value under other comprehensive income is not permitted if the investment is held for trading purposes or if it is the result of a contingent consideration recorded in the context of a concentration of business activities.

An equity instrument is held for trading, if:

(i) it is purchased mainly with the purpose of alienation in the short term;

(ii) on initial recognition, it is part of a portfolio of identified financial instruments that the Company administers in conjunction and in which there is evidence of a recent real pattern of obtaining profits in the short term; or

(iii) it is a derivative financial instrument (except if it is allocated to a hedging operation).

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

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

(c) Financial assets at fair value through results

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

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

<u>Impairment of financial assets</u>

The Company records expected impairment losses for debt instruments measured at amortised cost, as well as accounts receivable from customers and other debtors.

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

As regards receivables from associate companies, which are not considered part of the financial investment in those companies, the impairment of credit is assessed taking into account the following criteria: (i) if the amount receivable is payable on demand; (ii) if the amount receivable is low risk; (iii) if it has a term of less than 12 months.

In cases in which the balance receivable is payable on demand and the related party has the ability to pay, the probability of default was considered close to 0% and, therefore, the impairment is considered equal to zero. In cases in which the balance receivable is not payable on demand, the credit risk of the related Company is assessed, and if it is 'low' or if the term is less than 12 months, then the Company only assesses the probability of occurrence of a default for the cash flows that are due in the following 12 months.

For all other situations and natures of balances receivable, the Company applies the general impairment approach, assessing on each reporting date if there has been a significant increase in the credit risk since the date of the initial recognition of the asset. If there has not been an increase in the credit risk, the Company calculates an impairment corresponding to the amount equivalent to the expected losses in a period of 12 months. If there has been an increase in the credit risk, the Company calculates an impairment corresponding to the amount equivalent to the expected losses for all contractual cash flows until the maturity of the asset. The credit risk assessment is made according to the criteria published in the credit risk management policies contained in the Management Report.

Write-offs Policy

The Company shall write-off a financial asset when there is information that demonstrates that the debtor is in a very weak financial situation, particularly when it is in the process of liquidation or bankruptcy and when there are no realistic prospects of credit recovery. However, the written-off financial assets may still be subject to recovery procedures by the Company.

Derecognition of financial assets

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

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

iii.b) Financial liabilities and equity instruments

Classification as financial liability or as an equity instrument

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

Equity

The Company classifies as equity instruments those whose contracts evidence a residual interest of a third party in a set of assets after deducting the liabilities of the Company.

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

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

Financial liabilities

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

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

Financial liabilities subsequently recorded at amortised cost

The financial liabilities that are not designated for registration at fair value under results are measured subsequently at amortised cost using the effective interest rate method.

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

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

Derecognition of financial liabilities

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

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

When the Company changes with a certain creditor a debt instrument for another with substantially different terms, this change is accounted for as a cancellation of the original financial liability and the recognition of a new financial liability.

Similarly, the Company accounts for the substantial modifications in terms of an existent liability, or part of it, as a cancellation of the original financial liability and the recognition of a new financial liability. The terms are assumed to be substantially different if the present value discounted of the cash flows of the renegotiated financial liability, including any fees paid net of any received commissions, discounted using the original effective interest rate, is at least 10% divergent of the present discounted value of the cash flows remnant of the original financial liability.

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

iv) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in banks, term deposits and other treasury operations with a maturity under three months, readily convertible to a known amount of cash, and which are subject to insignificant value changes.

v) Accrual based accounting

Revenue and expenses are recorded in the period to which they relate, regardless of their date of payment or receipt. The differences between the amounts received and paid, and the corresponding income and expenses are recorded under the items' Other debtors', 'Deferrals' and 'Other accounts payable'.

vi) Revenue

Nature, performance bonds and moment of recognition of revenue

The main source of revenue of the Company is the support and management services rendered to its subsidiaries.

Revenue is calculated according to the consideration specified in the contracts executed with customers and excludes any amount received on behalf of third parties. Thus, the Company records revenue when it transfers control over a particular good or service to the client. The revenue is recorded net of any attributed taxes, trade discounts and financial discounts.

In determining the value of the revenue, the Company evaluates for each transaction the performance obligations that it assumes before customers, the transaction price to assign to each performance obligation identified in the transaction and the existence of variable price conditions that can lead to future adjustments to the registered revenue amount, and for which the Company performs its best estimate.

vii) Balances and transactions expressed in foreign currency

All the assets and liabilities expressed in foreign currencies are translated to the functional currency, using the official exchange rates at the reporting date. The exchange differences, favourable or unfavourable, originating from the differences between the exchange rates at the transaction dates and those used at the collection, payment or at the balance sheet date, are recorded at their gross amount as gains and losses in the income statement.

viii) Income Taxes

The Income tax for the period includes current and deferred tax, in accordance with IAS 12. Current tax is calculated based on the taxable profit, in accordance with the local tax laws applicable to the location where the Company has its registered office.

Deferred tax is recorded on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the calculation of taxable profit as well as in respect of some tax credits attributed to the Company, and it is accounted for using the balance sheet liability method.

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

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

Deferred tax liabilities are recorded for all taxable temporary differences, except those related to:
(i) the initial recognition of Goodwill; or (ii) the initial recognition of assets and liabilities, which do not result from a concentration of business activities, and which at the date of the transaction do not affect the accounting or tax result. However, with regards to the taxable temporary differences associated with investments in subsidiaries and associates, these should not be recorded to the extent that i) the parent company has the ability to control the period of the reversal of the temporary difference; and (ii) it is likely that the temporary difference is not reverted in the near future.

The amount of deferred tax resulting from transactions or events recorded in equity accounts is recorded directly under these same items, not affecting the income statement.

ix) Financial costs on loans

Financial costs incurred with obtained loans are recorded as expense in the income statement on an accrual basis.

x) Provisions

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

xi) Impairment of assets

The Company reviews the carrying amounts of its assets at each balance sheet date or whenever there is any indication (an event or change in circumstances) that these assets may have suffered an impairment loss. When the asset carrying amount is greater than its recoverable amount, an impairment loss is recognised and recorded in the item ‘Provisions and impairment losses’. The recoverable amount is the highest of the net selling price (fair value minus costs to sell) and the value in use. The net selling price is the amount that would be obtained with the sale of the asset in a transaction between two independent parties, minus expenses directly attributable to the sale. Value in use is the present value of the estimated future cash flows that are expected to arise from the continued use of the asset and its disposal at the end of its useful life. The recoverable amount is estimated for each asset individually or, if it is not possible, for the cash-generating unit to which the asset belongs.

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

xii) Employee benefits

Variable remuneration

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

xiii) Classification in the statement of financial position

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

xiv) Contingent assets and liabilities

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

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

xv) Cash Flow Statement

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

The cash flow statement is classified by operating, investment and financing activities. Operating activities include cash receipts from customers, payments to suppliers, payments to employees and others relating to operating activities. The cash flows included in investing activities contain, inter alia, acquisitions and disposals of investments in subsidiaries and receipts and payments arising from the purchase and sale of tangible and intangible assets.

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

xvi) Subsequent events

Events occurring after the balance sheet date that provide additional information about the conditions existing at the balance sheet date (adjusting events) are reflected in the financial statements. Events occurring after the balance sheet date that provide information on conditions occurring after the balance sheet date (non-adjusting events), if material, are disclosed in the notes to the financial statements.

xvii) Judgements and estimates

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

The most significant accounting estimates reflected in the financial statements for the periods ended on 31 December 2019 and 2018 include:

- Impairment tests made to investments in subsidiaries and associates (Note 12). Investments in subsidiaries and associates are subject to annual impairment testing or whenever there is evidence of possible impairment. The recoverable value of the units that generate cash flows to which the investment is assigned is determined on the basis of the expected cash flows. These calculations require the use of estimates by the Board of Directors regarding the future evolution of the activity and of the considered discount rates.

- Register of Provisions (Note 19). The Group analyses on a regular basis any obligations arising from past events and that should be recognised or disclosed. The subjectivity inherent in determining the probability of the existence of a present liability and the amount of internal resources required to pay the obligations may lead to significant adjustments, either due to variations in the assumptions used or due to the future recognition of provisions previously disclosed as contingent liabilities.

- Recognition of deferred tax assets arising from tax losses (Note 10). Deferred tax assets are recorded only when there is reasonable expectation that there will be future taxable profits available for the use of temporary differences, or when there are deferred tax liabilities whose reversal is expected in the same period in which the deferred tax assets are reversed. The evaluation of deferred tax assets is made by management at the end of each financial year, taking into account the expectation of future tax performance. Estimates used are based on the best information available during the preparation of the financial statements. However, events may occur in subsequent periods that, not being predictable at the time, were not considered in these estimates.

Estimates used are based on the best information available during the preparation of the financial statements. However, events may occur in subsequent periods that, not being predictable at the time, were not considered in these estimates. Changes to these estimates that occur after the date of the financial statements will be adjusted in the income statement prospectively, in accordance with IAS 8.

xviii) Management of financial risks

Uncertainty, which is a dominant feature of the markets, involves in itself a variety of risks to which the Company's activities are exposed, namely exchange rate risk, interest rate risk, liquidity risk and credit risk.

a) Exchange Rate Risk

Foreign exchange risk has a strong interdependence with the other types of risk, with reference to the risk of countries, through the evolution of economies and their impact on inflation and interest rates and credit risk, due to the possibility of currency fluctuations which may jeopardise future financial flows, originating the possibility of recording losses or gains as a result of changes in exchange rates in different currencies.

In the operations with subsidiaries, the Company carries out transactions in Euro, not being subject to a significant exchange rate risk.

b) Interest rate risk

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

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

The Company's exposure to interest rate risk arises from financial liabilities contracted at a variable rate, so changes in the interest rate have a direct impact on the value of interest, consequently causing cash variations.

During the year 2019, the reference interest rates in the Euro Area remained at very low levels in line with what has been occurring in the last years.

In the European Central Bank projections, published in March 2020 ("ECB staff macroeconomic projections for the Euro area, March 2020"), short-term interest rates should remain negative until 2022.

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

From the sensitivity analysis to the variation to more or less 0.5 p.p. in the interest rate index, the following impact is estimated:

	ESTIMATED IMPACT 2019
Change in financial results due to a 0.5 p.p. alteration of the interest rate applied to the entire debt	235.053
Fixed-rate hedging	-
Sensitivity of the financial results due to interest rate changes	**235.053**

c) Liquidity Risk

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

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

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

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

The short-term liabilities of the Company are more than 95% with subsidiaries.

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

d) Credit Risk

The global economic conditions or hardships that affect the economies at local, national or international level may lead to the inability of the Company's customers to meet their obligations, with possible negative effects on the results of the Company. It should be noted that in spite of the economic recovery which started in 2017, in Portugal and at global level, the grant of credit by Banks is still fairly contained, particularly for companies that operate in sectors strongly affected by the preceding crisis.

The Company is subject to credit risk related to the operational activity – Trade Debtors and Other Debtors. To the extent that the majority of their transactions are with subsidiaries, credit risk arises indirectly from the credit risk of those companies.

Aware of this reality, the Company and the Group seek to assess the credit risk of all their customers as a rationale for the establishment of the credit to be granted, and the ultimate objective is to ensure the effective collection of credit within the established term.

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

The Company considers the likelihood of default with the initial recognition of the asset and depending on the occurrence of significant increases in the credit risk, continuously in each reporting period. In order to assess whether there was a significant increase in credit risk, the Company compares the default risk occurring by reference to the date of report, with the default risk assessed by reference to the date of initial recognition.

The main value to be received is from Martifer Metallic Constructions, a subsidiary company, and the risk of uncollectability is scarce.

xiv) Capital management

Capital management is made to ensure the continuity and development of operational activities, and focus is given to the management of the financial debt and liquidity risk.

The objective of the Company regarding capital management is to maintain an optimal capital structure, through the prudent use of debt, seeking thereby to reduce its cost.

On 31 December 2019, the Equity of the Company is positive in 31.2 million euros.

Regarding indebtedness, it significantly decreased compared to the previous year (gross debt registered a reduction of 37.4 million euros).

On 31 December 2019, bank indebtedness represents 35% of the liabilities (62% in the year 2018).

2. SALES AND SERVICES RENDERED

The sales and services rendered for the periods ended on 31 December 2019 and 2018 refer, essentially, to management fees charged to Group companies:

RUBRICS	FY 2019	FY 2018
Services rendered - Note 24	990.180	1.010.058
	990.180	**1.010.058**

3. EXTERNAL SERVICES AND SUPPLIES

The breakdown of supplies and external services for the periods ended on 31 December 2019 and 2018 is as follows:

RUBRICS	FY 2019	FY 2018
Specialised works	654.811	207.453
Advertising and publicity	12.869	15.761
Service Fees	94	49.349
Maintenance and repairs	-	61
Tools and devices	-	170
Books and technical documentation	417	-
Office material	110	217
Offers	-	471
Fuel	15	70
Travel and accommodation	26.289	10.126
Leases and rents	-	3.210
Communications	583	2.170
Insurance	33.133	33.445
Legal and notarial fees	34.786	931
Representation expenses	3.781	2.476
Cleaning, health and safety	10	17
Others	-	1.673
	766.898	**327.601**

The increase in the specialised works item is due to expenditure with lawyers, management fees and consultancy services under the GDPR.

4. STAFF COSTS

Staff costs for the periods ended on 31 December 2019 and 2018 can be analysed as follows:

RUBRICS	FY 2019	FY 2018
Salaries	596.276	608.589
Social charges		
Social contributions and others	83.507	96.677
Others	11.581	8.085
	691.363	**713.350**

During 2019 and 2018, the Company's average employee number was as follows:

RUBRICS	FY 2019	FY 2018
Functional division		
Directors	3	3
Other employees	1	1
	4	**4**

5. PROVISIONS AND IMPAIRMENT LOSSES

Provisions and impairment losses for the periods ended on 31 December 2019 and 2018 are as follows:

RUBRICS	FY 2019	FY 2018
Impairment losses net of reversals in financial assets - Note 12	(9.752.185)	(6.446.131)
Provisions for financial investments – Note 19	(14.777)	1.347.738
Provisions for legal claims – Note 19	110.114	(375.000)
	(9.656.848)	**(5.473.393)**

In 2019, impairment losses, reversals and uses in financial investments were recorded in the amount of 33,194,001 euros, 23,441,816 euros and 25,432,426 euros, respectively, following the impairment tests carried out on those assets. The recorded provisions are also related to financial investments and derive from subsidiaries whose equity is negative.

The increase in the impairment loss in the year is mainly due to the deterioration in the equity of its subsidiaries, due to losses arising from operational activities (Note 12).

31 DECEMBER 2019	OPENING BALANCE	INCREASES	REVERSIONS	UTILIZATION	CLOSING BALANCE
Impairment losses in financial assets - Note 12	255.647.991	33.194.001	23.441.816	25.432.426	239.967.750
Provisions	3.342.421	14.777	110.114	264.886	2.982.198
	258.990.412	**33.208.778**	**23.551.930**	**25.697.311**	**242.949.948**

31 DECEMBER 2018	OPENING BALANCE	INCREASES	REVERSIONS	UTILIZATION	CLOSING BALANCE
Impairment losses in financial assets - Note 12	251.289.250	7.294.468	848.337	2.087.390	255.647.991
Provisions	4.374.178	375.000	1.347.738	59.019	3.342.421
	255.663.428	**7.669.468**	**2.196.075**	**2.146.409**	**258.990.412**

A loss of 9,670 euros was calculated due to the liquidation of Martifer Solar, SGPS, S. A..

6. OTHER INCOME AND EXPENSES

These items can be analysed as follows:

RUBRICS	FY 2019	FY 2018
Social services	1.073	918
Exchange rate gains	4.074	1.583
Sales of tangible fixed assets	-	81
Other incomes and gains	50.291	62.370
	55.438	**64.951**

RUBRICS	FY 2019	FY 2018
Legal expenses	19.027	136.357
Taxes	14.598	15.410
Corrections for previous periods	-	13.766
Contributions	12.680	12.590
Others non-specified	270	-
Exchange rate losses	10.042	9.707
	56.617	**187.830**

7. INTANGIBLE ASSETS

The information on the gross values of intangible assets, with reference to the years ended on 31 December 2019 and 2018 can be analysed as follows:

	OPENING BALANCE	INCREASES	SALES AND WRITE-OFFS	TRANSFERS	CLOSING BALANCE
31 DECEMBER 2019					
Software and other rights	1.349	-	-	-	1.349
Other intangible assets	42.265	-	-	-	42.265
	43.614	**-**	**-**	**-**	**43.614**
31 DECEMBER 2018					
Software and other rights	1.349	-	-	-	1.349
Other intangible assets	42.265	-	-	-	42.265
	43.614	**-**	**-**	**-**	**43.614**

The information relating to the amortisation amounts and accumulated impairment losses of intangible assets, with reference to the periods ended on 31 December 2019 and 2018 can be analysed as follows:

	OPENING BALANCE	INCREASES	SALES AND WRITE-OFFS	TRANSFERS	CLOSING BALANCE
31 DECEMBER 2019					
Software and other rights	1.349	-	-	-	1.349
Other intangible assets	42.265	-	-	-	42.265
	43.614	**-**	**-**	**-**	**43.614**
31 DECEMBER 2018					
Software and other rights	1.349	-	-	-	1.349
Other intangible assets	42.265	-	-	-	42.265
	43.614	**-**	**-**	**-**	**43.614**

The net value of the intangible assets, with reference to the periods ended on 31 December 2019 and 2018 is 0 Euro.

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8. TANGIBLE FIXED ASSETS

Information related to the gross values of tangible fixed assets for the periods ended on 31 December 2019 and 2018 can be analysed as follows:

	OPENING BALANCE	INCREASES	SALES AND WRITE-OFFS	TRANSFERS	CLOSING BALANCE
31 DECEMBER 2019					
Office equipment	30.239	1.089	-	-	31.328
	30.239	**1.089**	**-**	**-**	**31.328**
31 DECEMBER 2018					
Office equipment	29.676	1.313	750	-	30.239
	29.676	**1.313**	**750**	**-**	**30.239**

The information on depreciation amounts and accumulated impairment losses of transportation and administrative equipment for the years ended on 31 December 2019 and 2018 can be analysed as follows:

	OPENING BALANCE	INCREASES	SALES AND WRITE-OFFS	TRANSFERS	CLOSING BALANCE
31 DECEMBER 2019					
Office equipment	29.035	680	-	-	29.715
	29.035	**680**	**-**	**-**	**29.715**
31 DECEMBER 2018					
Office equipment	29.599	186	750	-	29.035
	29.599	**186**	**750**	**-**	**29.035**

The net amount of tangible fixed assets for the periods ended on 31 December 2019 and 2018 is 1,613 Euros and 1,204 Euros, respectively.

9. FINANCIAL RESULTS

The financial results for the periods ended on 31 December 2019 and 2018 may be analysed as follows:

RUBRICS	FY 2019	FY 2018
Interest and similar revenue		
Loans and accounts receivable (including bank deposits)		
Interest income	386.509	397.024
Financial assets disposals	-	20
Other financial income	45	105
Dividends obtained from other financial assets	60.000	618.000
Other financial incomes	2.757.687	-
	3.204.240	**1.015.149**

RUBRICS	FY 2019	FY 2018
Interest and similar expenses		
Loans and accounts payable		
Interest expenses on bank loans	2.818.120	2.694.780
Other financial expenses	97.894	82.900
	2.916.014	**2.777.680**

The item “Other similar income” of the year 2019 refers to an extraordinary gain obtained with a financial renegotiation agreement (debt amortisation with a discount).

The amount of other financial expenses and losses essentially results from the fees paid on overdrafts.

10. INCOME TAX

The breakdown of assets giving rise to deferred tax in the periods ended on 31 December 2019 and 2018 may be analysed as follows:

RUBRICS	FY 2019	FY 2018
Tax losses carried forward	4.229.079	4.229.079
Deferred tax assets	**4.229.079**	**4.229.079**

According to tax returns and estimates of corporate income tax, deferred tax assets related to tax losses in December 2019 and 2018, using for that purpose the tax rates at that date, were reported as follows:

	TAX LOSSES CARRIED FORWARD	DEFERRED TAX ASSET	TIME LIMIT
31 DECEMBER 2019			
Generated in 2014	20.138.472	4.229.079	2026
	20.138.472	**4.229.079**	
31 DECEMBER 2018			
Generated in 2014	20.138.472	4.229.079	2026
	20.138.472	**4.229.079**	

On 31 December 2019, there were reportable tax losses, calculated in the companies taxed under the Special Regime for Taxation of Corporate Groups (SRTCG) of which Martifer SGPS is the dominant Company, before and during the application of the SRTCG, amounting to 89,286,838 Euros (72,178,642 Euros on 31 December 2018), whose potential deferred tax assets amount to 20,089,539 Euros (16,240,195 Euros on 31 December 2018). In a perspective of prudence, deferred tax assets were registered, related to tax losses in Portugal to be used in the future, only in the amount of 4,229,079.00 Euros.

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

	FY 2019			FY 2018		
	TAX LOSSES CARRIED FORWARD	TAX CREDIT	TIME LIMIT	TAX LOSSES CARRIED FORWARD	TAX CREDIT	TIME LIMIT
Generated in 2014	26.068.784	5.865.476	2026	28.860.620	6.493.639	2026
Generated in 2015	5.081.758	1.143.395	2027	5.094.387	1.146.237	2027
Generated in 2016	32.310.271	7.269.811	2028	21.237.388	4.778.412	2028
Generated in 2017	5.754.682	1.294.803	2022	16.986.247	3.821.906	2022
Generated in 2019	20.071.344	4.516.053	2024	-	-	-
	89.286.838	**20.089.539**		**72.178.642**	**16.240.195**	

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

i. The tax losses generated in 2014 suffered a change (an increase), compared to the reportable amount on 31 December 2018, in the overall amount of 2,791,836 euros. This amendment arises from the partial acceptance of an administrative complaint presented by the Company (2,764,184 euros) and the liquidation of Martifer Solar SGPS in 2019, in which the right to deduct the share of the tax losses for that Company, amounting to 27,652 euros ends;

ii. The tax losses recorded in 2015 were altered, in view of the amount reportable on 31 December 2018, in 12,629 euros, corresponding to the share of the tax losses incurred by Martifer Solar SGPS, in respect of which the right to deduct ends because that Company was liquidated in 2019;

iii. Tax losses 2016: increase in the amount of 11,072,883 euros as a result of the correction made by the Tax Authorities, during an inspection procedure to Martifer Metallic Constructions, which was not contested;

iv. Tax losses 2017: a reduction in the reportable amount on 31 December 2018 in the global amount of 11,231,565 euros, due to the correction made by the Tax Authorities to the tax result of the Company Martifer Metallic Constructions, amounting to 11,072,883 euros, which was not contested and the share of the tax losses of Martifer Solar SGPS, amounting to 158,682 euros, for which the right of deduction ends because that Company was liquidated in 2019;

v. The tax losses recorded in 2019, like the procedure adopted in the previous year, take into account the estimate of the tax results calculated for each Company, which is part of the SRTCG perimeter.

The reconciliation of tax for the period and current tax can be analysed as follows:

RUBRICS	FY 2019	FY 2018
Current tax	**(1.789.875)**	**(1.373.386)**
Excess/Insufficiency of income tax estimate	96.023	(65.000)
Tax charge for the period	**96.023**	**(65.000)**
Income tax	**1.693.852**	**1.438.386**

On 31 December 2019 and 2018, the reconciliation between the normal and effective rate is as follows:

RUBRICS	FY 2019	FY 2018
Earnings before taxes	**(9.848.231)**	**(7.389.883)**
Income tax rate (nominal rate of 21%)	(2.068.129)	(1.551.875)
Non-deductible expenses for tax purposes:		
Elimination of economics double taxation of profits and distributed reserves	(12.600)	(129.780)
Impairment losses	2.051.062	1.086.134
Restitution of not deductible taxes and over taxation estimates	(14.492)	-
Accounting capital losses	(5.246.263)	-
Restriction on deductibility of net financing expenses	-	273.080
Others	(38.011)	3.831
Reversion of provisions	-	(15.471)
Tax benefits	(1.322)	(1.322)
Tax losses of the year for which deferred tax assets were not recognized	5.299.853	332.535
Excess/ Insufficiency of income tax estimate	96.023	(65.000)
Autonomous taxation	1.096	869
Consolidated tax net effect	(1.761.069)	(1.371.388)
Effective income tax	**(1.693.852)**	**(1.438.386)**

In 2019, Martifer SGPS, S.A. is subject to corporate income tax (IRC) at the normal rate of 21%, increased by the municipal surcharge of up to 1.5% of the taxable profit.

Additionally, on the portion of taxable income exceeding 1,500,000.00 Euros, subject and not exempt from IRC, the following fees of state surcharge apply: 3% on the part over 1,500,000 euros and less than 7,500,000 euros; 5% on the part over 7,500,000 euros and up to 35,000,000 euros; and 7% on the part of taxable income that exceeds 35,000,000 euros.

In terms of article no. 88 of the Corporate Tax Code (IRC), the Company is, additionally, subject to autonomous tax over a number of expenses, at the rates laid down in the said Code.

In the 2011 fiscal year, Martifer SGPS, S.A. opted for the application of the Special Regime for Taxation of Corporate Groups (SRTCG), which includes Portuguese companies that, directly or indirectly, hold at least 75% of its capital and that comply simultaneously with the other conditions defined by that regime.

The companies that belong to the Special Regime for Taxation of Corporate Groups (SRTCG) are the following:

COMPANIES BELONGING TO RETGS
Cedilhas ao Vento S.A.
Martifer - Construções Metalomecânicas S.A.
Martifer Metallic Constructions SGPS S.A.
Martifer Renewables S.A.
Martifer Renewables SGPS S.A.
Martifer SGPS S.A.
Navalria - Docas Construções e Reparações Navais S.A.
Sociedade de Madeiras do Vouga S.A.
West Sea - Estaleiros Navais, Lda.

Under the Portuguese law in force, Martifer SGPS, S. A.'s tax returns are subject to review and correction by the tax authorities for a period of four years (five years for social security), except when tax losses have occurred, tax benefits have been granted, or inspections, complaints or appeals are under way, in which cases, depending on the circumstances, the time limits may be extended or suspended. Consequently, the tax returns for the years 2016 through to 2019 may be subject to review.

The Board of Directors believes that any adjustments resulting from reviews/inspections by the tax authorities will have no significant impact on the financial statements on 31 December 2019.

On 31 December 2019 and 2018 the detail of the Tax on the income of legal persons was the one indicated below:

RUBRICS	FY 2019	FY 2018
Income tax		
Special on account payment	33.155	497.983
Payments on account	517.275	99.036
Retentions	-	1.366
Group income tax estimate (RETGS)	(523.371)	(941.547)
Tax payable	(101.313)	(101.313)
	(74.255)	**(444.476)**

The amount of 101,313 euros referred to as tax payable relates to the year 2013 and is the result of corrections made by the Tax Authority that were claimed by the Company. From those corrections, whose effect is reflected in the reduction of reportable tax losses and in the amount of autonomous taxation, the reimbursement of the referred to amount resulted. Since there is still no final decision on the case and if the Company is recognised as valid in all of the claimed amounts, there will be an increase in the value of the reportable tax losses, and the amount previously reimbursed will have to be returned.

11. EARNINGS PER SHARE

Martifer SGPS has issued solely ordinary shares, so there are no special dividend or voting rights.

Martifer SGPS, S.A.'s share capital is represented by 100,000,000 ordinary shares, totally subscribed and paid-up, representing a share capital of 50,000,000.00 Euro.

The weighted average number of shares in circulation is reduced in 2,215,910 shares, corresponding to own shares acquired by Martifer SGPS.

As of 31 December 2019 and 2018, there is no difference between the calculation of basic earnings per share and the calculation of diluted earnings per share, which can be demonstrated as follows:

RUBRICS	FY 2019	FY 2018
Net profit for the year (I)	(8.154.379)	(5.951.497)
Weighted average number of shares outstanding (II)	97.784.090	97.784.090
Basic and diluted earnings per share (I) / (II)	**(0,0834)**	**(0,0609)**

12. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATE COMPANIES

On 31 December 2019 and 2018, the breakdown of financial investments in subsidiaries and associates was as follows:

RUBRICS	% HELD	ACQUISITION VALUE	SUPPLEMENTARY CAPITAL	IMPAIRMENT LOSSES	TOTAL
31 DECEMBER 2019					
Duelobrigatório	55%	27.500	4.950.000	4.977.500	-
Martifer Metallic Constructions SGPS *	75%	12.273.756	123.089.899	112.448.086	22.915.569
Martifer Renewables SGPS *	100%	99.765.968	145.462.327	122.542.165	122.686.130
Martifer Romania SRL	2%	1.265	-	-	1.265
Patris Investimentos SGPS	3%	25.000	-	-	25.000
Ventinveste	6%	3.000	-	-	3.000
		112.096.489	**273.502.226**	**239.967.751**	**145.630.964**
31 DECEMBER 2018					
Duelobrigatório	55%	27.500	4.950.000	4.977.500	-
Martifer Metallic Constructions SGPS *	75%	12.273.756	123.089.899	79.254.085	56.109.570
Martifer Renewables SGPS *	100%	99.765.968	145.462.327	145.983.981	99.244.314
Martifer Romania SRL	2%	1.265	-	-	1.265
Martifer Solar SGPS	100%	26.280.763	-	25.432.426	848.337
Patris Investimentos SGPS	3%	25.000	-	-	25.000
Ventinveste	6%	3.000	-	-	3.000
		138.377.252	**273.502.226**	**255.647.992**	**156.231.486**

* Consolidated accounts

Provisions have been incorporated for the financial investments disclosed in Note 19.

The direct and indirect participation in Ventiveste (via Martifer Renewables, SGPS) is 48.5% and in Martifer Romania (via Martifer Metallic Constructions, SGPS) is 100%.

The movement occurred under this item, in the periods ended on 31 December 2019 and 2018, is as follows:

	FY 2019	FY 2018
Opening balance	156.231.486	162.677.617
Dissolution and liquidation - Martifer Solar, SGPS	(848.337)	-
Dissolution MT GMBH	-	(21.847)
Supplementary capital	-	(2.065.543)
Impairment losses on financial investments	-	870.184
Impairment losses on supplementary capital	(9.752.185)	(5.228.925)
	145.630.964	**156.231.486**

The equity and the net result of the subsidiaries and associates are the following:

RUBRICS	EQUITY	NET PROFIT FOR THE YEAR
Martifer Renewables SGPS *	122.686.130	23.617.864
Martifer Metallic Constructions SGPS *	(35.431.814)	(2.141.587)
Ventinveste	9.162.426	161.969
Martifer Romania SRL	(3.038.335)	(667.466)
Duelobrigatório	(5.422.176)	(26.680)
	87.956.231	**20.944.100**

* Consolidated accounts

Financial investments are calculated as to their recoverable value whenever there is evidence of impairment, and evidence is considered whenever the Equity of the subsidiaries (considering when consolidated Equity is applicable) is lower than their acquisition value. Based on this principle, indications of impairment have been identified in the holdings held in Martifer Metallic Constructions, SGPS, S. A., in Martifer Renewables, SGPS, S. A., and in Duelobrigatório, S. A.. The impairment tests carried out consider the following assumptions:

– For the participation in Martifer Metallic Constructions, SGPS, S.A., it was considered appropriate to validate its recovery based on the value in use, in accordance with the discounted cash flow method, based on business plans made by the company managers and duly approved by the Group's Board of Directors and using discount rates that vary according to the risks inherent to the various businesses.

  On 31 December 2019, an impairment of 112,448,086 euros was calculated, which compares with the impairment calculated in the year 2018 of 79,254,084 Euros, resulting in a reinforcement of the impairment in 33,194,001 euros. The methods and assumptions used to measure the existence or not of impairment for these financial assets were as follows:

	MARTIFER METALLIC CONSTRUCTIONS
Financial assets (values in thousands of euros)	22.916
Period used	5 years cash flow projection
Growth rate (g) (1)	2,00%
Average growth rate of turnover for 5 years (2)	3,61%
Discount rate (3)	6,86%

The impacts of a change (from a normal scenario) in the main assumptions used in the calculation of the recoverable value would have the impacts listed in the table below:

	MMC	WACC INCREASE IN 1.0 P.P.	WACC DECREASE IN 1.0 P.P.	VAR. V.N. +5.0 P.P. (1)	VAR. TURNOVER -5.0 P.P. (1)	INCREASE IN EBITDA/ TURNOVER MARGIN IN 0.5 P.P. (2)	DECREASE IN EBITDA/ TURNOVER MARGIN IN 0.5 P.P. (2)
Weighted Average Cost of Capital (WACC)	6,86%	7,86%	5,86%	6,86%	6,86%	6,86%	6,86%
CAGR turnover [2019; 2024] (3)	3,6%	3,6%	3,6%	8,6%	(1,4%)	3,6%	3,6%
EBITDA / Turnover average margin [2019; 2024]	7,39%	7,39%	7,39%	7,39%	7,39%	7,9%	6,9%
Net book value	22.916	22.916	22.916	22.916	22.916	22.916	22.916
Total recoverable amount	22.916	7.766	45.853	29.115	(1.108)	44.422	4.938
Estimated impact	-	(15.149)	22.938	6.200	(24.024)	21.507	(17.978)
Conclusions of the sensitivity analysis		Impairment	No impairment	No impairment	Impairment	No impairment	Impairment

(1) Growth rate used to extrapolate cash flows beyond the period considered in the business plan

(2) Estimated average growth rate based on the 5-year business plan of the Company based on the estimates and assumptions of the Board of Directors based on its best knowledge at the date of the approval of the Financial Statements

(3) Discount rate applied to projected cash flows

On 31 December 2018, an impairment of 79,254,084 euros was calculated, which compares with the impairment calculated in the year 2017 of 72,396,959 euros, resulting in a reinforcement of the impairment in 6,857,126 euros. The methods and assumptions used to measure the existence or not of impairment for these financial assets were as follows:

	MARTIFER METALLIC CONSTRUCTIONS
Financial assets (values in thousands of euros)	56.110
Period used	5 years cash flow projection
Growth rate (g) (1)	2,00%
Average growth rate of turnover for 5 years (2)	2,92%
Discount rate (3)	6,41%

The impacts of a change (from a normal scenario) in the main assumptions used in the calculation of the recoverable value would have the impacts listed in the table below:

	MMC	WACC INCREASE IN 1.0 P.P.	WACC DECREASE IN 1.0 P.P.	VAR. TURNOVER +5.0 P.P. (1)	VAR. TURNOVER -5.0 P.P. (1)	INCREASE IN EBITDA / TURNOVER MARGIN IN 0.5 P.P. (2)	DECREASE IN EBITDA / TURNOVER MARGIN IN 0.5 P.P. (2)
Weighted Average Cost of Capital (WACC)	6,41%	7,41%	5,41%	6,41%	6,41%	6,41%	6,41%
CAGR turnover [2018; 2023] (3)	2,9%	2,9%	2,9%	7,9%	-2,1%	2,9%	2,9%
EBITDA / Turnover average margin [2018; 2023]	6,70%	6,70%	6,70%	6,70%	6,70%	7,2%	6,2%
Net book value	56.110	56.110	56.110	56.110	56.110	56.110	56.110
Total recoverable amount	56.110	34.026	90.999	63.286	8.660	77.601	43.277
Estimated impact	-	(22.084)	34.889	7.177	(47.449)	21.491	(12.833)
Conclusions of the sensitivity analysis		Impairment	No impairment	No impairment	Impairment	No impairment	Impairment

(1) Growth rate used to extrapolate cash flows beyond the period considered in the business plan

(2) Estimated average growth rate based on the 5-year business plan of the Company based on the estimates and assumptions of the Board of Directors based on its best knowledge at the date of the approval of the Financial Statements

(3) Discount rate applied to projected cash flows

- For Martifer Renewables, SGPS, S. A., the value of consolidated Equity was considered as a valid indicator, resulting in the calculation of impairments of 121,252,165 euros. Compared with the impairments calculated in 2018, as a result of the impairment calculated in 2019, there was a reversal of the impairment in 24,731,816 euros. This principle was based on the fact that Martifer Renewables, SGPS, S. A. has a relatively low turnover in relation to the value of its assets, and includes in its consolidated balance, essentially, assets related to wind farms and solar projects under development and in relation to which, when applicable, assessments have already been made of their realisable values, and the respective impairments have already been recorded, so the consolidated Equity already reflects those adjustments.

- For Duelobrigatório, S. A., the value of individual Equity was considered as a valid indicator (the Company did not hold any financial interest in other companies at the end of 2019), and as a result, provisions of 2,982,197 euros were determined. Compared with the impairments calculated in 2018, as a result of the impairment calculated in 2019, an impairment of 14,777 euros was recorded in the period.

Supplementary capital does not bear interest or have a repayment term.

13. GROUP COMPANIES

On 31 December 2019 and 2018, the open positions related to supply contracts and other active financial operations are as follows:

RUBRICS	31 DECEMBER 2019			31 DECEMBER 2018		
	NON-CURRENT	CURRENT	TOTAL	NON-CURRENT	CURRENT	TOTAL
Duelobrigatório	-	91.914	91.914	-	91.870	91.870
Martifer Construções	-	171.036	171.036	-	563.750	563.750
Martifer Metallic Constructions SGPS	-	11.163.798	11.163.798	-	12.112.000	12.112.000
Martifer Renewables	-	14.791	14.791	-	13.082	13.082
Martifer Renewables SGPS	-	80.551	80.551	-	163	163
Navalria	-	23.413	23.413	-	23.218	23.218
West Sea - Estaleiros Navais	-	1.993.553	1.993.553	-	1.711.853	1.711.853
	-	**13.539.057**	**13.539.057**	**-**	**14.515.934**	**14.515.934**

These loans bear interest at the 3-month Euribor rate + 3.50%.

Of the amount referred to under “Other financial operations”, 2,283,345 Euros relate to the tax estimated by the controlled companies that form part of the SRTCG tax group (Martifer Construções: 171,036 euros, Martifer Renewables S.A.: 14,791 Euros, Martifer Renewables SGPS: 80,551 Euros, Navalria: 23,413 Euros and West Sea - Estaleiros Navais: 1,993,553 euros). The remaining amount 11,255,712 euros (12,203,869 euros in 2018) is related to other short-term treasury operations.

The liabilities presented by the Company, with Group companies, on 31 December 2019 and 2018, are as follows:

RUBRICS	FY 2019	FY 2018
Martifer Construções	4.495.123	4.532.646
Martifer Metallic Constructions SGPS	8.326	8.326
Martifer Renewables	888	888
Martifer Renewables SGPS	76.189.228	40.334.966
Martifer Solar SGPS	-	2.761
Navalria	44.550	45.156
Sociedade de Madeiras do Vouga	4.081	4.081
West Sea - Estaleiros Navais	1.491.660	1.247.836
Cedilhas ao Vento	656	656
Duelobrigatório	1.717.884	1.710.790
	83.952.396	**47.888.105**

On 31 December 2019, the amount presented in Group companies (liabilities) refers to the responsibilities that the Company has with the subsidiaries arising from the SRTCG (6,045,330 euros), a balance of 1,717,884 euros with Duelobrigatório arising from a receipt on account and treasury operations granted by Martifer Renewables SGPS, S.A. in the amount of 76,189,228 euros (40,334,966 euros in 2018). These treasury operations bear interest at the 3-month Euribor rate + 3.50%.

14. TRADE RECEIVABLES AND OTHER RECEIVABLES

On 31 December 2019 and 2018, these items are broken down as follows:

RUBRICS	FY 2019	FY 2018
Trade receivables		
Trade receivables	701.678	295.653
	701.678	**295.653**
Other receivables		
Other receivables	1.571.746	962.810
	1.571.746	**962.810**
	2.273.424	**1.258.463**

The amount presented on 31 December 2019 in several debtors includes credits arising from the dissolution and liquidation of Martifer Solar SGPS, amounting to EUR 609.750 respectively.

On 31 December 2019 and 2018, the ageing of balances in these items was as follows:

			DUE			
31 DECEMBER 2019	TOTAL	NOT DUE	UNTIL 90 DAYS	90 TO 180 DAYS	180 TO 360 DAYS	MORE THAN 360 DAYS
Trade receivables	701.678	658.523	-	-	-	43.155
Other receivables	1.571.747	435	609.750	-	-	961.562
	2.273.424	**658.957**	**609.750**	**-**	**-**	**1.004.717**

			DUE			
31 DECEMBER 2018	TOTAL	NOT DUE	UNTIL 90 DAYS	90 TO 180 DAYS	180 TO 360 DAYS	MORE THAN 360 DAYS
Trade receivables	295.653	252.398	100	-	-	43.155
Other receivables	962.810	2.784	-	-	-	960.027
	1.258.463	**255.181**	**100**	**-**	**-**	**1.003.182**

The balances over 360 days are mostly with related entities, and the Company considers that there has been no deterioration in the creditworthiness of the counterparty so that the balances are not at risk of uncollectability.

15. STATE AND OTHER PUBLIC ENTITIES

On 31 December 2019 and 2018, the balance of the item 'State and other public entities' is as follows:

RUBRICS	FY 2019	FY 2018
Liabilities		
Withholding taxes	23.967	27.738
Value added taxes	48.851	45.585
Social Security contributions	7.311	12.089
	80.129	**85.412**

16. ACCRUALS AND DEFERRALS

The item 'Deferrals' may be analysed as follows:

RUBRICS	FY 2019	FY 2018
Insurance	1.390	1.108
	1.390	**1.108**

17. CASH AND CASH EQUIVALENTS

The item 'Cash and cash equivalents' may be analysed as follows:

RUBRICS	FY 2019	FY 2018
Cash	800	800
Bank deposits	230.731	55.971
	231.531	**56.771**

On 31 December 2019 and 2018, there were no restrictions associated with the balance of the item 'Cash and cash equivalents'.

18. EQUITY

<u>Share capital</u>

Martifer SGPS's share capital, fully subscribed and paid-up on 31 December 2019, amounted to 50,000,000 Euros and is represented by 100,000,000 bearer shares with a par value of 0.50 Euros each. All shares hold the same rights, namely one share, one vote. During the 2019 and 2018 economic periods there were no changes in the number of shares representing the Company's share capital.

<u>Own shares</u>

During the 2019 economic period, Martifer SGPS didn't acquire own shares. The Group holds 2,215,910 own shares, corresponding to 2.22% of its share capital. In accordance with Portuguese commercial legislation in force, the Company is required to keep unavailable a reserve corresponding to the own shares amount. This is included the caption 'other reserves'.

On 31 December 2019, the share capital of Martifer SGPS, S.A. was held in 38% by I'M SGPS, S. A., 37.50% by Mota-Engil SGPS, S. A., 2.22% are own shares and 4.89% by board members, with the remaining 17.39% dispersed on the Stock Exchange.

<u>Share issuance premium</u>

Share issuance premium corresponds to excess amounts gained with the issue of or an increase in share capital. In accordance with Portuguese commercial legislation, the amounts included in this item must comply with the regime applicable to 'legal reserves', that is, they are not distributable except in the event of liquidation, but they may be used to offset losses, after all the other reserves have been used up, and/or be incorporated in share capital.

Reserves

<u>Legal reserves</u>

The Portuguese commercial legislation establishes that at least 5% of the positive annual net income must be used to increase the 'legal reserve' until the latter represents at least 20% of the share capital. This reserve is non-distributable, except in the event of liquidation, but may be used to offset losses, after all the other reserves have been used up, and/ or be incorporated in share capital.

Other reserves

On 31 December 2019, this item included a reserve that is not available, amounting to 2,868,519 Euros (2018: 2,868,519 Euros), related to the own shares amount.

Under the Portuguese legislation, the amount of reserves considered distributable is determined based on the Company's individual financial statements, prepared in accordance with International Financial Reporting Standards (IFRS). On 31 December 2019, Martifer SGPS, S.A. has no distributable reserves available.

19. PROVISIONS

On 31 December 2019 and 2018, the balance of "Provisions" was 2,982,197 Euros and 3,342,420 Euros, respectively, as detailed below:

RUBRICS	FY 2019	FY 2018
Duelobrigatório	2.982.197	2.967.420
Total provisions to financial investments	**2.982.197**	**2.967.420**
Legal claims in progress	-	375.000
	2.982.197	**3.342.420**

20. LOANS

The obtained loans, with reference to the periods ended on 31 December 2019 and 2018, are as follows:

		DUE			
31 DECEMBER 2019	TOTAL	UNTIL 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	MORE THAN 5 YEARS
Loans from financial institutions					
Bank loans	47.010.628	-	47.010.628	-	-
	47.010.628	**-**	**47.010.628**	**-**	**-**

		DUE			
31 DECEMBER 2018	TOTAL	UNTIL 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	MORE THAN 5 YEARS
Loans from financial institutions					
Bank loans	84.466.041	-	84.466.041	-	-
	84.466.041	**-**	**84.466.041**	**-**	**-**

The average interest rate on Martifer SGPS loans in December 2019 was 2.68% (in 2018 it was 2.26%).

The variation of loans between 2018 and 2019 is the following:

	FY 2018	CASH FLOWS	TRANSACTIONS NOT AFFECTING CASH	FY 2019
Bank loans	84.466.041	(36.491.186)	(964.228)	47.010.628
Total	**84.466.041**	**(36.491.186)**	**(964.228)**	**47.010.628**

The repayment of loans amounted to 39,386,547 euros, and one of the loans was repaid at a discount of 2,895,361 euros. Interest on capitalised bank loans amounted to 1,931,133 euros.

The guarantees related to these loans are presented in Note 22.

The currency of the loans is Euro.

The decrease in bank loans is mainly due to the amortisation of the debt resulting from banking agreements.

21. TRADE PAYABLES AND OTHER PAYABLES

The information relating to 'Suppliers and Other Payables' for the years ended on 31 December 2019 and 2018 can be analysed as follows:

RUBRICS	FY 2019	FY 2018
Trade payables	576.135	403.670
	576.135	**403.670**
Other payables		
Cost accruals	56.960	84.019
Other payables	1.339	265.729
	58.300	**349.748**
	634.434	**753.418**

On 31 December 2019 and 2018, this item includes amounts due to trade payables and other creditors arising from the Company's operational activity.

The Board of Directors believes that the fair value of these balances does not differ significantly from their carrying amount and the impact of updating these amounts is not material.

On 31 December 2019 and 2018, the ageing of balances recorded in items 'Trade payables' and 'Other payables' is as follows:

			DUE			
31 DECEMBER 2019	TOTAL	NOT DUE	UNTIL 90 DAYS	90 TO 180 DAYS	180 TO 360 DAYS	MORE THAN 360 DAYS
Trade payables	576.135	152.198	49.835	5.769	1.441	366.891
Other payables	1.339	1.339	-	-	-	-
	577.474	**153.538**	**49.835**	**5.769**	**1.441**	**366.891**

			DUE			
31 DECEMBER 2018	TOTAL	NOT DUE	UNTIL 90 DAYS	90 TO 180 DAYS	180 TO 360 DAYS	MORE THAN 360 DAYS
Trade payables	403.670	14.215	27.272	12.191	353	349.640
Other payables	265.729	265.729	-	-	-	-
	669.399	**279.944**	**27.272**	**12.191**	**353**	**349.640**

The accounts payable due for more than 180 days refer to amounts to be paid to suppliers with which the Group maintains regular commercial relations.

22. COMMITMENTS

Real Guarantees

On 31 December 2019 the real guarantees given by the Company are as follows:

COMPANY	GUARANTEE	ASSET VALUE	DEBT AMOUNT
Martifer SGPS	Generic Mortgage (7.5M€) of industrial building Towers' plant (article 1914)	6.843.704	47.010.628
Martifer SGPS	1st degree share pledge of Martifer Renewables SGPS 65% (nr shares 65,000,000)	80.584.485	
Martifer SGPS	Pledge of 8 Wind Turbines Suzlon S88 - 2,1 MW Hub height 79m	7.477.191	
Martifer SGPS	Martifer OF warehouse	10.593	
	Multipark Paços de Ferreira	361.646	
	Other Lands MGI	81.924	
	1st degree share pledge of Martifer Renewables SGPS (nr. shares 10,000,000)	12.397.613	
	Various Mercantil equipment pledge	144.716	509.384
	Equipment Mercantil pledge	17.708	112.323
		107.919.580	**47.632.335**

On 31 December 2019 there were no bank guarantees provided by the Company.

23. REMUNERATION PAID TO MANAGEMENT, THE SUPERVISORY BOARD AND THE CERTIFIED PUBLIC ACCOUNTANT

Remuneration attributed to the key management personnel, by remuneration category, can be summarised as follows:

RUBRICS	FY 2019	FY 2018
Fixed remuneration	512.800	477.201
	512.800	**477.201**

The remuneration attributed to the Supervisory Board in 2019 amounted to 14,400 euros (2018: 14,400 Euros), and the remuneration paid to the Certified Public Accountant amounted to 48,200 euros (2018: 48,200 euros).

The remuneration policy applicable to Martifer's Board of Directors and supervisory bodies, approved in accordance with Law 28/2009, as well as the annual remuneration received by the members of the said bodies, in total and individually, is presented in the Corporate Governance Report.

24. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Besides the balances and transactions described in the notes above, the balances or transactions performed with related parties are as follows:

	COSTS		REVENUES		ACCOUNTS RECEIVABLE		ACCOUNTS PAYABLE	
RUBRICS	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Shareholders	374.500	-	-	-	1.203.000	930.000	131.610	-
Group and associate companies	1.121.906	1.098.257	1.376.689	2.025.187	285.423.580	177.428.611	78.224.479	52.702.195
	1.496.406	**1.098.257**	**1.376.689**	**2.025.187**	**286.626.580**	**178.358.611**	**78.356.089**	**52.702.195**

The balances under the item "Parent Company" are held by the shareholder I'M, SGPS and by the shareholder Mota-Engil, SGPS.

Accounts receivable include supplementary capital amounts registered in financial investments (see Note 12).

25. ANNEXE TO THE SEPARATE STATEMENT OF CASH FLOWS

The receipt and payment of financial investments occurred in the periods ended on 31 December 2019 and 2018 may be analysed as follows:

	FY 2019	FY 2018
Cash Receivables:		
Treasury operations with group companies	14.069.251	35.836.189
Total of Receivables	**14.069.251**	**35.836.189**
Cash Payments:		
Treasury operations with group companies	15.012.399	37.618.893
Total of Payments	**15.012.399**	**37.618.893**

The change in financial investments – treasury operations with Group companies between 2018 and 2019 is as follows:

	FY 2018	CASHFLOWS (RECEIPTS)	CASH FLOWS (PAYMENTS)	TRANSACTIONS NOT AFFECTING CASH	FY 2019
Treasury operations with group companies	12.203.869	14.069.251	(15.012.399)	(5.009)	11.255.712
Total	**12.203.869**	**14.069.251**	**(15.012.399)**	**(5.009)**	**11.255.712**

Receivables and payments related to loans for the periods ended on 31 December 2019 and 2018 may be analysed as follows:

	FY 2019	FY 2018
Cash Receivables:		
Treasury operations with group companies	69.593.148	36.179.114
Total of Receivables	**69.593.148**	**36.179.114**
Cash Payments:		
Treasury operations with group companies	34.857.824	34.539.000
Bank loans	36.491.186	9.667.142
Total of Payments	**71.349.010**	**44.206.142**

The variation of loans between 2018 and 2019 is as follows:

	FY 2018	CASHFLOWS (RECEIPTS)	CASH FLOWS (PAYMENTS)	TRANSACTIONS NOT AFFECTING CASH	FY 2019
Treasury operations with group companies	40.334.310	69.593.148	(34.857.824)	1.119.594	76.189.228
Bank loans	84.466.041	-	(36.491.186)	(964.228)	47.010.628
Total	**124.800.351**	**69.593.148**	**(71.349.010)**	**155.367**	**123.199.856**

The interest value of capitalised treasury operations amounted to 1,119,594 euros.

26. SUBSEQUENT EVENTS

The year 2020 is marked by the spread of the Coronavirus SARS-CoV-2 and the disease caused by its infection, called COVID-19 by the World Health Organization (WHO). The disease is spreading at an alarming rate, both in terms of the number of people infected and its global spread, affecting almost all countries in the world. Therefore, WHO has declared it a pandemic.

The dissemination of SARS-CoV-2 and the containment measures adopted in the reaction to this virus, by national and international authorities, reflected negatively in public health, in the world economy and in the financial markets. So, the negative impacts of COVID-19 are taking on a brutal dimension, and the uncertainties about the future are many.

The Company is continuously monitoring the information disclosed and carefully complying with all recommendations of national and international authorities, namely the Portuguese Directorate-General for Health (DGS) and the WHO, and implementing a set of measures to safeguard the health and well-being of its employees as much as possible and to minimise economic and financial impacts in order to ensure its future sustainability.

Since the safeguard of employees' health is a priority, the Company has adopted a set of measures, for example:

- Diffusion of basic procedures for hand hygiene, information on respiratory etiquette, disclosure of instructions for the use of community masks and disclosure of social conduct procedures;
- Promotion of the physical separation of employees from offices in other facilities and maintenance of employees with operational duties separated in shifts, whenever possible;
- Strengthening of cleaning and hygiene measures at the various facilities;
- Implementation of the telework system for all employees whose positions are compatible with this system;

A COVID-19 Contingency Plan was prepared, which includes, in the Containment Phase (period prior to the appearance of infected persons in the Martifer universe), the previously mentioned measures and the procedures for the Mitigation Phase (in case of the appearance of an infected person).

The Company, as a Social Investment Management Company (SGPS in Portuguese) and the holding of Martifer Group, is dependent on the activity and performance of its subsidiaries.

At this time, it is possible to provide some information on the effects that already exist and that affect the Group, namely:

Operational Activity

Naval Industry

Despite the State of Emergency situation in Portugal, the Naval area is in operation, although there has been a slowdown in its activity. Essentially, the drop results from difficulties related to:

- reduction of employees at service, due to family support (having children aged <12) or suffering from diseases considered a risk;
- difficulty in moving people, mainly foreign technical service providers, due to restrictions on flights and air travel, which does not allow the continuity of some of the activity's tasks;

There is some difficulty in the supply chain for some raw materials and more difficulty in the orders being processed with equipment manufacturers, which may be delayed in delivery compared to the initial planning. Despite this, the Naval area has stock of the main raw materials that allow it to work for a period of time estimated to be around three months.

Metallic Constructions

The aluminium and glass façades plant remains in operation with a slight slowdown in the activity, and the metal structures plant has reduced activity, as a result of some supply difficulties by some suppliers and also the cancellation and deferral of some orders.

Works practically stopped in all countries as a result of restrictions on the movement of persons imposed by the States.

Despite the drop in activity, considering ongoing work, updated client information, the Group's financial consolidation in recent years, with substantial and systematic debt reduction, and a set of measures that have been implemented with significant impacts on productivity, in addition to the fact that there is a flexible cost structure, partly through the use of subcontracting, it is the total conviction of the Board of Directors that the continuity of activity and the sustainability of the Group is assured. In terms of liquidity, the Group presents a balanced situation that allows it to look at the near future with some peace of mind.

Given the uncertainty as to the duration of the pandemic and the extent of its effects on the world economy, it is not possible to quantify the future impacts on the activity of the various Group companies at this time. However, from the evaluation carried out, and taking into account the best information available at the present date, it is the firm conviction of the Board of Directors that the assumption of continuity, used in the preparation of the financial statements, remains appropriate.

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

27. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 21 April 2020. In addition, the accompanying financial statements reporting on 31 December 2019 are pending approval by the Board of the General Meeting. However, the Company's Board of Directors believes that these will be approved without significant changes.

EXPLANATION ADDED FOR THE TRANSLATION OF THE FINANCIAL STATEMENTS

These financial statements are a translation of the individual financial statements originally issued in Portuguese in accordance with the International Financial Reporting Standards as adopted by the European Union.

Oliveira de Frades, 21 April 2020

The Certified Accountant

Marlene Henriques Pereira

The Board of Directors

Carlos Manuel Marques Martins
(President)

Arnaldo José Nunes da Costa Figueiredo
(Vice President)

Jorge Alberto Marques Martins
(Vice President)

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

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

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

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

Mariana França Gouveia
(Member of the Board of Directors)

CORPORATE GOVERNANCE REPORT

CONTENTS

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

INFORMATION ON SHAREHOLDER STRUCTURE ORGANIZATION AND CORPORATE GOVERNANCE

PART I

Information on shareholder structure, organisation and corporate governance

A. SHAREHOLDER STRUCTURE

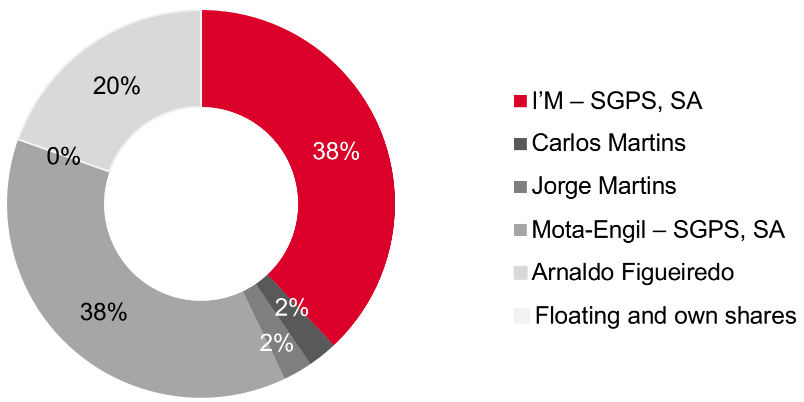
I. CAPITAL STRUCTURE

1. Capital Structure

The share capital of Martifer SGPS, S.A., a publicly-traded company (henceforth also referred to as ‘Company’ or ‘Martifer’), amounts to €50,000,000.00 (fifty million Euros), is fully subscribed and paid up and is represented by 100,000,000 (one hundred million) nominative, scriptural shares, with a par value of €0.50 (fifty Euro cents) each.

All the shares are ordinary, no different categories of shares existing, nor rights and duties beyond those foreseen in law or the Company’s Articles of Association.

All the shares issued by Martifer have been admitted to trading on the Euronext Lisbon regulated market, corresponding to ISIN Code PTMFR0AM0003, trading under the Mnemo Code MAR.



The itemised information on the distribution of share capital by the reference shareholders is present in Item 7, Part I of the Corporate Governance Report.

2. Restrictions on transfer and ownership of shares

There are neither restrictions on the free transfer of the Company’s shares, nor shareholders holding special rights. Consequently, all shares admitted to trading on the stock exchange are freely transmissible in accordance with the applicable standard regulations.

3. Own shares

During 2019, no transactions involving own shares occurred. Consequently, on 31 December 2019, the Company held, as it did in 2018, own shares totalling 2,215,910, representative of 2.22% of its share capital. These shares correspond to 2.22% of the voting rights of the Company.

4. Impact of changes in shareholder control over the Company on important agreements

Martifer neither celebrated nor is it part of any important agreement that comes into effect, is amended or terminates in the event of a change in shareholder control over the Company due to a takeover bid.

Similarly, the Company has not adopted, via the approval of any statutory provisions or other measures adopted by the Company, rules or regulations designed to prevent the success of takeover bids.

Likewise, there are no statutory provisions limiting the number of votes that can be held or exercised by a single shareholder, individually or together with other shareholders.

5. Countermeasures in the event of changes in shareholder control

During the 2019 financial period, no countermeasures were adopted in the event of changes in shareholder control.

6. Shareholder Agreements that the Company is Aware of

The only Shareholders Agreement known by the Company was executed on 28 May 2007 between I'M SGPS, S. A. (ex- MTO - SGPS, S. A.) and Mota-Engil, SGPS, S. A.. It was altered by the amendments executed on 22 December 2009 and 17 April 2012.

The shares subject to the mentioned Shareholders Agreement, on 31 December 2019, are held by the referred shareholders in the following amounts:

SHAREHOLDERS	No. of Shares	Percentage	Voting rights [1]
Mota-Engil, SGPS, S .A.	37,500,000	37.50%	38.34%
I'M SGPS, S. A.	38,505,689	38.01%	38.86%
Total	**75,505,689**	**75.51%**	**77.20%**

[1] % of voting rights = No. of Shares Held / (No. of Total Shares - Own Shares)

The referred Shareholders Agreement regulates a few aspects of the Company's corporate life, namely:

1. Attribution of voting rights – The shareholders agree to exercise at the Company's General Meeting, in a concerted way, their voting rights regarding the matters for which the law demands the deliberation of the Shareholders to be made by a qualified majority.

2. Various provisions - At the request of any of them, the shareholders oblige themselves to deliberate changes in the Company's articles of association, whenever they are needed to ensure, broadly, the good execution of the provisions in the Shareholders Agreement;

The shareholders commit, during the validity of the Shareholders Agreement, not to celebrate with other Company shareholders any Shareholders Agreement; and

The Shareholders Agreement does not foresee any restrictions regarding share transfer.

3. Validity - The Shareholders Agreement will last for an undetermined period. Still, any of the shareholders can freely terminate it with a minimum 30-day notice before the date the termination should take effect.

II. SHAREHOLDINGS AND BONDS HELD

7. Qualifying Holdings

On 31 December 2019, the main shareholders holders of qualifying holdings continued to be the companies I'M SGPS, S. A. and Mota-Engil, SGPS, S. A..

The Directors of the Company, Carlos Manuel Marques Martins and Jorge Alberto Marques Martins are the majority shareholders of the company I´M SGPS, S. A., holding, respectively, shares representing 48% and 50% of its share capital.

Mota-Engil SGPS, S. A.'s voting rights are held pursuant to Article no. 20 of the Securities Code (Código de Valores Mobiliários - CVM) by the company Mota-Engil, SGPS, S. A..

On 31 December 2019, 82.21% of the voting rights of the Company are attributed to both of these shareholders under the Shareholders Agreement in force on that date.

* The 2,200,000 shares held by the shareholder Carlos Manuel Marques Martins are held directly, and 255,028 shares are held indirectly, under the household of this Member of the Board of Directors of the Company, through the company Black and Blue Investimentos, S. A., of which that Board Member is a shareholder.

The shareholder Jorge Alberto Marques Martins has voting rights for 2,430,260 shares held indirectly by the direct ownership of his spouse, Elisabete Maria de Almeida Jesus Farreca.

The 3,000 shares held by the shareholder and board member Arnaldo José Nunes da Costa Figueiredo are directly held.

On 31 December 2019, based on the information made available to the Company, the following entities were holders of qualifying shareholdings, calculated in accordance with no. 1 of Article no. 20 of the Securities Code ("CVM"), in the share capital of the Company:

SHAREHOLDERS	NO. OF SHARES	% OF SHARE CAPITAL	% OF VOTING RIGHTS[1]
I'M – SGPS, S. A.	**38,005,689**	**38.01%**	**38.86%**
Carlos Manuel Marques Martins*	2,455,028	2.46%	2.51%
Jorge Alberto Marques Martins*	2,430,260	2.43%	2.48%
Total Imputable to I'M – SGPS, S. A.	**42,890,977**	**42.89%**	**43.86%**
Mota-Engil – SGPS, S. A.	37,500,000	37.50%	38.35%
Arnaldo José Nunes da Costa Figueiredo **	3,000	0.00%	0.00%
Total Imputable to Mota-Engil, SGPS, S. A.	**37,503,000**	**37.50%**	**38.35%**

[1] % of voting rights = No. of Shares Held / (No. of Total Shares - Own Shares)

* Member of a corporate body of I'M SGPS, S. A. ; ** Member of a corporate body of Mota-Engil SGPS, S. A.

8. Number of shares and bonds held by members of the management and supervisory boards (In accordance with the dispositions of no. 5 of Article no. 447 of the Portuguese Commercial Companies Code – "CCC")

NAME OF THE MEMBER OF THE CORPORATE BODY	CORPORATE BODY	SHARES HELD ON 31.12.2019
Carlos Manuel Marques Martins*	Board of Directors	2,455,028
Jorge Alberto Marques Martins**	Board of Directors	2,430,260
Arnaldo Nunes da Costa Figueiredo	Board of Directors	3,000
Pedro Miguel Rodrigues Duarte	Board of Directors	0
Pedro Nuno Cardoso Abreu Moreira	Board of Directors	0
Maria Sílvia da Fonseca Vasconcelos da Mota	Board of Directors	0
Vítor Manuel Álvares Escária	Board of Directors	0
Mariana França Gouveia	Board of Directors	0
Paulo Sérgio Jesus das Neves	Supervisory Board	0
Américo Agostinho Martins Pereira	Supervisory Board	0
Mária Maria Machado Lapa de Barros Peixoto	Supervisory Board	0
António Baia Engana	Supervisory Board	0

* Of the 2,455,028 shares held by the shareholder Carlos Martins, 255,028 are held on an indirect basis, under the household of this Member of the Board of the Company, through the company BLACK AND BLUE INVESTMENTOS, SA, of which that Board Member is a shareholder.

** The 2,430,260 shares held by the shareholder Jorge Martins are held indirectly by marriage with Elisabete Maria de Almeida Jesus Farreca.

Note: There are no obligations held by members of management and supervisory bodies.

9. Special Powers of the Board of Directors, namely in what concerns the operations of capital increase

The Board of Directors is authorised, under the terms of the current Articles of Association, after a favourable opinion from the Supervisory Board and in compliance with the other applicable provisions of the Articles of Association, to increase the share capital in cash, once or more times, up to the maximum limit of a hundred and twenty-five million euros. The Board of Directors will set the terms and conditions of each capital increase, as well as the form and date/period of the subscription and execution, as set forth by Article no. 4, paragraph no. 8 of the Company's Articles of Association, as approved at the General Meeting held on 25 May 2007.

Up to this date, there has not been any capital increase in the Company under this assignment of the Board of Directors.

10. Significant Business Relations between the Holders of Qualifying Holdings and the Company

On 31 December 2019, the main shareholders holders of qualifying holdings continued to be the companies I'M SGPS, S. A. and Mota-Engil, SGPS, S. A..

During 2019, no significant business or commercial transactions occurred between the Company and the holders of qualifying holdings in the Company.

Regarding business or transactions between holders of qualifying holdings in the Company and other Company affiliates, they fall within the normal activities of these companies and were conducted under normal market conditions.

B. CORPORATE BODIES AND COMMITTEES

In this Part B, the information referred to in Article no. 447 of the CCC, in article no. 3 of Law no. 28/2009 of 19 July (Remuneration Policy), in subparagraph (r), paragraph 1 of article no. 245-A of the Securities Code (diversity in the administrative and supervisory bodies) and in article no. 5 of Law no. 62/2017 of 1 of August (balanced representation of men and women in the administrative and supervisory bodies) is also included.

Martifer is the holding company of a Group with head office in Portugal, internationally present through subsidiaries, affiliated companies and joint ventures. The vast project portfolio that it continuously developed answers various markets and clients.

Responding to the challenges arising in this framework, Martifer Group's corporate governance advocates a policy of diversity in the composition of its corporate bodies, in particular the Board of Directors and the Supervisory Board:

- to promote diversity in the composition of the respective body;
- to enhance the performance of each member and as a whole, of each body;
- to encourage comprehensive, balanced and innovative analyses; and, consequently, allow the decision-making and control processes reasoned and agile;
- to contribute to the increase of innovation and renewal of the Company, for its sustainable development and creation of value for shareholders and other stakeholders in the long term.

Martifer, thus, recognises the need to continually promote diversity in its bodies and other managers, in particular in the Board of Directors and the Supervisory Board, in particular on the following aspects:

- Appropriate academic qualifications and relevant professional experience for the exercise of a specific corporate position and that, in the respective social body, there are the necessary skills for the proper performance of the duties of that body;
- Inclusion of members of different ages, combining the knowledge and experience of senior members with the innovation and creativity of young members, to allow the respective body to have an innovative vision of the business and prudent management of risks;
- The promotion of gender diversity and, consequently, an appropriate balance of sensibilities and style of decision-making within the respective body.

In what concerns to the Board of Directors and the Supervisory Board, whose composition was changed at the General Assembly on 18 May 2018, the policy is evidenced as indicated in Item 19 (Board of Directors) and Item 33 (Supervisory Board) of this report. In particular, it should be stressed that, in both cases, the Board of Directors comprises 25% of people of the under-represented gender and the Supervisory Board integrates 33.3% in the same way.

The analysis of diversity in Martifer's corporate bodies transmits the existence of a reasonable level of diversity. Verify the following table:

DIVERSITY FACTOR	PARAMETER	%
AGE	<45	33%
	45-60	42%
	>60	25%
SEX	Female	25%
	Male	75%
LITERARY QUALIFICATIONS	Engineering	33%
	Economy/Management	42%
	Law	8%
	Others	17%

I. GENERAL MEETING

a) Composition of the Presiding Board of the General Meeting

11. Identification and position of the members of the presiding Board of the General Meeting and respective term of office

The Board of the Shareholders General Meeting comprises a president, a vice president and a secretary. The present holders of these positions were elected at the 18 May 2018 Shareholders General Meeting for a three-year term of office, ending on 31 December 2020.

The members of the Board of the Shareholders General Meeting are:

PRESIDENT	José Joaquim Neiva Nunes de Oliveira
VICE PRESIDENT	Luís Leitão Marques Vale Lima
SECRETARY	Luís Neiva de Oliveira Nunes de Oliveira

b) Exercise the right to vote

12. Restrictions on the right to vote

The Company's Articles of Association do not establish any percentage or maximum limit regarding the right to vote by any shareholder. The Company has not issued preference shares without voting rights.

The Shareholders General Meeting is, therefore, comprised of shareholders holding Company shares, each share carrying one vote.

Shareholders can participate provided they hold shares at least five days before the date set for the General Meeting, and provided these shares are registered in their name in securities' accounts.

Up to three days before the date set for the General Meeting, a certificate issued by the relevant entity shall be presented to the Company as proof of ownership of the shares. In the event of suspension of the General Meeting, the Company does not require the blockage of the shares for the full suspension period until the session is resumed; instead, compliance with the ordinary notice period for the first meeting suffices.

Shareholders may be represented at the Shareholders General Meetings by a written proxy mandate addressed to the President of the Board of the General Meeting. The mandate mentioned above may also be sent by electronic mail following the respective Shareholders General Meeting notice of meeting instructions.

Shareholders may also exercise their vote by correspondence on all matters subject to approval at the General Meeting.

The proposals to be submitted for approval at the General Meeting, as well as the other information necessary for the preparation and participation at the said meetings (including, amongst other, the template to exercise the vote by correspondence), are made available to the shareholders up to twenty-one (21) days before the date of the General Meeting, at the Company's registered office and on the Company's website. Such documentation can be found on the company's website on the Internet at Http://www.martifer.pt/. In addition to the Company's website, such documentation is made available to shareholders, for consultation, at the company's registered office during business hours, as well as in the Information Disclosure System of CMVM (www.cmvm.pt), on the date of disclosure of the notice of the meeting. Still, in the same e-mail address of the Company, the minutes of the meetings of the General Assemblies are also made available within five days after their occurrence.

Martifer has been ensuring and implementing measures to promote and encourage the participation of shareholders in general meetings:

- Voting by correspondence;
- Access to proxy forms and voting ballots on its website;
- Disclosing on the website, in Portuguese and English, the notice of meeting for the General Meeting, the possible ways to exercise the vote and the procedures to adopt to vote by correspondence or by proxy;
- Making available on the website, in Portuguese and English, the preparatory documentation relating to the various items on the Agenda;
- Creating an electronic mail address exclusively dedicated to the General Meeting, which is disclosed in the notice of the meeting, to facilitate the clarification of any doubts;

13. The maximum percentage of voting rights that may be exercised by a single shareholder or by shareholders that are in any relationship as set out in no. 1 of Article no. 20 of CVM

There is no restriction on the number of votes that can be held or exercised by a single shareholder or group of shareholders.

14. Shareholders' resolutions that, imposed by the Articles of Association, can only be made with a qualified majority, besides the legally foreseen

Article no. 18 of the Company's Articles of Association establishes both for a first or a second notice of a meeting, the rule of a simple majority of the votes issued to pass resolutions unless otherwise foreseen in the CCC or in the Articles of Association.

The only exception to this rule relates to the provision in the Company's Articles of Association that sets a qualified majority of two-thirds of the votes counted for the passing of resolutions relating to the dismissal of board memebers without fair grounds.

II. MANAGEMENT AND SUPERVISION

a) Composition

15. Corporate Governance Model

The Company adopts the Latin monist government model, commonly known as the "*latin strengthened*", which advocates the separation between the administration and supervisory bodies (dual), being its Corporate Governance structure formed by the Board of Directors, a Supervisory Body and by a Statutory Auditor. All the bodies are elected at the Shareholders General Meeting.

For the term of office corresponding to the 3-year period 2018-2020, the Board of Directors delegated the governing of the day-to-day affairs of the Company to an Executive Committee, under the terms and within the limits defined in Item 21.1 below.

The adoption of this model allows the existence of a supervisory body with strengthened powers of effective supervision, composed entirely by members subject to a regime of incompatibilities and independence requirements.

Except for the Certified Public Accountant, that was elected for a 2-year period (2018-2019), the members who integrate the corporate bodies, the Board of the General Meeting and the Remuneration Setting Committee were elected for a three-year period (2018-2020). The Remuneration Setting Committee, elected at a Shareholders General Meeting, is responsible for setting the remuneration of the members of the Company's corporate bodies as well as for defining the general guidelines to be observed in setting the amounts.

16. Rules of the Articles of Association on the procedural and material requirements governing the appointment and replacement of members of the Board of Directors

The Board of Directors shall be appointed or replaced following the provisions of the Company Code and the Articles of Association.

According to the provisions of subparagraph d) of paragraph 1 of Article no. 289 CCC, the proposals for the election of directors (and other social bodies) indicated the professional qualifications and professional activities carried out, in the last five years, of the persons whose election was proposed by the shareholders of the Company. These elements provided sufficient grounds for the adequacy of the profile, knowledge and curriculum, to the position to be performed by the candidates.

The members of the Board of Directors are proposed and elected every three years by the Shareholders at a Shareholders General Meeting or co-opted by the Board of Directors, subject to ratification at the General Meeting; their re-election is allowed once or more than once. The proposals for the election of members of the social bodies include the professional qualifications and professional activities of the persons whose election is proposed by the shareholders of the Company. Under the Articles of Association, a member of the management board may be appointed by a minimum number of Shareholders, holding at least 10% (ten per cent) of the share capital, who voted against the passed proposal to elect the directors.

According to article no. 9 of the Articles of Association, the Board of Directors appoints the President and two Vice Presidents from amongst its members, and to the extent it considers it pertinent and appropriate, it constitutes an Executive Committee or delegates powers to executive board members.

According to the Articles of Association, the substitution of board members is made as set forth in Article no. 393 of the CCC. In accordance with the Company's Articles of Association, for the purposes of substituting board members under no. 1 of the said Article of the CCC, definitive absence is qualified as permanent when, without justification accepted by the management body, a board member does not attend more than five meetings, consecutive or not.

As an exclusive competence of the General Assembly and, therefore, of the shareholders, the choice and appointment of the members of the corporate bodies, it is not possible for the Company to draw up and impose models or policies of diversity as mentioned in paragraph 1(r), of Article 245-A of the Securities Code.

Nevertheless, shareholders have been applying diversity criteria that seek to combine the individual attributes of each member, such as independence, integrity, experience and competence, with the specificities of the Company, namely its governance model, its size, its shareholder structure and business model.

Furthermore, in compliance with the Resolution of the Council of Ministers no. 11-A/2015, the Company has committed itself to meet the diversity targets in the composition of its corporate bodies and has female representation in its corporate bodies. So, not only are candidate profiles considered but also diversity requirements. Of note, the current mandate of 2018-2020 was immediately in line with the proportion of persons of each sex assigned to the administrative and supervisory body, and this proportion was met on 31 December 2019.

In September 2019, the company published its Plan for Gender Equality, which can be found on the Company's website at the following link https://www.martifer.pt/pt/investors/corporate-governance/plano-igualdade-genero, where the objectives to be pursued by the Company in this context are defined, as well as the concrete measures to be implemented to achieve its objectives.

17. Composition of the Board of Directors

Following the Company's Articles of Association, Martifer's Board of Directors is constituted by 5 (five) to 9 (nine) members elected at a General Meeting.

The term of office of the members appointed to the Board of Directors is 3 (three) calendar years, and there are no restrictions regarding their re-election. The members of the Board of Directors are considered inducted as soon as they are elected, and they remain in office until replaced by newly elected board members.

On 31 December 2019, the Board of Directors had 8 (eight) members, elected at the Company's General Meeting for a three-calendar year term of office, ending on 31 December 2020.

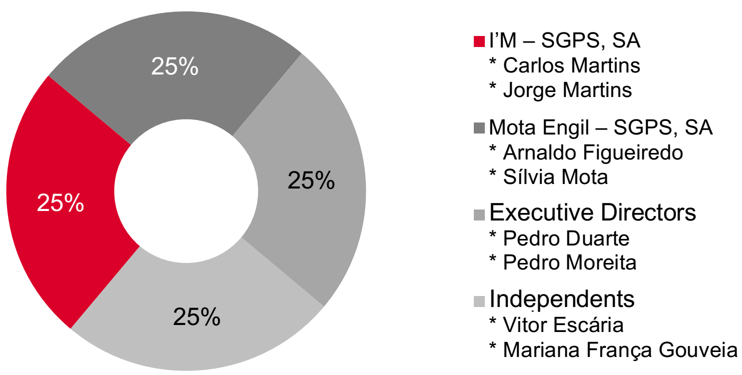
On 31 December 2019, the composition of the Board of Directors for the 2018-2020 term of office was as follows:

NAME OF THE BOARD MEMBER	FIRST NOMINATION	END OF CURRENT TERM OF OFFICE
Carlos Manuel Marques Martins (President)	2004	2020
Jorge Alberto Marques Martins (Vice President)	2004	2020
Arnaldo José Nunes da Costa Figueiredo (Vice President)	2010	2020
Pedro Nuno Cardoso Abreu Moreira	2015	2020
Pedro Miguel Rodrigues Duarte	2018	2020
Maria Sílvia da Fonseca Vasconcelos da Mota	2018	2020
Vítor Manuel Álvares Escária	2018	2020
Mariana França Gouveia	2018	2020

18. Distinction between executive and non-executive members

NAME OF DIRECTOR	(Executive / Non-executive)	INDEPENDENT or NON-INDEPENDENT
Carlos Manuel Marques Martins (President)	Non-executive	Non-independent
Jorge Alberto Marques Martins (Vice President)	Non-executive	Non-independent
Arnaldo José Nunes da Costa Figueiredo (Vice President)	Non-executive	Non-independent
Pedro Miguel Rodrigues Duarte	Executive	-
Pedro Nuno Cardoso Abreu Moreira	Executive	-
Maria Sílvia da Fonseca Vasconcelos da Mota	Non-executive	Non-independent
Vítor Manuel Álvares Escária	Non-executive	Independent
Mariana França Gouveia	Non-executive	Independent

On 31 December 2019, of the 8 (eight) members of the Board of Directors, 6 (six) are non-executive board members, whose duties are to monitor and assess the management of the Company by the executive directors, 2 (two) of these 6 (six) non-executive members are independent board members. One third of its non-executive members, in office on 31 December 2019 are considered independent.



The relationship established between non-executive board members and the reference shareholders allows the definition of a pattern of adequacy of the number of elements of the Board of Directors with designated non-executive functions. This parity enables us to infer the adequacy finding of the number of members of the Board of Directors.

Given the size of the Company and its shareholder structure, the number of independent directors is considered appropriate, taking into account its shareholder structure and the low free float. To verify the independence of the members of the Board of Directors, the criteria used is that foreseen in Article no. 414, no. 5 of the CCC, as well as that established in 18.1 of Annexe 1 of Regulation no. 4/2103 of CMVM and in Recommendation III.4 of the Code of Corporate Governance of the Portuguese Corporate Governance Institute (IPCG - Instituto Português de *Corporate Governance)* (2018).

19. Professional qualifications of the members of the Board of Directors

The experience and knowledge of the members of the Board of Directors is detailed in their curricula, presented in the document attached to this report as Annexe I; these attest, in a rigorous and specific manner, their ability to carry out the duties attributed to them.

20. Meaningful family, professional or business relationships of members of the Board of Directors with shareholders that are assigned qualifying holdings

The President of the Board of Directors, Carlos Manuel Marques Martins, and the Vice President, Jorge Alberto Marques Martins, both hold shares and voting rights in one of the major shareholders, I'M - SGPS, S. A.. The abovementioned Board Members are brothers.

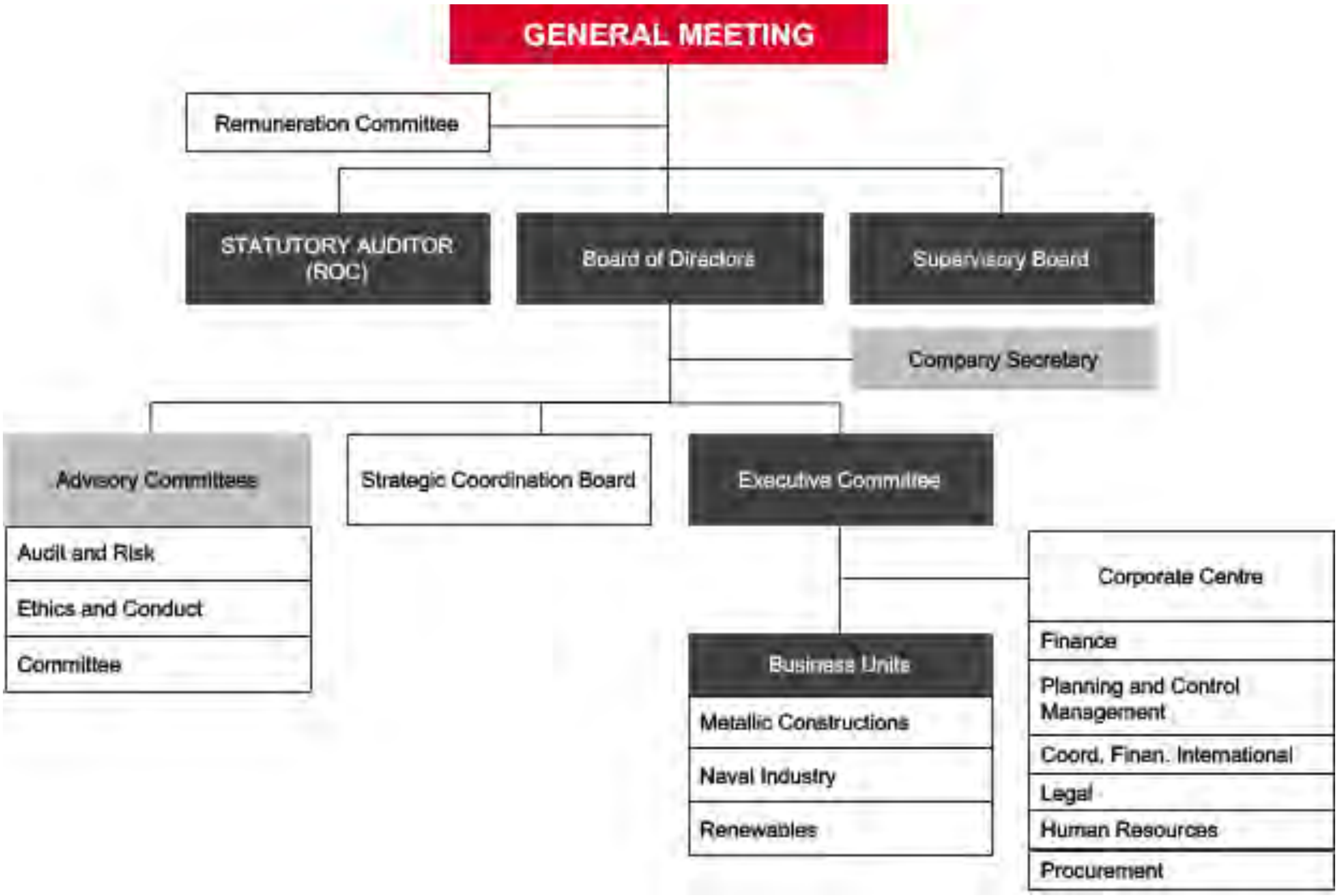
The Vice President of the Board of Directors, Arnaldo José Nunes da Costa Figueiredo, exercises management positions in Mota-Engil Group companies. Mota-Engil SGPS, S. A., Martifer's other major shareholder, is the holding company of the Group mentioned above.

The Member of the Board of Directors Maria Sílvia da Fonseca Vasconcelos da Mota is a shareholder with a qualified holding of Mota-Engil, SGPS, S. A., a reference shareholder of the company, and is a Board Member in companies of the Mota-Engil Group.

The remaining Board Members have no kinship between them.

21. Organisational charts or flowcharts concerning the allocation of powers between the various corporate bodies, committees and/ or departments of the Company, including information on delegating powers, particularly in what regards the delegation of the Company's daily management

21.1 ORGANISATION CHARTS



21.2 DIVISION AND DELEGATION OF POWERS

Management Bodies

On 31 December 2019, the Company presented a Board of Directors with eight (8) members: a President, two Vice Presidents and five Members. On the same date, 2 (two) of its members were executive directors and formed an Executive Committee, and the other 6 (six) were non-executive members.

Following the Articles of Association and under article no. 407, no. 3 of the CCC, daily management powers were delegated to an Executive Committee, positions now held by Pedro Miguel Rodrigues Duarte (President) and by Pedro Nuno Cardoso Abreu Moreira. The referred to executive members are responsible for the implementation of the strategic decisions taken by the Board of Directors, as well as the day-to-day management of the holding company, while holding company, all in the context of the powers that were delegated.

The duties delegated to the Executive Committee include the guidance for the performance of the various Business Areas, as well as the running of the corporate services, the supervision of all the business areas, the promotion of synergies between these, the deployment of the necessary resources, the management of human and financial resources, the definition of the development for each business area and the supervision of the attainment of the objectives of each business area, establishing policies transversal to the Company as a whole. It is also the Executive Committee's duty to exercise the powers that, at any given moment, have been delegated to it by resolution of the Board of Directors, except over matters for which the delegation of powers is forbidden by law or by the Articles of Association.

Per the decision of the Board of Directors dated 24 May 2018, all the necessary or convenient powers for the achievement of the social object and for the exercise of the activity of the Company were delegated, of which are highlighted:

- Approval of operations, and the possible issue of binding instructions to the Boards of Directors of subsidiaries, to be carried out by the business units of Martifer Group;
- Issuance of any proposals to submit to the Board of Directors concerning matters of exclusive competence;
- Approval of transversal policies and rules, instructions or orientations such as procedural manuals, regulations and service orders;
- Participation in Joint-Ventures and in Economic Interest European Groups and, additionally, the execution of consortium and associative partnership contracts, except when they have as their objective the participation in projects involving a turnover of more than one hundred million Euros;
- Appointment of representatives in the General Meetings of the Company's subsidiaries and determination of the voting intentions at the said Meetings;
- Representation of the company in court and outside it, actively or passively, including the submission, opposition and appeal regarding any legal or arbitration proceedings, including also the confession, withdrawal or transaction of any lawsuits and the acceptance of arbitration commitments, except for processes relating Clients;
- The hiring of employees, defining remuneration levels, categories and conditions and other benefits or complements, in full compliance with the general remuneration policies;
- Exercising disciplinary powers and applying sanctions;
- Execution of proxies to carry out specific acts or categories of acts, defining the extent of the respective mandates.

The ordinary meetings of the Executive Committee shall be held monthly, and at the beginning of each financial year, the meetings to be held during that year shall be scheduled. The president of the Executive Committee sends the President of the Board of Directors, with the required prior notice, the meeting agendas and the minutes of the respective meetings. The executive members provide the non-executive board members, as well as the other members of the corporate bodies, all the necessary clarifications for them to exercise their duties, either on their own initiative or at their request.

Except for the matters that cannot be delegated by law according to Article no. 407, paragraphs no. 4 and no. 8 of the CCC, and reserving, of course, the discussion and approval of the strategic plan of the Company and the Group and the approval of the annual budget, the Board of Directors has expressly stated that certain matters are excluded from the powers delegated to Executive Board Members, namely:

I. Approval of the activity plans and budgets for Martifer Group companies;
II. Investment or commitment to invest in new business areas;
III. Investments and divestments unforeseen in the annual budgets of Martifer Group companies, when the amounts involved are equal to or above five million Euros
IV. Constitution of any covenants or encumbrances on Martifer Group's companies' share;
V. The participation in Joint-Ventures and in Economic Interest European Groups and, additionally, the celebration of consortium and associative partnership contracts, the incorporation or participation in any other forms of temporary or permanent associations of companies and/ or private or public entities, if they intend to participate in projects involving a turnover of more than one hundred million Euros;
VI. Appointment of proxies, individual or legal, to hold corporate positions in other companies;
VII. The constitution of the Executive Committee and the Strategic Coordination Council, and the definition of the matters to be delegated to them;
VIII. Subscription, acquisition or disposal of shareholdings in any company;
IX. Acquisition and disposal of own shares according to and within the limits of the resolution made at the Company's General Meeting.

The delegation of powers will cease with the passing of a resolution by the Board of Directors or, automatically, with the end of the term of office of the Board of Directors that delegated the powers mentioned above.

The president of the Board of Directors has the powers conferred by law and by the Articles of Association.

On 31 December 2019, Pedro Miguel Rodrigues Duarte, as President of the Executive Committee was regarded the *Chief Executive Officer* (CEO) of the Company and Pedro Nuno Cardoso Abreu Moreira, responsible for the company's financial areas was considered the *Chief Financial Officer* (CFO).

According to Article no. 407, no. 1 of the Portuguese Commercial Companies Code, the Board of Directors also attributed to the Board Member Pedro Nuno Cardoso Abreu Moreira the special position of being the Company Representative with the Market and with CMVM.

The executive directors accompanied the activity developed by the Company, ensuring the effective supervision, monitoring and assessment of the activity, in particular through regular meetings of the Board of Directors, without prejudice to the access to any information or documentation that may be requested at any time.

The Board of Directors holds meetings at least four times per year, or whenever convened by its President or by 2 (two) of its Members.

Supervisory Bodies

The supervision of the Company is exercised by a Supervisory Board and by a Statutory Auditor, that shall carry out the duties resulting from the applicable law and articles of association. It is the responsibility of the General Assembly to elect the Supervisory Board, as well as to appoint, on a proposal from the Supervisory Board, the Statutory Auditor or the Statutory Auditor Company.

The Company's Supervisory Board has four members, a president, two effective members and one alternate.

Committees

REMUNERATION SETTING COMMITTEE

According to the articles of association, the Remuneration Setting Committee, elected by the shareholders gathered at the General Assembly, shall define the remuneration policy of the members of corporate bodies, setting the applicable remuneration, taking into account the positions held, the verified performance and the economic situation of Company, meets whenever necessary. Minutes are drawn up of all of the meetings held.

STRATEGIC COORDINATION BOARD

The Strategic Coordination Board is an advisory body, resulting from the appointment by the Board of Directors of the Company, having as duties to decide, without a binding nature, on the matters set out in the framework of its regulation and others that are mandated by the Board of Directors for its analysis and potential issuance of opinions and recommendations.

The Strategic Coordination Board includes five directors of the Company, appointed by Martifer's Board of Directors, among them, compulsorily, the CEO and the CFO and by (i) a manager of the metallic constructions business area; (ii) a manager of the renewable energy business area; and (iii) a manager of the shipbuilding and ship repair business area.

The Strategic Coordination Board is responsible for monitoring and, on its own initiative, issue recommendations to the Board of Directors on matters of the Company and of the economic group, which include: the execution of the annual budget; the implementation of the strategic plan; the general remuneration policy and the strategy for each geographical area, resulting in a continuous and permanent assessment of the non-executive board members.

The Strategic Coordination Board meets every month and, in addition, whenever convened by its President or at the request of any two of its Members.

The Board of Directors and the Members of the Strategic Coordination Board may indicate to the President of the Strategic Coordination Board any matters that they deem to be object of reflection by the Strategic Coordination Board.

b) Functioning

22. Availability and place where rules and regulations on the functioning of the Board of Directors may be viewed

The Board of Directors' Organisational and Functional Regulation in force can be found on Martifer's website at – www.martifer.pt (Tab: Investors, Section: Corporate Governance, Articles of Association).

23. The number of meetings held and the attendance of each member of the Board of Directors

The Board of Directors meets ordinarily once per quarter and, as defined in the Articles of Association and the respective Regulation, whenever the President or 2 (two) of its Members convene a meeting; resolutions may be approved with the presence or representation of the majority of its Members, in accordance with the provisions of paragraph no. 1 of article no. 10 of the Articles of Association and no. 1 of article no. 5 of the Regulation of the Board of Directors.

Following the abovementioned, any 2 (two) administrators without delegated powers may convene meetings, to exercise their powers of supervision, monitoring and assessment of the activity of the members to whom the Board of Directors attributes delegated powers.

To that end, and to safeguard the exercise in an independent and informed manner of the competencies of the non-executive board members referred to in the previous paragraph, the following mechanisms and procedures were instituted by the Board of Directors and enshrined in Internal Regulations:

(i) the obligation to hand over to the Board Members all the information considered necessary or convenient and that is requested by them to the Company or to any of the Board Members with delegated powers;
(ii) the satisfaction of the requests of the Board Members with no delegated powers shall be made in an appropriate and timely manner;
(iii) the possibility of any non-executive Board Member taking part in the Executive Committee meetings so that the non-executive Board Members can exercise the powers attributed to them; and
(iv) the specialised committees with monitoring, supervisory and appraisal duties on the activity of the board members with delegated powers shall be presided and composed mainly of board members with no delegated powers.

During the 2019 financial year, no constraints were detected regarding the management and operations of the Company; therefore, it can be considered that the mechanism that assures the coordination of the work of the non-executive board members is safeguarded.

In 2019, the Board of Directors met thirteen times. The minutes were elaborated and signed by the Board Members and the Company Secretary and recorded in the respective minutes book, with copies also being sent to the President of the Supervisory Board.

During the year 2019, 12 (twelve) meetings of the Executive Committee were held, with the following attendance degree of each board member to those meetings, during the exercise of their respective positions:

NAME OF THE BOARD MEMBER	Board of Directors ATTENDANCE	Executive Committee ATTENDANCE
Carlos Manuel Marques Martins (President of the Board of Directors)	100%	-
Jorge Alberto Marques Martins (Vice President)	100%	-
Arnaldo José Nunes da Costa Figueiredo (Vice President)	100%	-
Pedro Miguel Rodrigues Duarte	100%	100%
Pedro Nuno Cardoso Abreu Moreira	100%	100%
Maria Sílvia da Fonseca Vasconcelos da Mota	92.30%	-
Vítor Manuel Álvares Escária	100%	-
Mariana França Gouveia	100%	-

Note: If the board member was not physically present at a given meeting, he/she was represented by another board member at the meeting, as mandate letter respectively issued to that effect.

24. Competent Corporate Bodies to appraise the performance of the executive board members

The Company's Corporate Governance Committee includes non-executive Members of the Company's Board of Directors and is presided by an independent board member that meets all the independence and compatibility requirements foreseen in 18.1 of Annexe I of Regulation no. 4/2013 of CMVM and of Recommendation III.4 of the Corporate Governance Code of the Portuguese Institute of Corporate Governance (IPCG) (2018). This Committee has, amongst others, the power to appraise the performance of the executive directors and the overall performance of the Board of Directors, as well as that of the various existent committees.

The Company's Remuneration Setting Committee also undertakes, within its scope of powers, the appraisal of the performance of the members of the Board of Directors, endeavouring towards a convergence of the interests of the directors, of the remaining corporate bodies and managers with the interests of the Company, promoting a long-term perspective.

As mentioned below (see item 27), the above committees are not composed solely of board members.

In addition, the Board of Directors includes six non-executive members to ensure the effective monitoring and evaluation capacity of the activity carried out by the two executive members. During the annual discussion, at a Board of Directors meeting (composed in a mixed form, by non-executive and executive directors), of Martifer Group's strategic plan and of the different business areas, the inherent self-assessment, that of the executive board members (which make up the Executive Board), and existing internal commissions are promoted, taking into account not only qualitative aspects, compared to approved plans and budgets, but also the main ongoing projects. The year's assessment is then supplemented when the Management Report and the annual accounts are approved, individually and consolidated.

25. Predefined criteria for assessing the performance of the executive board members

The performance of the Board Members is appraised based on the principles listed in the Remuneration Policy Statement. The remuneration policy and the remuneration of the Company's Corporate Bodies are reviewed annually and submitted for approval at the Company Annual Shareholders General Meeting.

The remuneration policy is oriented along principles and criteria based on the duties carried out, the degree of complexity and the responsibility assumed, of the alignment of the interests of the management board members with the interests of the company, of the performance assessment, of the economic situation of the company and the general market conditions for equivalent positions, as better set out in Item 70 below.

In addition, within the scope of the Corporate Governance Committee and in compliance with Recommendation V.1.1 of the Corporate Governance Code of the Portuguese Institute of Corporate Governance (IPCG) (2018), this body analyses the performance of the Company's Executive Board considering for the purpose:

(i) a set of economic and financial indicators of performance;
(ii) the deviations in relation to the established budgets;
(iii) the level of compliance with the strategic and operational objectives agreed on by the Board of Directors for the year; and
(iv) the impact of the evolution of the external environment of the Group, in particular the economic and financial situation nationally and internationally, as well as the general condition of supply and demand in their markets.

26. The availability of each member of the Board of Directors and details of the positions held by each of them in other companies, within and outside the Group, and other relevant activities undertaken by members of those bodies throughout the financial year

The indication and description of the positions held and duties carried out by the members of the Board of Directors are better described in the document attached to the present report as Annexe II.

The Company considers that all the members of the Board of Directors have shown total availability to perform the duties inherent to the bodies for which they were elected by the shareholders. Being considered, on the one hand, the Directors' availability to participate in the meetings of the bodies they are a part of (Board of Directors, Risk Committee, Ethics and Conduct Committee and Corporate Governance Committee) and, on the other hand, the total availability to perform the tasks attributed to them by the Board of Directors, regarding both their areas of work and the management responsibilities in given business areas.

c) Committees within the Board of Directors or Supervisory Board and Board Delegates

27. Details of the Committees created within the Board of Directors and the place where the Regulations on the functioning thereof are available

Intending to adopt the best corporate governance practices, the Board of Directors appointed 3 (three) specialised committees to boost its operational effectiveness (according to 21.1 above).

The Corporate Governance Committee, the Ethics and Conduct Committee and the Risk Committee have their own Regulations that lay down the rules relating their composition, functioning and powers, which can be consulted on the Company's website at http://www.martifer.pt/ (Tab: Investors, Section: Corporate Governance / Articles of Association).

28. Details of the Executive Committee's Members

The Board Members appointed by the Company's Board of Directors to be part of the Executive Committee are:

NAME OF THE BOARD MEMBER	POSITION
Pedro Miguel Rodrigues Duarte	President (CEO)
Pedro Nuno Cardoso Abreu Moreira	Board Member (CFO)

The powers delegated to the Executive Committee by the Board of Directors are set down in Item 21.2 above.

29. Description of the powers of each of the Committees established and a summary of the activities undertaken in the exercise thereof

The Corporate Governance Committee, as per the respective Regulation, shall have 2 to 6 members that are also members of the Supervisory Board and/or the Board of Directors, but that do not hold executive positions. Currently, the Corporate Governance Committee has the following composition:

PRESIDENT	Mariana França Gouveia (independent and non-executive Board Member)
MEMBERS	Arnaldo Figueiredo (non-executive Board Member) Inês Filipa Serra (Corporate Legal Director)

The Corporate Governance Committee is competent to issue suggestions to improve the governance model of Martifer Group, with the objective of promoting compliance with strict ethical and deontological principles and compliance with practices that ensure compliance with corporate governance standards and the best established practices and that sustain a diligent, efficient and balanced management and that promote ethical and responsible conduct, from the perspective of the interests of the shareholders and other stakeholders.

In addition to the informal meetings and the presence of its members in work groups, the Corporate Governance Committee did not formally meet in 2019 since there were no facts that occurred in the Company that called for the issuance of recommendations. The Corporate Governance Committee has its own Regulation that establishes the rules regarding its composition, functioning and powers, which can be consulted on the Company's website at http://www.martifer.pt/ (Tab: Investors, Section: Corporate Governance/ Articles of Association).

The Corporate Governance Committee has as its primary responsibilities and powers:

- to assess and develop the corporate governance model;
- to reflect on the governance system adopted and verify its effectiveness;
- to advise and to propose to the Company's relevant corporate bodies measures aimed at improving Corporate Governance;
- to undertake performance appraisals of the executive directors and of the Board of Directors as a whole, as well as of other Committees.

ETHICS AND CONDUCT COMMITTEE

The Ethics and Conduct Committee has three to seven members, appointed by the Board of Directors, which appoints the President. Presently, the Ethics and Conduct Committee has the following composition:

PRESIDENT	Mariana França Gouveia (independent and non-executive Board Member)
MEMBERS	Vitor Escária (independent and non-executive Board Member) Inês Filipa Serra (Corporate Legal Director)

The Ethics and Conduct Committee has its own Regulation that establishes the rules regarding its composition, functioning and powers related to the elaboration, implementation, follow-up and control of ethics and conduct norms at Martifer. The Ethics and Conduct Committee's Regulation can be consulted on the Company's website at http://www.martifer.pt/ (Tab: Investors, Section: Corporate Governance/ Articles of Association).

The Ethics and Conduct Committee is also responsible for constituting and assuring compliance with the irregularities disclosure policy regarding irregularities occurring at Martifer Group, under which employees can communicate, in an adequate, immediate and confidential (if requested) manner while safeguarding their professional integrity, information relating to the report of irregularities occurred within Martifer Group, establishing and making available the most adequate and effective communication channels for this purpose.

The Ethics and Conduct Committee coordinates its activity with the company's Supervisory Board, given the specific powers of that Body, namely those laid down in the CCC.

The Committee meets periodically or whenever it is convened by its President, by notice of meeting sent by the President to its members with a minimum notice period of seven working days, which will also indicate the respective agenda. The Ethics and Conduct Committee writes up minutes of all its meetings.

In addition to the informal meetings and the presence of its members in work groups, the Ethics and Conduct Committee did not formally meet in 2019 since there were no facts that occurred that called for the issuance of recommendations.

RISK COMMITTEE

The Risk Committee has three to six members that integrate the Board of Directors and/or the Supervisory Board, but the majority of the members cannot hold executive positions. The President of the Company's Board of Directors may not be part of the Risk Committee, but he may participate in the meetings, without the right to vote. The Risk Committee has the following composition:

PRESIDENT	Vitor Escária (independent and non-executive Board Member)
VICE PRESIDENT	Jorge Martins (non-executive Board Member)
MEMBER	Paulo César Ferreira (Corporate Management Planning and Control Director)

The Risk Committee has its own Regulation that establishes the rules regarding its composition, functioning and powers related to the elaboration, implementation and follow-up os a risk management system transversal to Martifer Group. The Risk Committee's Regulation can be consulted on the Company's website at http://www.martifer.pt/ (Tab: Investors, Section: Corporate Governance/ Articles of Association).

The mission of the Risk Committee is to propose and monitor the implementation of Martifer Group's risk management policy, which aims to establish a strategy for the prevention and management of risk transversal to the Martifer Group, so as to reduce the exposure to risk and safeguard the Groups' worth and the creation of value for its stakeholders.

The main responsibilities attributed to the Risk Committee are:

- to issue recommendations or opinions as to (a) the definition of a risk policy for Martifer Group; (b) the content, format and methodologies to be considered in investment analysis reports, be they organic or of company acquisitions; and (c) the creation of risk identification, monitoring, control and management systems of a (i) legal and contractual, (ii) financial, (iii) technical and operational, (iv) commercial, (v) environmental, (vi) political and (vii) of any other nature, that the Risk Committee considers relevant;
- to ensure compliance with the guiding principles of Martifer Group's Risk policy, assisting the Board of Directors with the setting of the strategic objectives of the Company in matters of risk assumption;
- to prepare opinions on financing and investment operations that require the prior opinion of the Risk Committee;
- to submit to the Board of Directors proposals, suggestions of methodologies to identify and cover risks that are appropriate and that should be adopted by Martifer Group as measures aimed at improving the risk management model in force and to facilitate the pursuit of higher corporate objectives;
- to inform the Board of Directors of any situations or occurrences of which it is aware and that, in its opinion, are non-compliant with the norms and practices of risk identification, monitoring and control;
- to monitor and analyse the reflections and guidance produced on risk management by national and international organisms, so as to take advantage of these to improve Martifer Group's Risk Management model.

In addition to the informal meetings and the presence of its members in work groups, the Risk Committee formally met once in 2019, a meeting of which minutes were prepared, and the respective recommendation was issued.

III. SUPERVISION

a) Composition

30. Details of the Supervisory Board

Martifer's supervisory model is based on a Supervisory Board and a Statutory Auditor (Certified Public Accountant). The functional separation between the Supervisory Board and the Statutory Auditor basically follows a division of the functions: the political supervision is exercised by the Supervisory Board, whereas the review and certification of the financial statements rest with the Statutory Auditor.

In addition to the powers attributed to it by law, which imply the proper monitoring, evaluation and pronouncement on the strategy defined by the Board of Directors, and the supervision of the effectiveness of the risk management system, the Regulation of the Supervisory Board foresees as part of its duties:

a) To examine the Company's bookkeeping, whenever it considers convenient, and at least once a month;

b) To monitor the Company's activity and compliance with the applicable laws, the Articles of Association and the applicable regulations;

c) To represent itself at the Board Meetings whenever it considers such presence convenient;

d) To convene a General Meeting whenever it considers such call convenient;

e) To examine periodic situations presented by the Board of Directors during its term of office;

f) To issue opinions on the budget, the balance sheet, inventory and the annual accounts;

g) To draw to the attention of the Board of Directors any matter which must be considered and issue an opinion on any matter submitted to it by that Body.

These duties are translated as having to:

- monitor the process of preparing and disseminating financial information;
- monitor the effectiveness of internal control, internal audit and risk management systems;
- regularly assess external audit;
- approve the risk management activity plans and track their implementation;
- approve internal and external audit activity programmes;
- monitor the statutory audit;
- assess and monitor the independence of the Certified Public Accountant, in particular when it provides additional services to the Company;
- issue a prior opinion on business of significant relevance between the Company and its shareholders holding qualified holdings – or entities that have with them any of the relationships provided for in no. 1 of Article no. 20 of the Portuguese Securities Code.

For the full performance of its functions, the Supervisory Board requests and assesses all the management information it deems necessary, as has unrestricted access to the documentation produced by the Company's auditors. The Supervisory Board may request any information it deems necessary and be the first recipient of the final reports drawn up by the external auditors.

31. Composition of the Supervisory Board with details on the minimum and maximum number of members, duration of the term of office, number of effective members, date of first appointment and date of end of the term of office for each member

The Company's Supervisory Board is composed of three effective members and one alternate, elected at the General Meeting of 18 May 2018, for the 2018-2020 term, re-eligible under legal terms, which the Company believes to be appropriate to its governance structure given the composition of the other corporate bodies.

The members of the Supervisory Board may only be elected, as a general rule, by the General Assembly, and in case there is a vacancy in the Board, this vacancy shall be occupied by the alternate member. If there is another vacancy to be occupied, it may only be occupied by means of an election of a new member at a General Assembly.

The members appointed for the current term of office are:

MEMBER	FIRST NOMINATION	END OF CURRENT TERM OF OFFICE
Paulo Sérgio Jesus das Neves (President)	2015	2020
Américo Agostinho Martins Pereira (Permanent)	2015	2020
Mária Maria Machado Lapa de Barros Peixoto (Permanent)	2018	2020
António Baia Engana (Alternate)	2015	2020

32. Details of the members of the Supervisory Board

Currently, Martifer's Supervisory Board has the following composition:

PRESIDENT	Paulo Sérgio Jesus das Neves
MEMBERS	Américo Agostinho Martins Pereira Mária Maria Machado Lapa de Barros Peixoto
ALTERNATE	António Baia Engana

33. Professional qualifications of each one of the members of the Supervisory Board and other relevant curricular elements

The experience and knowledge of the Members of the Supervisory Board, currently in office, are better described in their curricula presented in the document attached to this report and Annexe I and indicate in a rigorous and specific manner, their ability to carry out the duties attributed to them.

The Supervisory Board of the company is constituted by independent members, and they are subject to legal and regulatory requirements regarding incompatibilities, independence and expertise in force, in particular those stated in Article no. 414-A of the CCC, as well as the criterion of independence included in paragraph no. 5 of article no. 414 of the CCC.

The elements that compose the Supervisory Board of the Company comply with the rules of incompatibility and independence identified above, being that on 31 December 2019, its members were not holders of Martifer shares, following Article no. 447 of the CCC.

b) Functioning

34. Where the regulation can be consulted

The competencies of the Supervisory Board are indicated in the Regulation that can be consulted on the Company's website at http://www.martifer.pt/ (Tab: Investor, Section Corporate Governance, Articles of Association).

35. Number of meetings held and the attendance report of each member of the Supervisory Board

The Supervisory Board meets, at the very least, once every quarter, whenever its President decides or whenever any of the members request the schedule of a meeting. The President is responsible for calling and running the meetings. Resolutions are passed when the majority of the members are present and by a majority of the votes expressed. In 2019, the Supervisory Board met 12 (twelve) times, and the minutes of all the meetings were prepared.

The attendance of each member of the Supervisory Board to the abovementioned meetings was as follows:

	ATTENDANCE
Paulo Sérgio Jesus das Neves	100%
Américo Agostinho Martins Pereira	100%
Mária Maria Machado Lapa de Barros Peixoto	100%

36. The availability of each member of the Supervisory Board, indicating the positions held simultaneously in other companies, in and outside the Group, and other relevant undertaken activities

All the members of the Supervisory Board demonstrated throughout the 2019 financial year full availability to exercise the functions attributed to them, having regularly attended the convened meetings as well as having been present whenever such presence was considered convenient. The President is adequately supported by the remaining members of the Supervisory Board.

In so far as the activities of the members of the Supervisory Board are concerned, all the members of the Supervisory Board are Certified Public Accountants and develop their activity in different entities, as described in the curricula presented in the annexe of this report, endowing this board with operational knowledge on the Company's business areas. Within the scope of the most relevant activities of the members of the Supervisory Board, we refer to the information indicated in Item 33.

c) Powers and duties

37. Description of the procedures and criteria applicable to the supervisory body to hire additional services to be rendered by the external auditor

The Company's External Auditor has been the company PricewaterhouseCoopers & Associados, SROC, SA (PwC) since the 2010 financial period. The change in the External Auditor was a consequence of a market consultation that year, which was analysed and assessed by the Supervisory Board.

Services falling outside the statutory and external audit scope requested by Martifer Group companies to the External Auditor and to other entities belonging to the same company, in 2019, did not represent relevant amounts. The Supervisory Board approved the service contracting outside the scope of the statutory and external audit to be rendered by the External Auditor, considering that these services do not impair the External Auditors' independence, in addition to not exceeding a relative weight above 30% of the total services rendered to the Company.

Additionally, any new service to be rendered by PwC and its companies (national or international) to Martifer Group is subject to the prior approval of both the management of Martifer and the PwC Partner responsible for the PwC work at Martifer Group, within the scope of its quality control system.

Martifer's Supervisory Board, within the scope of its supervisory duties to the Company's activity, has analytical and appraisal responsibilities over the most significant aspects of the relationship with the External Statutory Auditor, namely in the aspects concerning the independence of the External Statutory Auditor's work, according to paragraph 11 of article no. 77 of the Articles of the Portuguese Institute of Statutory Auditors, approved by Law no. 140/2015 of 7 September. During 2019, the Company's Supervisory Board appraised the activity carried out by the External Auditor, having concluded that it was conducted in a manner consistent with applicable regulations and norms and that it had acted with technical rigour, transparency and civilness.

Additionally, the Supervisory Board reflects, whenever necessary or adequate, according to the developments at the Company or the market configuration in general, on the adequacy of the External Auditor in what concerns the performance of the duties attributed to it.

38. Other duties of the supervisory body

In addition to the duties described in the previous item, the Supervisory Board has the powers set forth by law and in the Articles of Association; amongst others, those relating to the monitoring of the Company's operations, the compliance with the applicable legislation, the Articles of Association and regulations, as well as to issue opinions on the budget, the balance sheet, inventories and the annual financial statements.

Following the operation of the Company, the supervisory body promotes the participation of its members in the meetings of the Board of Directors, as well as with the Certified Public Accountant.

Hence, in exercising its powers and carrying out its duties, the Supervisory Board proposes to the General Meeting:

- To nominate the Company's effective and alternate Statutory Auditors;
- To monitor the Statutory Auditors' independence, namely regarding the rendering of additional services and the scope of these, and concerning the statutory audit of the Company's financial statements;
- To examine the Company's bookkeeping, whenever it considers it convenient and regularity;
- To monitor the Company's activity and compliance with the applicable laws, the Articles of Association and the regulations;
- To represent itself at the Board Meetings whenever it considers such presence convenient;
- To request the call of the Shareholders General Meeting whenever it considers such call convenient;
- To examine situations presented by the Board of Directors, periodically, during its term of office;
- To issue opinions on the budget, the balance sheet, inventories and the annual accounts.

The Supervisory Board is also responsible for representing the Company vis-à-vis the External Auditor, and for:

- proposing the supplier of these services and the respective remuneration;
- ensuring that conditions adequate for the rendering of these services are made available to the Company;
- annually appraising the services rendered as well as acting as the Company's interlocutor, receiving simultaneously with the Board of Directors, the respective reports; and
- proposing the destitution of the External Auditor with just cause.

Finally, Martifer's Supervisory Board is responsible for supervising and appraising the effectiveness of the risk management system and monitoring the activity of internal audit, including the functioning of the internal control and risk management systems. Both are object of regular monitoring and appraising by the Supervisory Board within the scope of its functional and legal powers, as can be inferred from the minutes of the meetings and the annual report and opinion issued by the Supervisory Board.

IV. STATUTORY AUDITOR

39. Details of the statutory auditor and the partner that represents it

The Certified Public Accountant, effective and alternate, were elected for the 2-year period 2018-2019 at the 18 May 2018 General Meeting; and those elected were:

EFFECTIVE	PRICEWATERHOUSECOOPERS & Associados – Sociedade de Revisores Oficiais de Contas, Lda., as Certified Public Accountant.
ALTERNATE	José Miguel Dantas Maio Marques, as Certified Public Accountant.

The Certified Public Accountant may only be elected at a General Assembly, for terms of 2 (two) years, according to legal terms. If a vacancy occurs in this body it shall be filled by the alternate member, and, if the latter does not remain in that function, it can only be filled through the election of a new member at a Shareholders General Meeting.

The Statutory Auditor can be represented by Joaquim Miguel de Azevedo Barroso or by António Joaquim Brochado Correia, being certain that in the year of 2019 the representative of the Statutory Auditor of the Company was Joaquim Miguel de Azevedo Barroso.

40. Indication of the number of years that the certified public accountant consecutively carries out duties in the Company and/or Group

As better described in the previous item, the current Certified Public Accountant, PricewaterhouseCoopers & Associados, SROC, Lda, was appointed at the General Meeting on 10 April 2013, having carried out its duties since then.

41. Description of other services that the certified public accountant provides to the company

The Certified Public Accountant also provides the Company with External Audit services, as described in the following items.

V. EXTERNAL AUDITOR

42. Identification of the external auditor appointed following Article no. 8 and of the partner that represents the external auditor in carrying out these duties, and the respective registration number at CMVM

The External Auditor is the company PricewaterhouseCoopers & Associados, SROC, SA (PwC) currently registered as no. 20161485 in CMVM (the Portuguese Securities Market Commission). PwC has been represented since 2019 by Joaquim Miguel de Azevedo Barroso.

43. Indication of the number of years that the external auditor and respective partner that represents it have consecutively carried out duties at the Company and/or Group

As better described in the previous item, the External Statutory Auditor PricewaterhouseCoopers & Associados, SROC, Lda. has exercised duties at the Company consecutively since 2010, for around 9 years. The respective partner of the Statutory Auditor, which represents it in the fulfilment of those duties, Joaquim Miguel de Azevedo Barroso, has been in office since 2019.

44. Rotation policy and schedule of the external auditor and the respective partner that represents the auditor in carrying out such duties

In so far as a rotation schedule of the External Auditor is concerned, Martifer Group has no formal policy regarding External Auditor rotation.

The Supervisory Board carries out an annual assessment on the External Statutory Auditor’s work, ensuring compliance with the provisions of article no. 54 of the Artiles of the Portuguese Institute of Statutory Auditors, approved by Law no. 140/2015 of 7 September, regarding the rotation of the partner responsible for the execution of the work.

On 27 September 2017 the Supervisory Board issued an opinion in favour of the proposed extension of the exercise of functions for two more years of PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda as Statutory Auditor and External Statutory Auditor in the years 2018 and 2019, that is, up to the maximum limit indicated in paragraph 4 of article no. 54 of the Articles of Association of the Portuguese Association of Certified Accountants, approved by Law no. 140/2015 of 7 September.

The Supervisory Board conducted a thorough analysis, having concluded that the competence, reputation and experience of the current Statutory Auditor and External Auditor, and the independent manner with which they have been exercising their functions, underpin the option for their continuance in office, since this continuity doesn’t question their independence, and prevent the incurring of replacement costs arising from the loss of the historical knowledge and its importance for the effectiveness of the audit and review, provided that the independence and impartiality are ensured, as has been the case.

Additionally, the partner representing the Statutory Auditor Company in office took office in 2017 under a rotation policy, which is done in accordance with the best compliance practices.

In preparing the proposal, the Supervisory Board took into account what is indicated in paragraph 4 of article no. 54 of the Portuguese Association of Certified Accountants, approved by Law no. 140/2015 of 7 September, which foresees that the term of office may have a maximum period of 10 years provided that it is duly substantiated.

Thus, the Company complies with the rules currently in force, in what concerns the External Auditor and the partner of the Statutory Auditor that represents it in the fulfilment of these functions.

45. The body responsible for appraising the external auditor and periodicity of the appraisal

The Supervisory Board, in the conduct of its functions, carries out an annual appraisal of the External Auditor's independence.

Additionally, the Supervisory Board, throughout each financial period and whenever necessary or adequate according to the developments in the activity of the Company or to the general market configuration, reflects on the adequacy of the External Auditor vis-à-vis the conduct of its duties.

46. Services, other than auditing, carried out by the External Auditor for the Company and/or companies in a control relationship and indication of the internal procedures for approving the contracting of such services and indication of the reasons for contracting such services

In addition to auditing services, for the Company and/or companies of the Group, tax advisory and accounting services were rendered to foreign companies.

The approval and contracting of the services provided by the External Auditor, different from the audit services, was based on the procedures described in number 37, due to the lack of internal resources of the Company.

Additionally, any new service to be rendered by PwC and its companies (national or international) to Martifer Group is subject to the prior approval of both the management of Martifer and the PwC Partner responsible for the PwC work at Martifer Group, within the scope of its quality control system.

47. Annual remuneration paid by the Company and/or legal entities in a control or group relationship to the auditor and other natural or legal persons pertaining to the same network and description of the services in question

During the 2019 financial period, the annual remuneration paid to the auditors and other private or corporate bodies belonging to the same network, by the Company and/or legal entities in a control or group relationship, amounted to 209,564 Euros (including expenses and remuneration paid by foreign subsidiaries). The breakdown of that remuneration is as follows:

OTHER	2019	%	2018	%	2017	%
Statutory audit and audit services	128,105	97.08%	173,019	87.72%	166,658	97.64%
Other reliability assurance services	2,000	1.52%	2,100	1.06%	2,000	1.17%
Tax consultancy services	0	0.00%	6,968	3.53%	0	0.00%
Other services other than statutory audit	1,842	1.40%	15,163	7.69%	2,026	1.19%
Total	**131,947**	**100.00%**	**197,250**	**100.00%**	**170,684**	**100.00%**
MT SGPS	2019	%	2018	%	2017	%
Statutory audit and audit services	78,200	99.49%	48,200	100.00%	48,200	99.08%
Other reliability assurance services	0	0.00%	0	0.00%	0	0.00%
Tax consultancy services	0	0.00%	0	0.00%	0	0.00%
Other services other than statutory audit	404	0.51%	0	0.00%	450	0.92%
Total	**78,604**	**100.00%**	**48,200**	**100.00%**	**48,650**	**100.00%**
GLOBAL TOTAL	**210,551**		**245,450**		**219,334**	

** Including individual and consolidated financial statements

C. INTERNAL ORGANISATION

I. ARTICLES OF ASSOCIATION

48. Rules applicable to the amendment of the Company's Articles of Association (Article no. 245-A, no. 1, h)

Martifer's Articles of Association do not foresee special rules applicable to the amendment of the Articles of Association, thus applying the rules set out in the CCC. Thus:

- Constitutive Quorum, the provisions of paragraph 2 of article no. 383 of the CCC shall apply. For the General Meeting to be able to decide, on the first call, on the amendment of the Company's agreement, shareholders must be present or must be represented by shareholders who hold at least one-third of the share capital;
- Deliberative quorum, the rule of paragraph 3 of article no. 386 of the CCC due to paragraph 1 of article no. 18 of the Articles of Association, namely the corporate resolutions to be taken at the General Meeting, regarding proposals for amendments to the Articles of Association, shall be taken, either on the first call , or on the second call, by two-thirds of the cast votes.

II. COMMUNICATION OF IRREGULARITIES

49. Means and policy for reporting irregularities in the Company

The Irregularities Reporting Policy indicates as the responsible entity for receiving and managing complaints or reporting irregularities the Ethics and Conduct Committee, without prejudice to the powers of the Supervisory Board in this matter.

Additionally to the Supervisory Board, the Ethics and Conduct Committee pursues, applies and handles procedures on complaints about internal irregularities, giving appropriate internal treatment to the complaints and reports on irregularities, ensuring a speedy resolution of the reported facts.

Thus, Martifer Group aims to ensure the existence of conditions that allow any employee to freely communicate his/her concerns in these areas to the Ethics and Conduct Committee and to facilitate early detection of irregular situations that, if true, can cause damage to Martifer Group, as well as to its stakeholders.

The Ethics and Conduct Code defines the principles and values of Martifer Group, namely respect for the law, corporate social integrity and responsibility and a set of standards of conduct such as non-discrimination and equal opportunities, loyalty in negotiations with suppliers, the prevention of conflicts of interest, among others.

Concerning conflicts of interest, the Ethics and Conduct Committee shall take into account the guidelines set out in the approved corruption prevention plans, among other things, by the Corruption Prevention Council at the Court of Auditors (http:/www.cpc.tcontas.pt/). The policy reflected in the Ethics and Conduct Code of the Company determines the immediate communication of the existence of the conflict and the failure to practice any act or decision-making in respect of which the conflict is manifested. Under this Code, all employees who have knowledge or suspicion based on situations that do not comply with the provisions of the Ethics and Conduct Code of the Company shall report such situations hierarchically and, in case of doubt as to the existence of a conflict of interest, Consult the Ethics Committee.

The participation, communication or report of irregularities occurred within Martifer Group is received directly in an email account, with exclusively accessed by the President of the Ethics and Conduct Committee. The anonymity and confidentiality are guaranteed whenever requested in the participation or complaint. This channel was considered the most appropriate and independent to receive the complaints, without prejudice to them being sent by post.

Communications of irregularities addressed directly to the Supervisory Board, and all others that fall within the exclusive competence of the Supervisory Board, shall also be immediately communicated by its President, to the President of the Ethics and Conduct Committee.

During 2019 no irregularities were reported to the Ethics and Conduct Committee of Martifer Group.

The Company's communication and reporting of irregularities policy is posted on the Company's website, on the Internet at http://www.martifer.pt/, as well as on the Company's intranet.

Martifer's irregularity reporting policy covers the entire perimeter of Martifer Group.

III. INTERNAL CONTROL AND RISK MANAGEMENT

50. Persons, bodies or committees responsible for internal audit and/or implementation of internal control systems

Board of Directors

The Board of Directors defines the risk policy based on risk analysis and measurement, and the Board also coordinates and develops risk management processes to ensure integrated risk management in accordance with Martifer Group’s strategy and objectives. The Management Board is, therefore, the body responsible for ensuring the effectiveness of the Company's internal control, risk management and internal audit systems, fostering a culture of control throughout the organisation, based on an internal control system that aims to ensure efficient and sustainable business and operations management, resources and asset protection, and compliance with applicable policies, plans, procedures and regulations, as well as:

- Continuous monitoring and improvement processes based on the assessment and mitigation of critical risks, provided by Internal Audit and the Risk Committee, together with the corporate and business areas;
- Internal information and communication mechanisms that enable monitoring, overseeing and improving the performance of the entire organisation, also provided by the Internal Contractual and Compliance Management Committee;
- Processes for identifying and responding to risks to pursue the strategic objectives of the Company defined by this body.

Risk Committee

Martifer's Risk Committee, which is a specialized committee at the service of the Board of Directors, is responsible for compliance with the guiding principles of Martifer Group's Risk Policy, assisting the Board of Directors in setting the Company's strategic objectives in matters concerning risk-taking, also issuing recommendations or opinions, among others, on the definition of a Risk

Policy for Martifer Group and the creation of identification, monitoring, control and risk management systems of (i) a legal and contractual nature, (ii) a financial nature, (iii) a technical-operational nature, (iv) a commercial nature, (v) an environmental nature, (vi) a political nature and (vii) of any other nature.

The composition, functioning, duties and powers of the Risk Committee are described in Item 29 above and can be found in the Risk Committee Regulation available on the Company's website at http://www.martifer.pt/ (Tab: Investors, Section: Corporate Governance/ Articles of Association).

Supervisory Board

The evaluation of internal control and of the risk management system is subject to regular analysis and discussion by Martifer's Supervisory Board within its scope of legal competences.

External Audit

Among its functions, it assesses the reliability and integrity risks of the accounting and financial information, reporting them to the Supervisory Board.

Internal Audit Department

In its organisational structure, Martifer has an Internal Audit Department that carries out its activity to evaluate the effectiveness and efficiency of the internal control system and the business processes of the entire Martifer Group independently and systematically, to verify whether the assets of Martifer Group are appropriately registered and adequately protected against possible risks and losses, to examine and assess the rigour, quality and application of operational, accounting and financial controls, by promoting a cost-effective control and by proposing necessary measures to address any deficiencies in the internal control system.

During the year 2019, due to some employees having left the group, the Internal Audit Department's activity was very reduced. However, the Company is actively endeavouring to ensure that the Internal Audit Department can be provided with the necessary human resources in the short term to carry out the functions assigned to it as part of the Company's organisational structure.

Planning and Management Control Department and Consolidation and Reporting Department

The Company also has a Planning and Management Control Department, which supported by the company's IT systems, produces, monitors and analyses management information raising questions on each business area.

The consolidated financial statements are prepared by Martifer's Consolidation and Reporting Department, which ensures consistency in the application of the adopted accounting policies.

It should be noted that the reliability and integrity risks of the accounting and financial information are also evaluated and reported by the Statutory Auditors and by the External Auditor.

The existence of an Ethics and Conduct Code and a system of communication of irregularities which allow the improvement of Martifer Group's control culture should also be noted.

Contractual Management and Compliance Committee

Martifer's Risk and Compliance Management Committee, which is a specialized committee within the Internal Audit, has as its main duties the rigorous assessment of the risks of each operation, prior to the signing of contracts, based on the assessment of a risk matrix and the consequent timely and prior negotiation of these contracts with clients, as well as the monitoring of the intra-group contracting inherent to it, in an integrated and transversal way in Martifer Group, through the strict articulation with the corporate back-office structures.

Under the motto "*to optimise performance, we have to understand how to improve risk management*", the composition of this internal committee is as follows: (i) a representative of the Executive Committee; (ii) bicepheline management: Legal director and Director of Management Planning and Control, (iii) members: Commercial Director; International Finance Director; Finance Director for Portugal; Tax; the Project Manager.

51. Explanation, by the inclusion of an organisational chart, of hierarchical and/or functional dependency relationships with other bodies or committees of the Company

In what regards the relations of dependency and/or functional hierarchy between the corporate bodies and the departments responsible for the implementation and monitoring of the internal control systems and better described in the previous item:

- The Risk Committee is a committee formed by the Board of Directors, formed mainly by non-executive members of the Board of Directors and/or the Supervisory Board, and presided by an independent member;
- The Supervisory Board is elected at a Shareholders General Meeting of the Company and is an independent body;
- The External Auditor, proposed by the Supervisory Board, is elected at the Company's Shareholders General Meeting and the results of its activity are appraised by the Supervisory Board;
- The Internal Audit Department reports functionally to the independent non-executive Member of the Board of Directors;
- The Management Planning and Control Department and the Consolidation and Reporting Department report to the Company's Board of Directors.
- The Contractual and Compliance Management Committee is an internal committee formed mostly by the Group's corporate directors, and chaired by an executive director, who reports hierarchically to the Executive Board.

52. Existence of other functional areas with risk control responsibilities

We understand that this item is already explained in detail in the previous paragraph, so we refer to the answer given in the previous paragraph.

53. Identification and description of the main types of risks (financial, operational and legal) to which the Company is exposed in the exercise of its activity

The management of risks within Martifer Group is based on the permanent identification and analysis of the exposure to different types of risks inherent to its activities (metallic constructions; naval industry and renewables), in the various countries where it is present, and that are transversal to the whole Company - financial risks; currency exchange risks, interest rate risk, liquidity risks, credit risks, operational risks and legal risks, among others - and in the adoption of strategies to maximize profitability.

In a separate chapter of the Management Report, which is considered an integral part of this report by reference, the main risks to which Martifer Group is exposed in its business are described in detail (Chapter 8 of the Management Report).

54. Description of the process of identification, appraisal, monitoring, control and risk management

RISK MANAGEMENT SYSTEMS

Risk Management is one of the components of Martifer's culture, being present in all management processes and representing a responsibility for all managers and employees at different levels of the organisation.

The risk policy is defined by the Board of Directors based on risk analysis and measurement, and it also coordinates and develops risk management processes to ensure integrated risk management in line with the Group's strategy and objectives, a continuous risk assessment process, being an integral part of the normal decision-making process and management processes.

In parallel, Martifer continues to implement internal control and risk management procedures of international standards to strengthen the integrated management of the risks, establishing a strategy for risk prevention and management across the Group, to reduce the exposure to risk and to safeguard Martifer Group's value. The procedure is characterised, briefly, by the identification of risks in each of the business areas, and in generic contracting with clients, accompanied, in parallel, by the formalization of an assessment, management, risk prevention and mitigation process to be carried out by the Board of Directors of the Company, supported by the Risk Committee and the other members of the internal committees and the Internal and External Audits.

Risk management comprises the processes of identifying current and potential risks, analysing their possible impact on the strategic objectives of the organisation and predicting the likelihood of their occurrence, to determine the best way to manage the exposure to these risks.

All these risks are appropriately identified, assessed and monitored. The different structures within the Company manage and/or mitigate them.

Risk management in Martifer Group begins with the identification and calculation and analysis of the different risks to which it is exposed, with particular attention to operational and market risks, the probability of occurrence of the various factors that determine them and their potential impact on the business of the company or activity in question.

Without prejudice to the definition of the risk strategy by Martifer's Board of Directors, the managers responsible for operational activities are also responsible for the implementation of risk control mechanisms, which are subject to the scrutiny of the competent Financial, Supervisory and Legal departments.

Risk identification is a responsibility that is transversal to the different levels of the organisation. Templates have been created to identify and categorize the main risks of each Business Area, as well as of new ones that arise as the activities are developed, including:

(i) economic and business risks,
(ii) financial risks, and
(iii) legal risks.

The Company's Risk Committee is also responsible for assessing and issuing opinions, which are submitted to the Board of Directors, among others, about new investments by Martifer Group above a certain amount and about new countries of the Group.

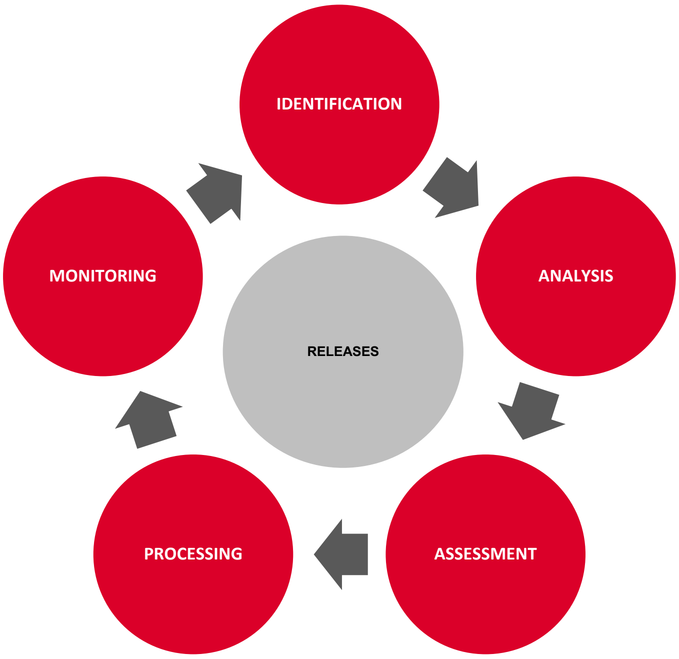
The effectiveness of these mechanisms is periodically assessed by the holding company through the Internal Audit department, in compliance with a financial auditing plan and with IT, process and compliance systems with the approved procedures. This audit plan is prepared and carried out annually, based on a prior assessment of business risks, and the mechanisms and assessments of the internal audit department are monitored and supervised by the Company's Supervisory Board within the scope of its functional competencies.

The Planning and Management Control Department also promotes and supports the integration of risk management in the planning and management control process of the companies.

The role of the Risk Management and Compliance Committee is to promote the prior and rigorous contractual assessment of commercial, financial, tax and legal risks, based on the assessment of a risk matrix submitted to the Executive Board.

It is objective of the Holding to obtain an integrated view of the risks which the Group faces in each of its different activities or business areas and to ensure the consistency of the resultant risk profile with the Group's overall strategy and, in particular, what it believes to be an acceptable risk level, given its capital structure.

In this sense, the operations of greater relevance and impact in Martifer Group, as well as those more of a financial nature are directly assessed and validated by the Financial, Tax and Legal Departments of the holding company, following the risk policies and strategies set by the administration and based on a risk matrix implemented for that purpose.



Martifer Group's risk management is based on a cross-sectional process consistent with the particularities of the various business areas, structured around five main phases (identification, analysis, assessment, processing and monitoring), always contextualized in the circumstances in which they are part of in the activities of the Company; and always supported by communication between all the bodies, committees and departments with cross-sectional responsibility for risk management at the different levels of the organisation.

BUSINESS AREAS	IDENTIFICATION |ANALYSIS |ASSESSMENT |PROCESSING |MONITORING	COMMUNICATION

The tasks of preparing and approving the Strategic Plan of the Company by the Board of Directors motivate the overall annual review of the risk management system, taking into account the need to assess the various risk indicators. This drives the implementation of updates and improvements integrated into the system itself.

55. Core details on the internal control and risk management systems implemented in the Company regarding the procedure for reporting financial information (Article no. 245-A, no. 1, m)

Concerning the release of financial information, Martifer Group promotes strict cooperation amongst all the bodies, the departments and remaining participants in the process, so that the financial information is prepared following the legal requirements in force, complying with the best practices concerning transparency, relevance and reliability; it is subject to an effective verification, both an internal analysis and an analysis by the supervisory bodies and the External Auditor; it is approved by the responsible corporate body, and its disclosure complies with all the legal requirements and recommendations, namely those of CMVM.

In the financial information disclosure process, we highlight:

- The use of accounting policies that are explained in the Notes to the Financial Statements;
- The financial information is analysed by the persons responsible for the management of the respective business areas, seeking to exercise permanent monitoring and the respective budget control;
- The accounting records and the preparation of the financial statements are prepared by the Financial, Accounting and Corporate Planning and Management Control Departments, that guarantee control over the recording of the transactions of the business processes and over the balances of the asset, liability and equity accounts;
- The consolidated financial statements are prepared periodically, on a half-yearly basis, by the Consolidation and Reporting Department and validated by the Planning and Management Control Department;
- The Management Report is prepared by the competent internal departments, with the contribution and additional review of the various business and support areas. The Statutory Auditor also reviews the content of this report and its conformity with the supporting financial information;

- The Group's financial statements are prepared under the supervision of the executive directors of the Group. The documents comprising the annual report are sent for the review and approval of the Board of Directors. After their approval, the documents are sent to the External Auditor, who issues the Legal Certification of the Accounts and the External Audit Report;
- The Statutory Auditor carries out quarterly analytical revisions to the consolidated accounts, accompanying and supporting the Supervisory Board and the Board of Directors;
- The Statutory Auditor carries out an annual audit following the Auditing Standards in force.

The tasks carried out during 2019 by the Supervisory Board in this area aimed, above all, to supervise the adequacy of the process of preparing and disseminating financial information and to ensure that internal and external audits were able to develop their activity independently and objectively.

In turn, to issue the legal certification of accounts and the audit report, the Certified Public Accountant assessed the mechanisms for internal control of the main business processes of the Group companies with effects on financial reporting.

IV. INVESTOR SUPPORT

56. Department responsible for investor relations, composition, functions, information made available and contact details

Martifer has always privileged a permanent contact with the capital market, seeking to guarantee continuous access to information on the Group in a continued and consistent manner, be it through the disclosure of periodic financial information or through contacts with institutional investors, namely by participating in roadshows and conferences, or through permanent contact with financial analysts.

In general, shareholders and investors can obtain all the relevant information on the Group at Martifer's website http://www.martifer.pt/, in particular in the INVESTORS page, where information of a corporate and financial nature can be found. Shareholders and investors may also make use of the Investor Relations Office, which permanently ensures contact with the market, ensuring a regular flow of relevant information between the company, investors, shareholders, analysts and the general public.

The Investor Relations and Communications Office seeks to ensure the disclosure of information on Martifer Group in a continued, timely and balanced manner to the market, to shareholders, to investors, to analysts and to journalists.

The main functions of the Investor Assistance Office are, amongst others:

- Assuring, vis-à-vis the authorities and the market, compliance with the legal and regulatory reporting obligations applicable to Martifer SGPS, S. A.. The disclosure of information falling within the scope of "the disclosure of privileged information", the announcement of quarterly and annual information on the activities and results of the Group and the preparation of the annual and half-yearly financial statements, are to be highlighted;
- Satisfying (institutional and private) investors, financial analysts and other agents' requests for information;
- Supporting and advising Martifer's Executive Committee in aspects relating to the Company's publicly-traded company status, an example being the monitoring of the evolution of Martifer's share price in the market, in its multiple aspects, supporting the Executive Committee with the direct contacts it maintains with financial analysts and institutional (national and foreign) investors, in conferences, in meetings and road-shows. At an organic level, the Investor Relations Office reports directly to the Executive Committee of the Board of Directors of Martifer SGPS.

- Information made available by the Investor Relations Office:
  - Investor Kit
  - General Information
  - Main Indicators
  - Corporate Governance

- Corporate Bodies
- Articles of Association
- Ethics and Conduct
- General Meetings
- Agenda
- Publications
- Financial Information
- Presentations
- Releases

The Investor Relations Office may be contacted at:

Martifer SGPS,
Apartado 17
3684-001 Oliveira de Frades, Portugal
Tel.: +351 232 767 700
Fax: +351 232 767 750
Email: investor.relations@martifer.pt

57. Market Relations Officer

For purposes of the Securities Code, currently the Market Relations Officer is Pedro Nuno Cardoso Abreu Moreira, whose contact information is:

Pedro Moreira
Martifer SGPS,
Apartado 17
3684-001 Oliveira de Frades, Portugal
Tel.: +351 232 767 700
Fax: +351 232 767 750

58. Data on the extent and deadline for replying to information requests received throughout the year or pending from preceding years

- Requests for information to the Investor Relations Office increased in the fourth semester of 2019, which is justified by the extraordinary general meeting held on 18 December 2020. Information requests were largely made by institutional investors, but some information requests were also placed by small investors, journalists and financial institutions.
- Registered requests for information have been placed via email and telephone, and in the vast majority of cases they have been given immediate response when the information is public.
- The Investor Relations Office aims to minimise the most possible the request-response time. When an immediate response is not possible, it shall not exceed 24 hours, except for exceptional circumstances.

V. WEBSITE

59. Website

Martifer has the website http://www.martifer.pt/ and it contains a wide range of information on Martifer Group.

60. Place where information is available on the company, the public company status, the registered office and other elements referred to in article no. 171 of the Commercial Companies Code

Information can be consulted at the following link: https://www.martifer.pt/pt/politica-privacidade. In the section: “Terms of Use”.

61. Place where the Articles of Association and regulations on the functioning of the bodies and/or committees are available

Information can be consulted at the following link: https://www.martifer.pt/pt/investors/corporate-governance/estatutos.

62. Place where information is available on the members of the corporate bodies, on the Market Relations Officer, on the Investor Relations Office or comparable structure, respective functions and contact details

Information can be consulted at the following links:

https://www.martifer.pt/pt/investors/corporate-governance/orgaos-sociais

https://www.martifer.pt/pt/investors/gabinete-investidores

63. Place where the documents are available and relate to financial accounts reporting, which should be accessible for at least five years and the half-yearly calendar of company events that are published at the beginning of every six months, including, among other things, General Meetings, disclosure of annual, biannual and where applicable, quarterly financial statements

Information can be consulted at the following link:

https://www.martifer.pt/pt/investors/kit-investidor

64. Place where the notice convening the General Meeting and all the preparatory and subsequent information related thereto is disclosed

Information can be consulted at the following link:

https://www.martifer.pt/pt/investors/corporate-governance/assembleias-gerais

65. Place where the historical archive on the resolutions passed at the company's General Meetings, share capital and voting results relating to the preceding three years are available

Information can be consulted at the following links:

https://www.martifer.pt/pt/investors/corporate-governance/assembleias-gerais

D. REMUNERATION

I. Power to establish

66. Details of the powers for establishing the remuneration of corporate bodies, members of the executive committee and board members of the company

The remuneration policy and the remuneration of the Company's Corporate Bodies are established by a Remuneration Setting Committee, elected at the Shareholders General Meeting. This policy is reviewed annually and submitted for approval at the Company's Annual Shareholders General Meeting, where at least one representative of the said Remuneration Setting Committee is present.

The Remuneration Setting Committee's activity is dedicated to the preparation of master guidelines and the determination of the remuneration policy of the Company's corporate bodies, to monitor the execution of that policy and to guarantee the alignment of the actions of those bodies with the interests of the Company.

The Remuneration Setting Committee has as its main duties:

- To define the remuneration policy of the Corporate Bodies of the Company, particularly of the executive members of the Board of Directors, fixing the criteria to determine the variable component of the remuneration;
- To determine the various components of the fixed and variable remuneration, possible benefits and complements, as well as the annual remuneration payable to the members of Martifer's Corporate Bodies;
- To monitor the performance of the executive members of the Board of Directors for the purposes of determining the variable remuneration;
- To monitor the performance of the non-executive members of the Board of Directors;
- To submit, in an advisory manner, an informative exposition on the company's remuneration policy to the annual General Meeting.

The Remuneration Setting Committee sporadically requests, if necessary, from Martifer's internal departments (namely the Human Resources Department, the Planning and Management Control Department and the Legal Department) specific information and data of a technical nature, amongst others, relating to the structure of the Company, the results of the Group and members and activities of the corporate bodies. The information requested and received by the Remuneration Setting Committee is aimed at the compilation of a set of information and technical data that allows the definition and implementation of the Group's remuneration policy. The requested information is provided free of charge. Although it is in its capacity and decision to hire natural or legal persons for the performance of their duties, this was not necessary in the financial year 2018.

The External Auditor is also obliged to verify the application of the policies described and the remuneration systems of the corporate bodies, having to report any potential non-conformity detected to the Supervisory Board.

II. Remuneration Setting Committee

67. Composition of the Remuneration Setting Committee, including details of persons, natural or legal, recruited to provide such services and a statement on the independence of each member and advisors

The composition of the Remuneration Setting Committee elected at a Shareholders General Meeting for a three-year term of office (2018- 2020) is as follows:

PRESIDENT	António Manuel Queirós Vasconcelos da Mota
MEMBERS	Maria Manuela Queirós Vasconcelos Mota dos Santos Júlia Maria Rodrigues de Matos Nogueirinha

The members of the Remuneration Setting Committee are independent of the management body, considering the explanation contained in the paragraph that follows.

In 2019, a member of the Remuneration Setting Committee - Júlia Maria Rodrigues de Matos Nogueirinha - was also a member of a corporate body of a commercial company whose share capital is held directly and/or indirectly by two non-executive directors of the Company, namely Carlos Manuel Marques Martins and Jorge Alberto Marques Martins. However, the Company considers that the independence of the Remuneration Setting Committee is safeguarded not only by the professional training of this member in particular, but also by the fact that the remaining members of the Committee, which form the majority, are independent from the executive members of the management body of the Company.

No persons were hired to integrate the Remuneration Setting Committee,

Even though no external consultancy was contracted because the Remuneration Setting Committee did not consider it necessary in 2018, whenever such a need arises, the Remuneration Setting Committee will take into account, in particular, the respective curriculum and client portfolio, so that the chosen consultant offers guarantees of independence and the conflict check is carried out to confirm that such entity is not in progress to provide any other services to the Company itself or to others that are in a controlling or group relationship without express authorisation from the Committee.

68. Knowledge and experience of the members of the Remuneration Setting Committee in matters of remuneration policy

The Company considers that all the persons comprising this Remuneration Setting Committee are totally competent to carry out their duties with excellence, due to their professional training and based on previously held positions.

Maria Manuela Queirós Vasconcelos Mota dos Santos was President of the Human Resources Development Committee of Mota-Engil Group.

The experience and knowledge of the members of the Remuneration Setting Committee are better described in their curricula presented in the document attached to this report and attest their ability to carry out the duties attributed to them.

III. Remuneration structure

69. Description of the remuneration policy of the Board of Directors and Supervisory Board as set out in Article no. 2 of Law no. 28/2009 of 19 June

The remuneration of the members of the Board of Directors and the Supervisory Board of the Company is determined, according to the terms of the Articles of Association, by the Remuneration Setting Committee, which submits an annual document to be appraised at the General Meeting, containing the general guidelines to be followed in establishing the specific amounts to attribute to the members of the various Corporate Bodies.

In general terms, the said remuneration policy of the management and supervisory bodies seeks to strictly follow the applicable provisions of the CCC and the applicable recommendations of the Corporate Governance Code, and is reflected in the statement submitted for approval at the General Meeting referred to in the following item.

In defining the remuneration policy for the year 2019, the legal provisions foreseen in (i) the CCC, namely in Article no. 399; (ii) Law no. 28/2009 of 19 June; (iii) the Corporate Governance Code; and (iv) the special regime set out in the Company's Articles of Association were considered.

70. Information on how remuneration is structured to enable the aligning of the interests of the members of the Board of Directors with the Company's long-term interests and how it is based on performance assessment and how it discourages excessive risk-taking

Martifer's remuneration policy aims to promote the convergence of the interests of the board members, those of the other corporate bodies and of the managers with the Company's interests, namely those regarding the creation of value for the shareholder and real growth for the Company, privileging a long-term perspective.

Hence, the Committee structured the components of the remuneration of the Management bodies to reward their performance in achieving high and, simultaneously, sustained growth, discouraging, however, excessive risk-taking. Additional determining factors include the Company's economic situation and general market conditions practised for equivalent positions.

The remuneration of the executive members of the Board of Directors shall comprise a fixed and, when so deliberated by the Remuneration Setting Committee, a variable component, with the latter variable part of the remuneration not exceeding 5% (five per cent) of the results for the period, as set out in law and in paragraph 3 of article no. 20 of the Articles of Association.

The informative principles observed by the Committee in establishing the remuneration are:

a) The DUTIES CARRIED OUT, degree of complexity inherent to the duties and responsibilities attributed, time spent and the added value to the Company of the work produced. Other duties carried out in group companies are also relevant, in virtue of the increased responsibilities and because they constitute additional sources of income.
b) The ALIGNMENT OF THE INTERESTS OF THE MEMBERS OF THE MANAGEMENT BODY WITH THOSE OF THE COMPANY, performance assessment of the members of the management body and the creation of value for the shareholders.
c) The ECONOMIC SITUATION OF THE COMPANY, present and future, privileging the interests of the Company in a long-term perspective and the achievement of real growth for the Company and the creation of value for its shareholders, based on criteria defining the economic situation of the Company, amongst others, those of financial nature.
d) GENERAL MARKET CONDITIONS FOR EQUIVALENT SITUATIONS, considering that the remuneration shall be aligned with market practice, allowing it to serve as a means to achieve high individual and collective performance, assuring the interests of the member but essentially those of the Company and the shareholders.

The general guidelines governing the remuneration policy followed by the Remuneration Setting Committee during the 2019 financial period were those contained in the Remuneration Policy Statement, which was subject to resolution at the Company's General Meeting on 27 May 2019, and can be consulted in Annexe III of this report.

71. Reference, where applicable, to a variable remuneration component and information on any impact of the performance appraisal on this component

As described in more detail in the preceding item, the remuneration of the executive members of the Board of Directors shall comprise a fixed and, when attributed, a variable component.

The fixed component of the remuneration of the members of the Board of Directors with executive functions, as well as of the non-independent non-executive Members (when attributed), shall consist of a monthly amount payable fourteen times a year; and the variable part cannot exceed five per cent of the results for the financial period, as set out in law and in paragraph 3 of article no. 20 of the Articles of Association.

In setting all remunerations, namely including the distribution of the total amount of the variable remuneration amongst the members of the Board of Directors, the general principles indicated above shall be observed: duties carried out, alignment with the interests of the Company, privileging the long-term, the situation of the Company and market criteria.

The process of attributing variable remuneration (VR) to the executive members of the Board of Directors shall follow the criteria indicated by the Remuneration Setting Committee, namely their position in the hierarchy, the performance assessment carried out, the company's real growth; seeking in determining those criteria to strengthen the convergence of the interests of the Management bodies with those of the Company, privileging the long-term perspective; this perspective is considered in the performance criteria applied to the Management. Thus, it will be considered decisive for the assessment and measurement of the VR:

- the contribution of the Executive Directors to the obtained results;
- the profitability of the businesses from the shareholder perspective;
- the evolution of the share price quotation;
- the extent to which the projects integrated and measured by the Balanced Scorecard of the Group are executed.

During 2019, no contracts were celebrated, be it with the Company, or with third parties, to mitigate the risk inherent to the variable remuneration established by the Company for the members of the management board.

72. The deferred payment of the remuneration's variable component, specifying the relevant deferral period

During the 2019 financial year, no variable remuneration was attributed to the directors of Martifer; so, consequently, the issue of deferral of this remuneration component did not arise. On the other hand, the Remuneration Policy of the management and supervisory bodies, drawn up by the Remuneration Setting Committee and approved at the General Meeting on 27 May 2019 does not foresee the deferral of variable remuneration, when attributed.

Therefore, during the relevant financial year the Company's bard members did not receive variable remuneration and, consequently, the deferred payment of this remuneration component did not occur.

73. The criteria where the allocation of variable remuneration on shares is based on, and also on maintaining company shares that the executive board members have had access to, on possible share contracts, including hedging or risk transfer contracts, the corresponding limit and its relation to the total annual remuneration value

Martifer's existing Remuneration Plan on Stock Options was constituted and attributed in the 2008 corporate period, foreseeing the deferral of the exercising of the options for a period of 4 years; consequently, the exercising of the options related thereto expired during the 2013 financial period.

Regarding Martifer's 2008 Stock Option Plan, none of the board members exercised their option rights during the deferral period of their term of office.

During the course of the 2019 financial year, the Company neither implemented nor attributed a share allocation plan and/or share purchase option plan and, consequently, no variable remuneration was allocated as shares to the board members and no criteria were established for the maintenance of those shares by the executive board members.

74. The criteria on which the allocation of variable remuneration on options is based and details of the deferral period and the execution price

As better described in the preceding paragraph, and given that during the financial year 2018, the Company has not implemented, nor attributed a share allocation plan and/or share purchase option plan. The Company considers this item not applicable.

75. The key factors and grounds for any annual bonus scheme and any additional non-financial benefits

The Company has neither implemented any annual bonus scheme nor any additional non-financial benefits.

76. Key characteristics of the supplementary pensions or early retirement schemes for board members and date when the said schemes were approved at the General Meeting, on an individual basis

The Company does not have supplementary pensions or early retirement schemes for the members of the management and supervisory bodies and for other managers, as defined in no. 3 of Article 248-B of the Securities Code.

77. Details on the amount relating to the annual remuneration paid as a whole and individually to members of the Company's Board of Directors

Board Member	EXECUTIVE DIRECTOR	FIXED REMUNERATION	VARIABLE REMUNERATION	STOCK OPTIONS	ATTENDANCE FEES	TOTAL (€)
Carlos Manuel Marques Martins (President)	No	95,200.14	-	-	-	95,200.14
Jorge Alberto Marques Martins (Vice President)	No	-	-	-	-	-
Arnaldo Nunes da Costa Figueiredo (Vice President)	No	-	-	-	-	-
Pedro Miguel Rodrigues Duarte	Yes	176,000	-	-	-	176,000
Pedro Nuno Cardoso Abreu Moreira	Yes	169,000	-	-	-	169,000
Maria Sílvia da Fonseca Vasconcelos da Mota	No	-	-	-	15,000	15,000
Vítor Manuel Álvares Escária	No	-	-	-	20,000	20,000
Mariana França Gouveia	No	-	-	-	20,000	20,000

Note: value in Euros.

78. Amounts in any kind paid by other companies in a control or group relationship or which are subject to common control

During 2019, there were no members of the Board of Directors to receive remuneration for companies in a controlling or group relationship or subject to common control with the Company.

79. Remuneration paid in the form of profit sharing and/or bonus payments and the reasons for the said bonuses and/or profit sharing being awarded

During the 2019 financial period, no remuneration was paid in the form of profit sharing and/or bonus payments.

80. Compensation paid or owed to former executive board members concerning contract termination during the financial year

During 2019, no compensation was paid, nor is it owed, to any former executive board member due to contract termination.

81. Details of the annual remuneration paid, as a whole and individually, to the members of the Company's Supervisory Board for the purposes of Law no. 28/2009 of 19 June

PAULO SÉRGIO JESUS DAS NEVES	4,800
AMÉRICO AGOSTINHO MARTINS PEREIRA	4,800
MÁRIA MARIA MACHADO LAPA DE BARROS PEIXOTO	4,800
ANTÓNIO BAIA ENGANA	-
TOTAL	14,400

Note: value in Euros.

82. Details of the remuneration for the year in question to the President of the Board of the General Meeting

JOSÉ JOAQUIM NEIVA NUNES DE OLIVEIRA	2,400
LUIS LEITÃO MARQUES VALE LIMA	
LUIS NEIVA DE OLIVEIRA NUNES DE OLIVEIRA	800
TOTAL	2,200

Note: value in Euros.

V. Agreements with remuneration implications

83. Contractual limitations foreseen for compensation to be paid for unfair dismissal of a board member and its relationship with the variable component of remuneration

The Company has not established nor agreed to any contractual limitation relating any compensation possibly due to a Company Board Member in the event of dismissal without just cause other than that provided by law. The Company shall make use of the legal instruments available by law adequate to this situation, particularly if there is inadequate performance of a Board Member. On the other hand, there is no legal instrument signed with Board Members that commits the company, in the cases referred to in Recommendation V.3.6 of the Corporate Governance Code of the Portuguese Institute for Corporate Governance IPCG (2018), to the payment of any indemnity or compensation beyond what is legally required.

84. Reference to the existence and description, with details of the sums involved, of agreements between the Company and members of the Board of Directors and managers, pursuant to Article no. 248-B/3 of the Securities Code that envisages compensation in the event of resignation or unfair dismissal or termination of employment following a takeover bid (Article no. 245-A/1/l)

The Company is not part of any agreement with the members of the management body or other managers, as defined in no. 3 of Article 248-B of the Securities Code, that foresees compensation in the event of resignation, unfair dismissal or employment termination following a takeover bid of the Company.

VI. Stock Attribution Plan or Stock Option Plan (“Stock Options”)

85. Details of the plan and the number of persons included therein.

Currently, Martifer has no active Stock Attribution Plan or Stock Option Plan.

86. Characteristics of the plan (allocation conditions, non-transfer of share clauses, criteria on share-pricing and the exercising option price, the period during which the options may be exercised, the characteristics of the shares or options to be allocated, the existence of incentives to purchase and/or exercise options)

The Company does not have any active Stock Attribution Plan or Stock Option Plan.

87. Option rights granted for the acquisition of stocks of which the employees and collaborators of the company are beneficiaries

The Company does not have any active Stock Attribution Plan or Stock Option Plan.

88. Foreseen control mechanisms for a possible employee-shareholder system inasmuch as the voting rights are not directly exercised by the said employees (Article no. 245-A, paragraph 1, subparagraph e)

The Company has no active Stock Attribution Plan or Stock Option Plan; consequently, the information determined in this item is not applicable.

E. RELATED-PARTY TRANSACTIONS

I. Control mechanisms and procedures

89. Mechanisms implemented by the Company for the purpose of controlling transactions with related parties (for this purpose, reference is made to the concept resulting from IAS 24)

Transactions with Martifer board members or with companies that are in a group or control relationship with that in which the intervener is a Board Member, and transactions with related parties, regardless of the amount, are subject to prior authorisation by the Board of Directors preceded by the favourable opinion of the supervisory body, according to paragraph 2 of article no. 397 of the CCC.

In the event of a conflict of interest between a board member, for himself/herself or in representation and the Company, the provisions of the Ethics and Conduct Code referred to in paragraph 49 shall apply, without prejudice to the above. A board member who has an interest in the execution of a contract, transaction or agreement with the Company shall declare the nature of such interest to the Board of Directors.

In such cases, the provisions of paragraph 6 of Article no. 410 of the CCC also apply, and that board member may not vote in the deliberations that the Board of Directors of the Company will adopt on any matter in respect of which there is a difference between direct or indirect interest, of the Trustee, and the interest of the Company, and such board member shall inform the President of the Board of Directors of such a conflict situation.

90. Details of transactions that were subject to control in the referred year

Although there was a prior opinion issued by the Supervisory Board and a decision by the Board of Directors, the transaction was not concluded until 31 December 2019

Thus, In 2019, no economically significant deals or transactions were carried out between the Company and the Board of Directors or the Supervisory Board.

91. Description of the procedures and criteria for the intervention of the supervisory body for the purposes of prior assessment of the business to take place between the Company and holders of qualified holdings or entities with which they are in any relationship, following Article no. 20 of the Securities Code

The Supervisory Board defined procedures or criteria necessary for the definition of the relevant level of significance of business between the Company and the holders of qualifying shareholdings, or entities with which they are in any control or group relationship, or transactions with related parties, from which the intervention of the supervisory body is required, that were adopted by the Board of Directors.

Thus, without prejudice to the provisions set out in Article no. 397 of the CCC, businesses or transactions between, on the one hand, the Company or the companies that are members of the Group and, on the other hand, the holders of qualifying holdings or entities with which they are in a relation, are subject to assessment and prior opinion of the Supervisory Board, that fulfil one of the following criteria:

a) Have a value greater than or equal to half a million Euros, or, being a lower value, when added to the value of other business transacted with the same Shareholder holder of qualifying holdings during the same financial year, totalling an accumulated value equal to or exceeding one million Euros, except those related to the current activities of the companies;

b) Regardless of the amount, they may have a material impact on the reputation of the Company in what concerns its independence from relationships with holders of qualifying holdings.

II. Elements relating to business

92. Indication of where the accounting documents are, which information is available on the business with related parties, in accordance with IAS 24, or, alternatively, reproduction of this information

Businesses with related parties is described in Note 42 to the consolidated financial statements, part of the 2019 Consolidated Annual Report, available on the company website at http://www.martifer.pt/ (Tab: Investors, Section: Investor Kit).

CORPORATE GOVERNANCE ASSESSMENT

PART II
CORPORATE GOVERNANCE ASSESSMENT

1. Details of implemented Corporate Governance Code

Martifer, as the issuer of shares admitted to trading in the regulated market, is subject to the provisions of the Regulation of the Portuguese Securities Market Commission (hereinafter "CMVM") no. 4/2013 of 18 July 2013 and is governed by the recommendations in the Corporate Governance Code of the Portuguese Institute of Corporate Governance IPCG (2018), that can be consulted on the website www.cgov.pt.

Martifer has not voluntarily adhered to any other Corporate Governance code.

This report was prepared and compiles, in accordance with paragraph 2 of article no. 4 of the CMVM Regulation no. 4/2013, with the model contained in the annexe to said Regulation, with reference to the Corporate Governance Code of the Portuguese Institute of Corporate Governance IPCG (2018), currently in force.

2. Analysis of compliance with the Corporate Governance Code implemented

In what concerns corporate governance and as a publicly-traded company, Martifer has sought to promote the implementation and to adopt the best corporate governance practices, including those in the new Corporate Governance Code of the Portuguese Institute of Corporate Governance - IPCG (2018), guiding its policy along with the highest standards of conduct, ethics and social responsibility, which are intended to be transversal to the Group.

It is an objective of the Board of Directors to implement integrated and effective management of the Group, enabling the Company to create value by promoting and guaranteeing the legitimate interests of its shareholders, clients, suppliers, employees, the capital market as well as of the community in general, permanently seeking transparency in its relations with the investors and with the market.

Martifer considers that, even though it does not comply fully with the recommendations in the Corporate Governance Code of the Portuguese Institute of Corporate Governance IPCG (2018), as comprehensively justified in the following chapters of this report, the degree of adoption of the recommendations is considerable and thorough.

According to and for the purposes of that laid down in subparagraph (o) of paragraph 1 of article no. 245-A of the Securities Code, the recommendations included in the Corporate Governance Code of the Portuguese Institute of Corporate Governance IPCG (2018), with the indication of whether or not adopted, whenever applicable to Martifer's structure, and references to the text in the report where the form of adoption is described in greater detail, are listed below:

RECOMMENDATIONS IPCG (2018)	ADOPTION	REFERENCE
PART I GENERAL		CHAPTER, TITLE, SECTION
I.1. THE COMPANY'S RELATIONSHIP WITH INVESTORS AND DISCLOSURE		
I.1.1. Companies, in particular its directors, should treat shareholders and other investors equitably, namely by ensuring mechanisms and procedures are in place for the suitable management and disclosure of information.	**Adopted**	C, III, 54 and 55; C, IV, 56 to 58; C, V, 59 to 65
I.2. DIVERSITY IN THE COMPOSITION AND FUNCTIONING OF THE COMPANY'S GOVERNING BODIES		

RECOMMENDATIONS IPCG (2018)	ADOPTION	REFERENCE
I.2.1. Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.	**Adopted**	B (introduction); B, I, 11; B, II, 16 a 19; 21 e 26; B, III, 33 and 36; D, II, 67, and 68
I.2.2. The company's managing and supervisory boards, as well as their committees, should have internal regulations — namely regulating the performance of their duties, their Chairmanship, periodicity of meetings, their functioning and the duties of their members —, and detailed minutes of the meetings of each of these bodies should be carried out.	**Adopted**	B, II, 21; 22; 23; 27; 29. B, III, 34 and 35;
I.2.3. The internal regulations of the governing bodies — the managing body, the supervisory body and their respective committees — should be disclosed, in full, on the company's website.	**Partially adopted**	B, II, 22; B, III; 34; C, V, 61
I.2.4. The composition, the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.	**Adopted**	B, II, 17; 21; 22; 23; 27; 28 and 29; B., III; 31 and 35
I.2.5. The company's internal regulations should provide for the existence and ensure the functioning of mechanisms to detect and prevent irregularities, as well as the adoption of a policy for the communication of irregularities (whistleblowing) that guarantees the suitable means of communication and treatment of those irregularities, but safeguarding the confidentiality of the information transmitted and the identity of its provider, whenever such confidentiality requested.	**Adopted**	C, II, 49.
1.3. RELATIONSHIP BETWEEN THE COMPANY BODIES		
I.3.1. The bylaws, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company's collaborators, in order to appraise the performance, current situation and perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information.	**Adopted**	B, II, 21; 29; B, III, 38; C, III, 55
I.3.2. Each of the company's boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.	**Adopted**	B, II, 21; 29;
1.4. CONFLICTS OF INTEREST		
I.4.1. The duty should be imposed, to the members of the company's boards and committees, of promptly informing the respective board or committee of facts that could constitute or give rise to a conflict between their interests and the company's interest.	**Adopted**	B, II, 21; 26 and 29;
I.4.2. Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.	**Adopted**	B, II, 21; 26 and 29; D, II, 67.
1.5. RELATED PARTY TRANSACTIONS		

RECOMMENDATIONS IPCG (2018)	ADOPTION	REFERENCE
I.5.1. The managing body should define, in accordance with a previous favourable and binding opinion of the supervisory body, the type, the scope and the minimum individual or aggregate value of related party transactions that: (i) require the previous authorization of the managing board, and (ii) due to their increased value require an additional favourable report of the supervisory body.	**Adopted**	E. I, 89 and 91.
I.5.2. The managing body should report all the transactions contained in Recommendation 1.5.1. to the supervisory body, at least every six months.	**Adopted**	E, I 89 to 91.
II. SHAREHOLDERS AND GENERAL MEETINGS		CHAPTER, TITLE, SECTION
II.1. The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.	**Adopted**	B, II, 12
II.2. The company should not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.	**Partially adopted**	B. II, 14
II.3. The company should implement adequate means for the exercise of voting rights through postal votes, including by electronic means.	**Partially adopted**	B, II, 12
II.4. The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.	**Not Adopted**	B, II, 12
II.5. The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution — without increased quorum in comparison to the legally established — and in that resolution, all votes cast will be counted without observation of the imposed limits.	**Not applicable.**	-
II.6. The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.	**Adopted**	A, I, 4.
III. NON - EXECUTIVEMANAGEMENT, MONITORING AND SUPERVISION		CHAPTER, TITLE, SECTION
III.1. Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1.	**Not Adopted**	B, II, 21
III.2. The number of non-executive members in the managing body, as well as the number of members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed.	**Adopted**	B, II,17 and 18; B, III, 31
III.3. In any case, the number of non-executive directors should be higher than the number of executive directors.	**Adopted**	B. II, 17 and 18.

RECOMMENDATIONS IPCG (2018)	ADOPTION	REFERENCE
III.4. Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to:	Adopted	B. II, 18.
(i) having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non-consecutive basis;		
(ii) having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years;		
(iv) having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties;		
(v) having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings, or;		
(vi) having been a qualified holder or representative of a shareholder of qualifying holding.		
III.5. The provisions of (i) of recommendation III.4 does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (cooling-off period).	Not Applicable	-
III.6. Non-executive directors should participate in the definition, by the managing body, of the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	Adopted	B, II, 21
III.7. The supervisory body should, within its legal and statutory competences, collaborate with the managing body in defining the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	Not Applicable	-
III.8. The supervisory body, in observance of the powers conferred to it by law, should, in particular, monitor, evaluate, and pronounce itself on the strategic lines and the risk policy defined by the managing body.	Adopted	B, II, 21; B,III, 35 and 38
III.9. Companies should create specialised internal committees that are adequate to their dimension and complexity, separately or cumulatively covering matters of corporate governance, remuneration, performance assessment, and appointments.	Partially adopted	B,II, 21
III.10. Risk management systems, internal control and internal audit systems should be structured in terms adequate to the dimension of the company and the complexity of the inherent risks of the company's activity.	Adopted	C, III, 50 to 55.
III.11. The supervisory body and the committee for financial affairs should supervise the effectiveness of the systems of risk management, internal control and internal audit, and propose adjustments where they are deemed to be necessary.	Adopted	C, III, 50 and 51.
III.12. The supervisory body should provide its view on the work plans and resources of the internal auditing service, including the control of compliance with the rules applied to the company (compliance services) and of internal audit, and should be the recipient of the reports prepared by these services, at least regarding matters related with approval of accounts, the identification and resolution of conflicts of interest, and the detection of potential irregularities.	Adopted	B, II, 29; B, III, 30 and 38; C, II, 49. C, III, 50 and 54.

RECOMMENDATIONS IPCG (2018)	ADOPTION	REFERENCE
IV. EXECUTIVE MANAGEMENT		CHAPTER, TITLE, SECTION
IV.1. The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.	**Partially adopted**	B,II, 21 and 26.
IV.2. The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards (i) the definition of the strategy and main policies of the company, (ii) the organisation and coordination of the business structure, (iii) matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.	**Adopted**	B,II, 21
IV.3. In matters of risk assumption, the managing body should set objectives and look after their accomplishment.	**Adopted**	C, III, 50 to 55.
IV.4. The supervisory board should be internally organised, implementing mechanisms and procedures of periodic control that seek to guarantee that risks which are effectively incurred by the company are consistent with the company's objectives, as set by the managing body.	**Adopted**	B, III, 30 C, III, 50.
V. EVALUATION OF PERFORMANCE, REMUNERATION AND APPOINTMENT		CHAPTER, TITLE, SECTION
V.1 ANNUAL EVALUATION OF PERFORMANCE		
V.1.1. The managing body should annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	**Adopted**	B, II, 24; 25; 27 and 29.
V.1.2. The supervisory body should supervise the company's management, especially, by annually assessing the accomplishment of the company's strategic plans and of the budget, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	**Adopted**	B. III 30 and 38 C, III, 50
V.2 REMUNERATION:		
V.2.1. The remuneration should be set by a committee, the composition of which should ensure its independence from management.	**Partially adopted**	D, II, 67 to 69
V.2.2. The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company's remuneration policy for the members of its boards and committees, including the respective fixed components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and confirm the respective criteria of attribution and measurement, the limitation mechanisms, the mechanisms for deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company.	**Adopted**	D, II, 66 D, III, 69 Annexe III
V.2.3. The statement on the remuneration policy of the managing and supervisory bodies, pursuant to article 2 of Law no. 28/2009 of 19 June, should additionally contain the following:	**Partially adopted**	D, III, 69 to D, IV, 81

RECOMMENDATIONS IPCG (2018)	ADOPTION	REFERENCE
(i) the total remuneration amount itemised by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including how it contributes to the company's performance in the long run, and information about how the performance requirements were applied;		
(ii) remunerations from companies that belong to the same group as the company;		
(iii) the number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date;		
(iv) information on the possibility to request the reimbursement of variable remuneration;		
(v) information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation;		
(vi) information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.		
V.2.4. For each term of office, the remuneration committee should also approve the directors' pension benefit policies, when provided for in the bylaws, and the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office.	**(1) Not applicable (2) Adopted**	Annexe III. Item VI.
V.2.5. In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.	**Adopted**	B, II, 21.
V.2.6. Within the company's budgetary limitations, the remuneration committee should be able to decide, freely, on the hiring, by the company, of necessary or convenient consulting services to carry out the committee's duties. The remuneration committee should ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorization of the committee.	**Adopted**	D, II, 66 and 67.
V.3 DIRECTOR REMUNERATION		
V.3.1. Taking into account the alignment of interests between the company and the executive directors, a part of their remuneration should be of a variable nature, reflecting the sustained performance of the company, and not stimulating the assumption of excessive risks.	**Partially adopted**	D, II, 69 D, III, 71
V.3.2. A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.	**Not adopted**	D, III, 72.
V.3.4. When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.	**Not applicable**	-
V.3.5. The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.	**Adopted**	D, II, 69 D, IV, 77
V.3.6. The company should be provided with suitable legal instruments so that the termination of a director's time in office before its term does not result, directly or indirectly, in the payment to such director of any amounts beyond those foreseen by	**Adopted**	D, II, 69

RECOMMENDATIONS IPCG (2018)	ADOPTION	REFERENCE
law, and the company should explain the legal mechanisms adopted for such purpose in its governance report.		
V.4 APOINTMENTS:		
V.4.1. The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.	**Adopted**	B, II, 16 to 19, 21
V.4.2. The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company's size.	**Not adopted**	B, II, 16 to 19, 21
V.4.3. This nomination committee includes a majority of nonexecutive, independent members.	**Not applicable**	-
V.4.4. The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organisation, a suitable diversity, including gender diversity.	**Not applicable**	-
VI. RISK MANAGEMENT		CHAPTER, TITLE, SECTION
VI.1. The managing body should debate and approve the company's strategic plan and risk policy, which should include a definition of the levels of risk considered acceptable.	**Adopted**	B, II, 21, 24, 25 and 27 C, III, 50 to 55.
VI.2. Based on its risk policy, the company should establish a system of risk management, identifying (i) the main risks it is subject to in carrying out its activity; (ii) the probability of occurrence of those risks and their respective impact; (iii) the devices and measures to adopt towards their mitigation; (iv) the monitoring procedures, aiming at their accompaniment; and (v) the procedure for control, periodic evaluation and adjustment of the system.	**Adopted**	C, III, 53 and 54.
VI.3. The company should annually evaluate the level of internal compliance and the performance of the risk management system, as well as future perspectives for amendments of the structures of risk previously defined.	**Adopted**	C, III, 54 and 55
VII. FINANCIAL STATEMENTS AND ACCOUNTING		CHAPTER, TITLE, SECTION
VII.1 FINANCIAL INFORMATION		
VII.1.1. The supervisory body's internal regulation should impose the obligation to supervise the suitability of the preparation process and the disclosure of financial information by the managing body, including suitable accounting policies, estimates, judgments, relevant disclosure and its consistent application between financial years, in a duly documented and communicated form.	**Adopted**	B, III, 30 and 38. C, III, 55.
VII.2 STATUTORY AUDITIT OF ACCOUNTS AND SUPERVISION		
VII.2.1. Through the use of internal regulations, the supervisory body should define:	**Adopted**	B, III, 37 and 38.
(i) the criteria and the process of selection of the statutory auditor;		

RECOMMENDATIONS IPCG (2018)	ADOPTION	REFERENCE
(ii) the methodology of communication between the company and the statutory auditor;		
(iii) the monitoring procedures destined to ensure the independence of the statutory auditor;		
(iv) the services, besides those of accounting, which may not be provided by the statutory auditor.		
VII.2.2. The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company.	**Adopted**	B, III, 38.
VII.2.3. The supervisory body should annually assess the services provided by the statutory auditor, their independence and their suitability in carrying out their functions, and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.	**Adopted**	B, III, 37, and 38
VII.2.4. The statutory auditor should, within their powers, verify the application of policies and systems of remuneration of governing bodies, the effectiveness and the functioning of the mechanisms of internal control, and report any irregularities to the supervisory body.	**Not applicable**	-
VII.2.5. The statutory auditor should collaborate with the supervisory body, immediately providing information on the detection of any relevant irregularities as to the accomplishment of the duties of the supervisory body, as well as any difficulties encountered whilst carrying out their duties	**Not applicable**	-

CLARIFICATIONS AS TO DIVERGENCES BETWEEN THE COMPANY'S GOVERNANCE PRACTICES AND THE IPCG RECOMMENDATIONS

In this chapter, the grounds for the partial adoption or non-application of each individual recommendation, which should be read together with the table presented in the preceding chapter, are explained.

> ***Recommendation I.2.3.*** The internal regulations of the governing bodies — the managing body, the supervisory body and their respective committees — should be disclosed, in full, on the company's website.

Martifer has not made the Strategic Coordination Council Regulation available on its website, so it is not possible to consult this document.

Martifer believes that the regulation of this internal committee, as an advisory committee, goes beyond the mere functioning of the bodies, containing a reserved content, which is why it does not make it available to the public. However, the main functions and responsibilities of this internal committee are explained in this report, for example in Item 21.

> *Recommendation II.2.* The company should not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.

Hence, Martifer considers it has adopted this Recommendation, except as to the provision in the Articles of Association that requires a greater quorum than that foreseen in the CCC for resolutions on the unfair dismissal of Board Members.

The reason for the inclusion in the Articles of Association of a quorum greater than that foreseen in the CCC for unfair dismissal of Board Members was to protect the interests of the Company, namely to mitigate the risk of the Company to be obliged to compensate Board Members for unfair dismissal as laid down in no. 5 of Article no. 403 of the CCC. Indeed, considering the gravity and impact of an unfair dismissal of Board Members, the intention was to avoid the occurrence of such a resolution passed by a simple majority of shareholders as opposed to one based on grounds approved by a more expressive and representative majority of the Shareholders.

Martifer considers that this is the model that best defends corporate interests.

> ***Recommendation II.3.*** The company should implement adequate means for the exercise of voting rights through postal votes, including by electronic means.

Under Article no. 17 of Martifer's Articles of Association, postal voting is permitted, without any restriction, in respect of all matters subject to the appreciation of the Shareholders.

Martifer considers it has only adopted this Recommendation partially due to the fact that the company's Articles of Association do not foresee the possibility of voting by electronic means. It should be noted that Martifer has adopted flexible acceptance of documentation in respect of postal or proxy voting sent via electronic means.

On the other hand, up until the present date, the Company has received no request or manifestation of interest from any Shareholder or Investor as to the availability of voting by electronic means, as a result of which Martifer considers that the postal voting system in force, as foreseen in the Articles of Association, totally safeguards all of the Shareholders' access to participation in the decisions submitted for deliberation.

> *Recommendation II.4.* The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.

Not adopted. The Articles of Association do not enshrine the participation in meetings of the Shareholders General Assembly by electronic means.

For the reasons mentioned above, the company understands that, at present, it is unjustified to adopt the referred to recommendation, because the objectives underlying it have already been materially affected, and the uncertainty as to the results of this system does not justify that it incurs in an administrative overload for the installation of an additional system.

> ***Recommendation II.5.*** The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution — without increased quorum in comparison to the legally established — and in that resolution, all votes cast will be counted without observation of the imposed limits.

Not applicable. The Articles of Association do not foresee such limitation of the number of votes that may be held or exercised by a single shareholder, individually or in coordination with other shareholders.

> ***Recommendation III.1.*** Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1.

Not adopted. The objectives concerned are considered to be fully safeguarded (i) by judicious and collegial action of the Board of Directors, both in the quarterly meetings in which all relevant issues to the Company are discussed with the presence of its President (attendance: 100 %); (ii) the implemented system ensures, on one hand, the timely report of the Executive Committee to all members of the Board of Directors and, on the other hand, the preparation of the meetings of the Board of Directors by scheduling them in advance and circulating the agenda and the support documents with the necessary time for their study and interpellation; (iii) the assessment is carried out collectively by all the members of the Board of Directors.

In addition, the coordination of non-executive directors within the Company is ensured through the Strategic Coordination Council, in a continuous and permanent manner.

Recommendation III.5. The provisions of (i) of recommendation III.4 does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (cooling-off period).

Not applicable. The independent board members of the Company were first appointed in 2018.

Recommendation III.7. The supervisory body should, within its legal and statutory competences, collaborate with the managing body in defining the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.

Martifer considers this Recommendation as not being applicable since it relates to a governance model not adopted by Martifer. The corporate governance model adopted by the Company comprises a Board of Directors, a Supervisory Board and a Statutory Auditor.

Recommendation III.9. Companies should create specialised internal committees that are adequate to their dimension and complexity, separately or cumulatively covering matters of corporate governance, remuneration, performance assessment, and appointments.

Of all the committees provided for in this recommendation, only the Appointment Committee is not adopted.

Due to the Portuguese legal system which shifts to the shareholders the composition of the bodies of companies and due to the nature of the group which Martifer is, arising out of a family nature and with a concentration in the capital structure and members of boards of directors common to several related companies, the board o directors understands that the choice about the options for the composition of the governing bodies should be transferred to the shareholders.

It is this vision that justifies the fact that the company also chose to explain, and not apply, the recommendations regarding the existence of an Appointment Committee and criteria to be applied by it. Accordingly, the existence of a policy of diversity, should not only be seen in coherence with the existence or not of that Appointment Committee as well as, strictly speaking, it is little relevant outside the context of any organism which has the competence to propose the election of people for the corporate bodies framed that policy of diversity.

In addition to this, and as demonstrated in the introduction of Chapter B above, the reality of the facts reveals that it was possible to achieve in large measure the goals without the formal approval of the policy in question.

Recommendation IV.1. The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.

Martifer considers the Recommendation partially adopted, since, although it does not exist formally in the internal regulations, both the Board of Directors and the Executive Committee, a provision concerning the regime to be applied to executive directors who exercise executive functions in entities outside the Group, in accordance with the provisions laid down in this recommendation: (i) there is a formal delegation of powers of the Board of Directors in the Executive Committee which, together with the legislation in force already establishes a scheme of action of members of the Executive Committee, and (ii) there are internal, clear and generally observed rules for the Board of Directors to be informed about any corporate positions, executive or not, in entities not related with Martifer Group. In addition, on this date, the executive board members are not managers of any entities outside Martifer Group.

Recommendation V.2.1 The remuneration should be set by a committee, the composition of which should ensure its independence from management.

Martifer considers this Recommendation to be partially adopted.

The Company's Remuneration Setting Committee has three members, including one with knowledge and experience in matters on remuneration policy.

In the 2019 financial year, a member of the Remuneration Setting Committee - Júlia Maria Rodrigues de Matos Nogueirinha - was also a member of a corporate body of a commercial Company whose capital is directly and/or indirectly held by two non-executive board members of the Company, namely Carlos Manuel Marques Martins and Jorge Alberto Marques Martins.

However, the Company considers that the purpose of this Recommendation is duly safeguarded not solely because of the professional training of this member in particular, but also because all of the members of the Remuneration Setting Committee are independent from the executive members of the Company's management body, and also because the remaining provisions of this Recommendation are fully complied with.

Recommendation V.2.3 The statement on the remuneration policy of the managing and supervisory bodies, pursuant to article 2 of Law no. 28/2009, 19th June, should additionally contain the following*:*

i. the total remuneration amount itemised by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including how it contributes to the company's performance in the long run, and information about how the performance requirements were applied;
ii. remunerations from companies that belong to the same group as the company;
iii. the number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date;
iv. information on the possibility to request the reimbursement of variable remuneration;
v. information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation;
vi. information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.

Martifer considers that the Recommendation is partially adopted, since, although the information referred to in subparagraphs (i) and (ii) in this recommendation has not been included in the statement on the remuneration policy of the management and supervisory bodies referred to in article no. 2 of Law no. 28/2009 of 19 June - because it is a statement on the remuneration policy and not on the remuneration actually attributed, Martifer considers that the disclosure of that information in the Corporate Governance Report (Section IV of Chapter D. Remuneration) is an alternative way of complying with this recommendation since it presents for consideration and appraisal of the Shareholders General Meeting the recommended information. Therefore, the total compliance to the referred recommendation is exclusively under the Remuneration Setting Committee's powers, and this Committee decided not to comply with the recommendation, since it believes that the way that the board members' remuneration is structured is adequate and it allows the alignment of their interests with those of the Company in the long-term and is in line with the remuneration practices of most of the similar companies, keeping in mind the Company's characteristics.

Recommendation V.2.4. For each term of office, the remuneration committee should also approve the directors' pension benefit policies, when provided for in the bylaws, and the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office.

Not applicable. The Company does not have supplementary pensions or early retirement schemes for the members of the management and supervisory bodies and for other managers.

In accordance with the declaration on the remuneration policy approved at the Shareholders General Meeting, policy proposed by the Remuneration Setting Committee, it is not a Company policy to assign to members of its governing bodies pension benefit systems.

Recommendation V.3.1. Taking into account the alignment of interests between the company and the executive directors, a part of their remuneration should be of a variable nature, reflecting the sustained performance of the company, and not stimulating the assumption of excessive risks.

The Company's Remuneration Setting Committee established the exact annual amount for the fixed remuneration component payable to the board members receiving remuneration from the Company. In parallel, the Company's Articles of Association, under Article no. 20, paragraph no. 3, state that the directors' variable remuneration may not result in an allocation of more than 5% of the year's profit, as stated by law. In this manner, the maximum remuneration limits for the fixed and variable remuneration components are set.

For the 2019 financial year, the Remuneration Setting Committee chose to only allocate fixed remuneration to the board members and not a variable component, taking into account the objective of harmonizing the remuneration of the members of the Board of Directors of the Company in line with the measures implemented during the last corporate terms of office, regarding the reduction of expenses and structure costs adopted across Martifer Group to safeguard the largest number of job positions and the sustainability of the Company.

Consequently, the Company considers that it has partially adopted this Recommendation since, even though the Remuneration Setting Committee has set the exact fixed annual remuneration amount and a statutory limit has already been set for the variable remuneration component, during the 2019 financial period no variable remuneration was attributed to Martifer's board members.

> ***Recommendation V.3.2.*** A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.

Martifer considers that this Recommendation has not been adopted as the remuneration policy established by the Remuneration Setting Committee for the management and supervisory bodies does not foresee the deferral of the variable remuneration component, when attributed.

Notwithstanding the non-adoption of this Recommendation, it should be noted that the Company's Remuneration Policy does not provide for the deferral of payment of all or part of the variable component of the remuneration, and the Remuneration Setting Committee believes that, until now, it has found alignment between the interests of executive board members and the long-term interests of the Company and shareholders, by enabling the sustained growth of its businesses and the corresponding creation of value for those, considering that the variable remuneration component, if any, which is not the case, being paid without deferral, it would not affect the long-term commitment of executive board members to the Company.

> ***Recommendation V.3.4.*** When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.

Martifer considers this Recommendation as not applicable as no variable remuneration was attributed to the directors of Martifer in 2019 and, therefore, there was need for its deferral.

Furthermore, during the 2008 financial period, stock options were attributed and their exercise was deferred for a period of up to and including four years. Up until the present date, the stock options allocated as variable remuneration have not been exercised and, in fact, the possibility of such exercise expired at the end of the 2013 financial period.

> ***Recommendation V.4.2.*** The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company's size.

The Company did not proceeded with the constitution of a Nomination Committee. Given its size and complexity, it does not justify it.

> ***Recommendation V.4.3.*** This nomination committee includes a majority of nonexecutive, independent members.

> ***Recommendation V.4.4.*** The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organisation, a suitable diversity, including gender diversity.

Martifer considers these Recommendations as not applicable because there is no nominated Nomination Committee.

Recommendation VII.2.4. The statutory auditor should, within their powers, verify the application of policies and systems of remuneration of governing bodies, the effectiveness and the functioning of the mechanisms of internal control, and report any irregularities to the supervisory body.

Recommendation VII.2.5. The statutory auditor should collaborate with the supervisory body, immediately providing information on the detection of any relevant irregularities as to the accomplishment of the duties of the supervisory body, as well as any difficulties encountered whilst carrying out their duties.

Martifer considers that, in view of the content of paragraph 8 of the Note on Interpretation of the IPCG 2018 Corporate Governance Code and the fact that it does not appear feasible to accurately monitor the competences of the statutory suditor and not to the Company, recommendations VII.2.4 and VII.2.5 are taken into account, in full, as not applicable.

Martifer understands that, in accordance with the content of paragraph 8 of the Note on Interpretation of the IPCG 2018 Corporate Governance Code and the fact that it does not seem feasible to monitor, with accuracy, the competencies that belong to the statutory auditor and not to the Company, recommendations VII.2.4 and VII.2.5, are considered, overall, as not applicable.

4. Other Information

Besides the information and explanations presented in the present Report, there is no additional information of relevance that should be presented for a proper understanding of the model and the governance practices adopted by Martifer.

Oliveira de Frades, 21 April 2020

The Board of Directors,

Carlos Manuel Marques Martins
(President)

Arnaldo José Nunes da Costa Figueiredo
(Vice President)

Jorge Alberto Marques Martins
(Vice President)

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

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

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

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

Mariana França Gouveia
(Member of the Board of Directors)

ANNEXES TO THE CORPORATE GOVERNANCE REPORT

ANNEXE I

Professional Qualifications

BOARD OF DIRECTORS

Carlos Manuel Marques Martins is member of Martifer's Board of Directors (President of the Board of Directors and non-independent member) and one of the founding shareholders of Martifer Group in 1990, having started his professional activity in 1987 at the Company Carvalho & Nogueira, Lda, as Director of Production of the iron sector. He has a degree in Mechanical Engineering from FEUP - University of Oporto Engineering Faculty.

Jorge Alberto Marques Martins is member of Martifer's Board of Directors (Vice President of the Board of Directors and non-independent member) and one of the founding shareholders of Martifer Group in 1990, having started his professional activity in 1987 at SOCARPOR - Sociedade de Cargas Portuárias (Douro e Leixões), Lda as the adjunct to the Financial Director. He graduated in Economics at FEUP - Faculty of Economics of the University of Porto and holds an MBA from the Portuguese Catholic University (UCP).

Arnaldo José Nunes da Costa Figueiredo has been a member of Martifer's Board of Directors (Vice President of the Board of Directors and non-independent member) since 30 April 2010. He has a degree in Civil Engineering by FEUP - Porto University Engineering Faculty (1977). He was President of the Board of Directors of Mota-Engil, Engenharia e Construção, S. A. and of the Board of Directors of MEITS - Mota-Engil, imobiliária e turismo, S. A.; Manager of Mota Internacional, Lda.; President of the Board of the General Meeting Board of Maprel-Nelas, Indústria de Pré-Fabricados em Betão, S. A.; Board Member of the General Meeting of Paviterra, SARL; President of the Remuneration Setting Committee (on behalf of Mota-Engil, Engenharia e Construção, S. A.) of Ferrovias e Construções, S. A.; of Aurimove – Sociedade Imobiliária, S. A.; of Nortedomus – Sociedade Imobiliária, S. A.; and of Planinova – Sociedade Imobiliária, S. A..

Pedro Miguel Rodrigues Duarte has been a member of the Board of Directors of Martifer (Member of the Board of Directors and President of the Executive Committee, independent member) since 18 May 2018. He holds a degree in Mechanical Engineering from FCTUC - Faculdade de Ciências e Tecnologias da Universidade de Coimbra (1999). He completed the Advanced Management Programme by the Kellog School of Management/Catholic University in 2016. In 2000, he began his professional activity, having worked at Visabeira Group (Visabeira Indústria) and PSA Group - Peugeot Citröen. He has extensive international experience, initially working in Eastern Europe for Martifer Group. Firstly in Poland, where he was responsible for the implementation and start-up of the local industrial plant and then as coordinating director of industrial structures in Poland and Romania, countries where he lived in between 2004 and 2010. Between 2010 and 2013, he was CEO of Martifer Group in the area of Metallic Constructions in Africa, and was a member of the Board of Directors of several companies in the Group of which Martifer Construction Maroc SARL AU (Morocco); Martifer-Amal S.A. (Mozambique) and Construções Metálicas Angola S.A. (Angola), as well as member of the Board of Directors of Martifer Construções Metalomecânicas, S.A. (Portugal). Also in 2010, he became responsible for the naval area in Martifer Group, being since that date a member of the Board of Directors of Navalria - Docas, Construções e Reparações Navais, S.A. (Shipyard of Aveiro, Portugal) and afterwards a Manager of West Sea - Estaleiros Navais, Lda (Shipyard of Viana do Castelo, Portugal).

Pedro Nuno Cardoso Abreu Moreira has been a member of Martifer's Board of Directors (Member of the Board of Directors and Member of the Executive Committee, independent member) since 6 January 2015, date on which he was co-opted further to the resignation of Mário Rui Rodrigues Matias. He is graduated in Economics at FEUP - Faculty of Economics of the University of Porto (1999). He concluded the Advanced Management Programme by Porto Business School and an In-Company Executive Training Programme by AESE Business School. He has extensive international experience, initially part of the corporate financial coordination of Mota-Engil Group's operations in Central Europe, in Africa and in Latin America. Between 2008 and 2014 he lived in Warsaw and Budapest, and held various positions as a Board Member in several Mota-Engil Group companies in operation in Central Europe in the areas of Real Estate, PPP/PFI, M&A and Corporate Development. During this period he served as a member of the Board of Directors in several companies of the Group, with the highlight of Mota Engil Central Europe SA (Poland), Mota-Engil Real Estate Management (real estate holding in Central Europe), Mota Engil CE CZ (Czech Republic), Mota-Engil CE Slovakia (Slovakia), Mota-Engil Magyar (Hungary), Mota Engil CE RO (Romania), Mota-Engil Brand Management (Netherlands), Mota-Engil Brand Development (Ireland).

Maria Sílvia da Fonseca Vasconcelos da Mota has been a member of the Board of Directors of Martifer (Member of the Board of Directors and non-independent member) since 18 May 2018. She has a degree in Civil Engineering from School of Engineering of the University of Porto and began her professional career passing through various operational areas of Mota-Engil Group. Later, she terminated her positions within Mota-Engil Group and took office as General and Financial Director in the family *holding*. In 2016, she returned to Mota-Engil Group, where she is currently a member of the Board of Directors of several companies, of which Mota Gestão Participações, SGPS, S. A. and Mota-Engil, Engenharia e Construção, S. A., accumulating the position of Board Member with the Financial area of Mota-Engil Europa.

Vítor Manuel Álvares Escária has been a member of the Board of Directors of Martifer (Member of the Board of Directors, independent member) since 18 May 2018. He has a Master's degree in Monetary and Financial Economics from ISEG - School of Economics and Management - Technical University of Lisbon since 1997, the institution from which he graduated in 1994. He holds a PhD in Economics from the University of York, in York, United Kingdom (2004). He is Assistant Professor at the Institute of Economics and Management - ISEG, Technical University of Lisbon, since 2004 designated as University of Lisbon. He was a Visiting Professor at the Faculty of Economics, University Agostinho Neto, in Angola (2014/2015); Visiting Professor at the Faculty of Economics, Universidade Lusíada de Angola, in Angola (2014/2015); Visiting Professor at the Faculty of Economics, Universidade Eduardo Mondlane, in Mozambique (2011). He was also the Economic Adviser of the Prime Minister's Office of the 21st Government of the Portuguese Republic (2016/2017); External Senior Expert of the European Commission in the projects of sectoral dialogues EU-Brazil (2013/2014); Economic Adviser of the Prime Minister's Office of the 17th and 18th Governments of the Portuguese Republic (2005/2011) and Member of the Directive Commission of CIRIUS - Centre for Regional and Urban Research.

Mariana Machado França Gouveia Sande Nogueira has been a member of the Board of Directors of Martifer (Member of the Board of Directors and independent member) since 18 May 2018. She has been a lawyer since 2000 and is graduated in Law from the FDUL - Faculty of Law of the University of Lisbon (1997), having obtained a PhD from the FDUNL - Faculty of Law of the NOVA University of Lisbon in 2003. She has been a Professor at the Faculty of Law of the NOVA University of Lisbon since 2003 and teaches, among other subjects, Procedural Law and Arbitration. She has been a member of the Arbitration Committee of ICC Portugal since 2012 and the Professor Responsible for the Laboratory of Alternative Dispute Resolution of the Faculty of Law of the NOVA University of Lisbon since 2007. She is also the Scientific Coordinator of the Course of University Extension in Arbitration at the Law Faculty of the NOVA University of Lisbon. She was a member of the Board of Directors of the Fundação Francisco Manuel dos Santos (2013/2017); Vice President of the Board of the Centre for Commercial Arbitration of the Portuguese Chamber of Commerce and Industry (2012/2017); a Consultant for the Department of Litigation and Arbitration of SRS Advogados (2010/2016); Director of the Office of Audit and Modernisation of the Ministry of Justice (2004/2005); a Consultant for the Office of Legislative Policy and Planning of the Ministry of Justice (2002/2004) and an Advisor for the Office of the Minister of Justice (2002).

SUPERVISORY BOARD

Paulo Sérgio Jesus das Neves is a member of the Supervisory Board of Martifer (President of the Supervisory Board). He holds a degree in Accounting Audit, with Superior Specialized Studies in Audit. He holds an MBA in Finance by the Economics Faculty of Porto (FEP). He is a Certified Public Accountant registered at the Portuguese Certified Public Accountant Association as number 1342, and has been exercising his activity since February 2008. He is a company consultant, in the fields of organisation and management, financial, tax and accounting.

Américo Agostinho Martins Pereira is a member of the Supervisory Board of Martifer (Member of the Supervisory Board). He holds a degree in Accounting Audit, with Superior Specialized Studies in Audit. He is a Certified Public Accountant, registered in the Portuguese Certified Public Accountant Association as number 887, performing his activity since April 1994, initially individually and since March 2013 as a partner at the company M. PEREIRA & ASSOCIADOS, SROC, LDA.

Mária Maria Machado Lapa de Barros Peixoto is a member of the Supervisory Board of Martifer (Member of the Supervisory Board). She has a degree in Economics from the Economics Faculty of the University of Porto (1993). She has been a Certified Public Accountant since 2006, registered in the Portuguese Certified Public Accountant Association as number 1258. Between 2012 and 2014 she was a member of the Advisory Council of the Northern Regional Section of the Portuguese Certified Public Accountant Association, between 2014 and 2017 she was an adjuvant to the Director of the Northern Regional Section of the

Portuguese Certified Public Accountant Association and is currently a member of the Superior Board of Governors of the Portuguese Certified Public Accountant Association.

António Baia Engana is an alternate member of the Supervisory Board of Martifer (Alternate Member of the Supervisory Board). He holds a degree in Economics from the Economics Institute (ISE – Instituto Superior de Economia) and a bachelor's degree in Accounting from Commercial Institute of Lisbon (ICL – Instituto Comercial de Lisboa). He has been a Certified Public Accountant since 1989 and is registered in the Portuguese Certified Public Accountant Association as number 612, being currently a partner at ALVES DA CUNHA, A. DIAS & ASSOCIADOS, SROC, LDA.. He has been, since 1994, a member of the General Council and of the Executive Committee of the Accounting Standards Committee, having presided the Executive Committee between 1999 and 2005. He has been a member of Supervisory Boards in insurance companies since October 2009.

REMUNERATION SETTING COMMITTEE

António Manuel Queirós Vasconcelos da Mota is President of the Remuneration Setting Committee. He has a degree in Civil Engineering (Communication Routes) from the Faculty of Civil Engineering of the University of Porto. He is currently Chairman of the Board of Directors of Mota-Engil, SGPS, S.A., a position he has held since 2000. He has already served as Chairman of the Board of Directors in other companies, namely, Mota-Engil, Engenharia e Construções, S. A. (2003-2006), at Mota-Engil Internacional, S. A. (2000-2003), at Engil – Sociedade de Construção Civil, S.A. (2000-2003) and Mota & Companhia, S. A. (1995-2003), where he also was Vice President (1987-1995). He started his professional life in 1977 as a trainee in Mota & Companhia, Lda, and between 1979 and 1981 he worked at several departments of the company, where he was also General Director of Production (1981- 1987).

Maria Manuela Queirós Vasconcelos Mota dos Santos is a member of the Remuneration Setting Committee. She holds a degree in Economics from the Faculty of Economics of Porto. Shee has held management positions in several companies of the Mota-Engil Group, and is currently Chairman of the Group's Human Resources Development Committee. Presently, she is a member of the Board of Directors at Mota-Engil, SGPS, S. A..

Júlia Maria Rodrigues de Matos Nogueirinha is a member of the Remuneration Setting Committee. She holds a degree in Law from the Law Faculty of the University of Coimbra and has been registered at the Portuguese Bar Association since 2002. She is presently the President of the Board of the General Assembly of I'M SGPS, S.A , and was Member of the Board of Directors in other companies of I'M Group, namely in Almina – Minas do Alentejo, S. A..

ANNEXE II

Positions Held and Activities Undertaken by the Members of the Board of Directors

CARLOS MANUEL MARQUES MARTINS

a) Positions in Companies of Martifer Group:

		initial election date
PRESIDENT OF THE BOARD OF DIRECTORS:	Martifer SGPS, S.A.	29/10/2004
	Duelobrigatório S.A.	20/07/2016
	Eviva Beteiligungsverwaltungs GmbH (Austria)	07/07/2007
	Martifer Deutschland GmbH (Alemanha)	14/10/2005
MEMBER OF THE BOARD OF DIRECTORS:	Martifer Construcciones PERÚ, SA	10/01/2013
MEMBER OF THE SUPERVISORY BOARD:	Martifer Renewables, SA (Poland)	12/07/2012

b) Positions held in Companies not part of Martifer Group:

PRESIDENT OF THE BOARD OF DIRECTORS:	I'M SGPS, S.A.	31/03/2006
	Almina Holding, S.A.	09/12/2008
	Estia SGPS, S.A.	27/12/2005
	Tavira Gran Plaza, SA	09/07/2010
	Severis, SGPS S.A.	03/11/2008
	Vetor Diálogo, SGPS S.A.	31/03/2014
	Promodois – Investimentos Imobiliários, S.A.	03/10/2018
	Promovinte – Investimentos Imobiliários, S.A.	18/06/2018
	The Visitor View, S.A.	23/02/2017
	Kilometer Low Cost, S.A.	04/01/2020
	Black and Blue Investimentos, S.A.	23/03/2020
MEMBER OF THE BOARD OF DIRECTORS:	PCI - Parque de Ciência e Inovação, S.A. (representing I'M - SGPS, S.A.)	28/09/2010
	Estia RO S.R.L.	26/07/2007
	Mamaia Investments S.R.L.	04/01/2019
	Office Building Vacaresti SRL	13/07/2011
MANAGER:	Exclusipolis, SGPS, Lda.	16/09/2009
	PANNN - Consultores de Geociências, Lda.	27/02/2012
	Segmento Protagonista, SGPS, Lda.	11/06/2014
	Promoquinze – Investimentos Imobiliários, Lda.	17/07/2018
	Estiadevelopment, Unipessoal, Lda.	17/07/2018
	I'M – Serviços de Gestão, Unipessoal, Lda.	17/07/2018
	Loftmoments – Investimentos Imobiliários, Unipessoal, Lda.	04/10/2018
	Promodoze – Investimentos Imobiliários, Lda.	21/11/2018
	Goodasset, Lda.	22/06/2018
SOLE BOARD MEMBER:	Expertoption, SGPS, SA	24/03/2010
	Detalhes Urbanos – Promoção Imobiliária S.A.	03/10/2018

JORGE ALBERTO MARQUES MARTINS

initial election date

a) Positions in Companies of Martifer Group:

VICE PRESIDENT OF THE BOARD OF DIRECTORS:	Martifer SGPS, S.A.	29/10/2004
MEMBER OF THE BOARD OF DIRECTORS:	Eviva Beteiligungsverwaltungs GmbH (Austria)	07/07/2007
	Martifer Deutschland GmbH (Germany)	14/10/2005
MEMBER OF THE SUPERVISORY BOARD:	Martifer Renewables, SA (Poland)	12/07/2012
MANAGER:	Global Holding Limited (Malta)	21/08/2013
	Global Engineering & Consulting Limited	21/08/2013

b) Positions held in Companies not part of Martifer Group:

MEMBER OF THE BOARD OF DIRECTORS:	I´M SGPS, S.A.	31/03/2006
	Estia SGPS, S.A.	27/12/2005
	Tavira Gran Plaza, SA	09/07/2010
	Severis, SGPS S.A.	03/11/2008
	Vetor Diálogo, SGPS S.A.	31/03/2014
	Almina Holding, S.A.	13/03/2018
	Promovinte – Investimentos Imobiliários, S.A.	18/06/2018
	Promodois – Investimentos Imobiliários, S.A.	03/10/2018
SOLE BOARD MEMBER	BRASEME - Investimentos e Consultoria, S.A.	31/05/2017
MANAGER:	Promoquinze – Investimentos Imobiliários, Lda.	17/07/2018
	I'M – Serviços de Gestão, Unipessoal, Lda.	17/07/2018
	Estiadevelopment, Unipessoal, Lda.	17/07/2018
	Segmento Protagonista, SGPS, Lda.	27/08/2018
	Loftmoments – Investimentos Imobiliários, Unipessoal, Lda.	04/10/2018
	Exclusipolis, SGPS, Lda.	20/11/2018
	Promodoze – Investimentos Imobiliários, Lda.	21/11/2018
	Cenário Fértil, Unipessoal, Lda.	02/12/2019

ARNALDO JOSÉ NUNES DA COSTA FIGUEIREDO

initial election date

a) Positions in Companies of Martifer Group:

VICE PRESIDENT OF THE BOARD OF DIRECTORS:	Martifer SGPS, S.A.	24/05/2010
MEMBER OF THE BOARD OF DIRECTORS:	Duelobrigatório S.A.	20/07/2016

b) Positions held in Companies not part of Martifer Group:

PRESIDENT OF THE BOARD OF DIRECTORS:	Mota-Engil, Indústria e Inovação, SGPS, SA	10/02/2011
VICE-PRESIDENT OF BOARD OF DIRECTORS:	Mota-Engil, SGPS, SA	26/05/2008
MEMBER OF THE BOARD OF DIRECTORS:	Vetor Diálogo, SGPS S.A.	31/03/2014
MEMBER OF THE GENERAL COUNCIL:	AEM - Associação de Empresas Emitentes de Valores Cotados em Mercado	
BOARD MEMBER:	PROFORUM - Associação para o Desenvolvimento da Engenharia	
PRESIDENT OF THE BOARD OF THE GENERAL MEETING	Mercado Urbano – Gestão Imobiliária, S.A.	
MEMBER OF THE REMUNERATION SETTING COMMITTEE	Vibeiras – Sociedade Comercial de Plantas, S.A.	

Vice-President of the Strategic Council for Economic Cooperation, Development and Lusophonia.

Member of the General Council of Boavista Football Club.

PEDRO MIGUEL RODRIGUES DUARTE

initial election date

Positions within Martifer Group:

PRESIDENT OF THE BOARD OF DIRECTORS:	Martifer Metallic Constructions, SGPS, S.A.	28/04/2011
	Martifer Construções Metalomecânicas, S.A.	28/04/2011
	Sociedade de Madeiras do Vouga, S.A.	10/07/2018
	Martifer Renewables SGPS, S.A.	02/07/2018
	Martifer Renewables, S.A.	12/07/2018
	Navalria - Docas, Construções e Reparações Navais, S.A.	28/04/2011
	Martifer Construções Metálicas Angola, S.A.	26/11/2018
	Martifer Renewables Operation & Maintenance Sp. z o.o.	13/06/2019
MEMBER OF THE BOARD OF DIRECTORS:	Martifer SGPS, S.A.	18/05/2018
	Martifer - Visabeira, S.A. (Mozambique)	14/08/2018
	Cedilhas ao Vento - S.A.	02/09/2019
MANAGER:	Promoquatro - Investimentos Imobiliários Lda.	17/07/2018
	West Sea - Estaleiros Navais, Unipessoal, Lda.	30/12/2013
	Volume Cintilante – Unipessoal, Lda.	29/01/2020

PEDRO NUNO CARDOSO ABREU MOREIRA

initial election date

a) Positions in Companies of Martifer Group:

MEMBER OF THE BOARD OF DIRECTORS:	Martifer SGPS, S.A.	06/01/2015
	Martifer Metallic Constructions, SGPS, S.A.	29/01/2015
	Martifer Construções Metalomecânicas, S.A.	31/12/2014
	Sociedade de Madeiras do Vouga, S.A.	02/02/2015
	Martifer Renewables SGPS, S.A.	29/01/2015
	Martifer Renewables, S.A.	12/07/2018
	Duelobrigatório S.A.	20/07/2016
	Navalria-Docas, Construções e Reparações Navais, S.A.	31/12/2014
	Liszki Green Park Sp. Z o.o.	18/12/2014
	M-City Gliwice Sp. Z o.o.	18/12/2014
	Park Logistyczny Biskupice Sp. Z o.o.	18/12/2014
	Wind Farm Bukowsko sp. z o.o.	18/12/2014
	Wind Farm Jawornik sp. Z o.o.	18/12/2014
	Wind Farm Piersno sp. z o.o.	18/12/2014
	Wind Farm Markowa sp. z o.o.	18/12/2014
	Wind Farm Łada sp. z o.o.	18/12/2014
	Wind Farm Oborniki Śląskie sp. z o. o.	18/12/2014
	PV SOL 1 sp. z o.o.	18/12/2014
	PV SOL 2 sp. z o.o.	18/12/2014

	PV SOL 3 sp. z o.o.	18/12/2014
	PV SOL 4 sp. z o.o.	18/12/2014
	PV SOL 5 sp. z o.o.	18/12/2014
	PV SOL 6 sp. z o.o.	18/12/2014
	Martifer Renewables, S.A. (Poland)	12/07/2018
	Martifer Renewables Operation & Maintenance Sp. z o.o.	13/06/2019
	Cedilhas ao Vento - S.A.	02/09/2019
DIRECTOR:	Martifer Renewables Italy B.V. (Netherlands)	14/09/2018
MANAGER:	Promoquatro - Investimentos Imobiliários Lda.	26/01/2015
	West Sea - Estaleiros Navais, Unipessoal, Lda.	26/02/2015
	Volume Cintilante – Unipessoal, Lda.	29/01/2020

b) Positions held in Companies not part of Martifer Group:

MEMBER OF THE GENERAL COUNCIL:	AEM - Associação de Empresas Emitentes de Valores Cotados em Mercado	

MARIA SÍLVIA DA FONSECA VASCONCELOS DA MOTA

initial election date

a) Positions in Companies of Martifer Group:

MEMBER OF THE BOARD OF DIRECTORS:	Martifer SGPS, S.A.	18/05/2018

b) Positions held in Companies not part of Martifer Group:

PRESIDENT OF THE BOARD OF DIRECTORS:	Mota Global – Planeamento, S.A.	11/08/2017
MEMBER OF THE BOARD OF DIRECTORS:	Mota-Engil Europa, S.A.	01/03/2016
	MESP - Mota-Engil, Serv. Partilhados Adm. e de Gestão, S.A	04/10/2016
	Swipe News, S.A.	24/01/2017
	ME Real Estate – Mota-Engil Real Estate Portugal, S.A.	.24/07/2018
	Mota Gestão e Participações – Soc. Gest. de Part. Soc, S.A.	15/11/2017
	Mota-Engil Real Estate, SGPS, S.A.	18/10/2018
	Oriental HUB–Rec. Expl. Ant.Matadouro Ind. do Porto, S.A.	29/11/2018
	AMGP Agricultura, S.A.	04/03/2019
	Belém Grid – Promoção Imob. e Animação Turística, S.A.	14/10/2019
	Sociedade Agrícola Moura Basto, S.A.	26/03/2019
MANAGER:	Covelas – Energia, Lda.	17/01/2013

	Imogera, Lda.	17/01/2013
	Cerâmica de Boialvo, Lda. (representing Mota Gestão e Participações – Sociedade Gestora de Participações Sociais, S.A.)	05/03/2018
SECRETARY OF THE BOARD OF DIRECTORS:	Sunviauto México – Sociedad Anonima de Capital Variable	
MEMBER OF THE SUPERVISORY BOARD:	Mota-Engil Central Europe Ceská Republika, A.S.	

VÍTOR MANUEL ÁLVARES ESCÁRIA

initial election date

Positions within Martifer Group:

MEMBER OF THE BOARD OF DIRECTORS:	Martifer SGPS, S.A.	18/05/2018

He does not hold any position in any other Company, part or not part of Martifer Group.

MARIANA MACHADO FRANÇA GOUVEIA SANDE NOGUEIRA

initial election date

Positions within Martifer Group:

MEMBER OF THE BOARD OF DIRECTORS:	Martifer SGPS, S.A.	18/05/2018

She does not hold any position in any other Company, part or not part of Martifer Group.

MARTIFER
GROUP

ANNEXE III

Statement on the remuneration policy of the management and supervisory bodies APPROVED at the General Meeting on 27 May 2019

I - INTRODUCTION

In the use of the legal power conferred by article no. 399 of the Commercial Companies Code, the Articles of Association of Martifer - SGPS, SA, a publicly-traded company, in its article no. 20, delegate to the Remuneration Setting Committee the competence to set the remuneration of the Management and Supervision Bodies of the Company.

According to the applicable provisions of the Articles of Association, the Remuneration Setting Committee was elected at the Shareholder General Meeting on 18 May 2018, to exercise its duties for the three-year period 2018- 2020. It is currently formed by:

António Manuel Queirós Vasconcelos da Mota (President)
Maria Manuela Queirós Vasconcelos Mota dos Santos (Member)
Júlia Maria Rodrigues de Matos Nogueirinha (Member)

To promote transparency and the legitimacy of the setting of the remuneration of the members of the corporate bodies, the Remuneration Setting Committee, in compliance with the provisions of article no. 2 of Law no. 28/2009 of 19 June, submits for the approval of the General Meeting of the Shareholders of Martifer - SGPS, S. A., a publicly-traded company, on 27 May 2019, the present statement on the remuneration policy of the management and supervisory bodies of the Company.

This statement seeks to closely follow the applicable provisions of the CCC and the Corporate Governance Code of the Portuguese Institute of Corporate Governance - IPCG (2018).

It is also relevant to point out that the present statement, more than mandatory by law, it intends to be an important instrument of good corporate governance, aiming to inform the shareholders, to protect their interests and for greater transparency of Corporate Governance in matters of the remuneration of corporate bodies.

II – REGULATORY REGIME

In the definition of the remuneration policy to be established by the Remuneration Setting Committee, the legal provisions of CCC were taken into account, namely its article no. 399; Law no. 28/2009 of 19 June, concerning the regime of approval and disclosure of the remuneration policy of the management and supervisory bodies in listed companies, as well the Company Corporate Governance Code of the Portuguese Institute of Corporate Governance - IPCG (2018). Secondly, the special regime established in the Company's Articles of Association was also taken into consideration, for the definition of the remuneration policy.

The Portuguese Companies Code provides, in Article no. 399, the statutory regime of remuneration for the Board of Directors, which, in summary, establishes that:

- The setting of the remunerations is a responsibility of the Shareholders General Meeting or of a committee appointed by it for this purpose and shall take into account the duties performed and the economic situation of the Company;

- The remuneration may be fixed or partially represent a percentage of the financial year´s profit; nevertheless, the maximum percentage allocated to the directors shall be authorized by a clause of the Articles of Association of the Company and shall not be levied on the distribution of reserves or on any portion of the profits not legally available for distribution to the shareholders.

Regarding the members representing the Supervisory Board and the Board of the General Meeting, the Portuguese Commercial Companies Code states that the remuneration shall consist of a fixed amount which is equally determined either at a Shareholders

General Meeting or by a committee appointed by it for this purpose, taking into consideration each member's position and the company's economic situation.

Moreover, Articles no. 13 and no. 20 of the Articles of Association state the following:

- The remuneration of the members of the Corporate Bodies shall be fixed by the Remuneration Setting Committee;
- The General Meeting that elects the corporate bodies shall also elect the Remuneration Setting Committee;
- The remuneration of the Board of Directors may be formed by a fixed part and a variable one, the latter representing a percentage that can never exceed five per cent of the net profits for the year, according to the law; and
- The remuneration of the Supervisory Board shall consist of a fixed amount.

III – GENERAL PRINCIPLES

The Remuneration Committee has tried, in its remuneration policy, to promote the convergence of the interests of Directors, of other Corporate Bodies and Managers with the participation in the Company, namely value creation for the shareholders and actual Company growth, privileging a long-term perspective.

Pursuing this aspiration, and subsequent to the policy adopted in previous years, the Committee structured the integrant components of the income of the Board of Directors to reward their performance, discouraging, however, excessive risk-taking by them. This way, it is intended to promote high-level sustained growth.

Finally, it is relevant to say that the economic position of the Company as well the general market practices for similar positions are very important in this Committee’s mission.

Materialising the general policy herein stated, we hereby present the principals to be observed by this Committee in the definition of remuneration:

a) Occupied Position
In the decision of the remuneration of each member of the Board of Directors, it shall be taken into account, for every single member, the position occupied by each member, the complexity of his/her duties, the responsibilities that are, in fact, attributed to him/her, the time dedicated and the added-value resulting from his/her work to the Company.

In this extent, the remuneration between the Executive Board members and the non-Executive Board members needs to be differentiated, as well as the remuneration amongst each Board Member of each category, after evaluation of the abovementioned elements.

There are also duties performed in other controlled companies which cannot be excluded from this consideration, as this means, on one side, there is an increase in terms of responsibility and, on the other, it is another source of income.

b) Alignment of interests of the management and supervisory bodies with those of the Company – Performance evaluation
In order to guarantee alignment of interests of the Management and Supervisory Bodies with the ones of the Company, this Committee shall not fail to pursue the adoption of a policy that rewards the Board Members for the performance of the Company in the long-term perspective and in the creation of value for the shareholder.

c) Economic Situation of the Company
This criterion has to be understood and interpreted cautiously. The size of the company and the inevitable management complexity associated is clearly one of the relevant aspects in determining the economic situation of the company, in the broad sense. To a higher level of complexity, corresponds a higher remuneration; but, the remuneration will have to be adjusted considering other criteria that characterize the economic situation of the Company (financial, related to human resources, etc).

The Committee takes into account the current and future economic situation of the Company, giving priority to the Company's interests in a long-term perspective and to the actual growth of the company and the creation of value for its shareholders.

d) General Market Criteria for Equivalent Situations
The setting of any remuneration has to follow supply and demand, and the situation regarding members of the Corporate Bodies is no exception. Only respect for market practices allows professionals to maintain a level of performance adequate to the complexity of their positions and responsibilities. It is important that the remuneration is aligned with market practices and that it is stimulant, allowing it to become an instrument to help achieve an individual and collective high-level performance; thus, ensuring not only the individual interest but mostly the interests of the Company and of the shareholders.

IV – CONCRETE OPTIONS

Based on the abovementioned principles, the Committee presents the information regarding the concrete remuneration policy options, which are hereby submitted for the Company ‘s shareholders’s consideration:

1st The remuneration of the Executive Members of the Board of Directors shall be made up of a fixed and, when so determined by the Remuneration Setting Committee, a variable part; and, according to the law and article no. 20., no. 3 of the Articles of Association, the variable part cannot exceed 5% (five per cent) of the annual net profit.

2nd The remuneration of the non-Executive Independent Members of the Board of Directors, the Members of the Supervisory Board and the Members of the Board of the General Meeting shall only consist of a fixed part.

3rd The fixed part of the remuneration of the Executive members of the Board of Directors, as well the non-Executive Members non-Independent (when applicable), shall consist of a monthly amount payable fourteen times per year.

4th The fixed remuneration for each participation in the meetings of the Board of Directors shall be set for the non-Executive and Independent Board members.

5th The fixed remuneration of members of the Supervisory Board shall be set in a monthly value payable twelve times per year.

6th In setting all remunerations, including the distribution of the global amount of the variable remuneration of the members of the Board of Directors, the general principles referred to above shall be observed: positions carried out, alignment with the interests of the Company, privileging the long term, the Company situation and market criteria.

7th The fixed remuneration of the members of the Board of the General Meeting will be a predetermined value for each meeting.

8th The process of attribution of the variable remuneration to Executive members of the Board of Directors must follow the criteria proposed by the Remuneration Settng Committee, namely their hierarchal position, the performance assessment made and the real growth of the Company, seeking to promote convergence of the interests of the Management Body with those of the Company, with emphasis on the long-term performance; and this will be considered in the performance assessment criteria of the Board. Thus, they will be considered decisive for the assessment and measurement of the variable remuneration:

- the contribution of the Executive Directors for the obtained results;
- the profitability of the businesses from the shareholder perspective;
- the evolution of the share price quotation;
- the extent to which the projects integrated and measured by the Balanced Scorecard of the Group are executed.

9th Notwithstanding the abovementioned policies to protect the shareholders and the Company’s interests in the long term, the Committee, in its search of the best Corporate Governance practices regarding remuneration policies of the Corporate Bodies, continues: (i) to promote a study and comparative analysis of remuneration policies and practices of other groups of companies in the same sector regarding the fixing of remuneration for future implementation and adoption at Martifer, as well as (ii) study the possibility of adoption of a policy that, shown to be feasible and balanced to all parties involved, foresees the possibility of the variable remuneration - when attributed - to be payable, in part or totally, only after the financial accounts of the entire term of office are cleared and, on the other hand, that allow a limitation to the variable remuneration (when this is fixed and actually earned by the Board Members) in case the results show a relevant deterioration of the company’s performance in the last cleared financial year or when it is expected in the present year.

V – LIMITS

In case of verification of a permanent and not exceptional increase of the volume of activity associated with the exercise of functions by the General Meeting and the Supervisory Board members, the maximum amount payable to the members of the governing bodies, in particular the members of the General Meeting and the Supervisory Board may not exceed, respectively, either individually or in aggregate, 25% of the average amount paid in the last 3 financial years, for the corresponding member of the governing body.

VI – OTHER RESPONSIBILITIES

Regarding the process of hiring or appointing members to its governing bodies, the Company shall not enter into any contracts or agreements with such members that allow the recognition or assignment of the right to receive payment of any damage or compensation beyond the amounts legally payable, in the event of dismissal or termination of service.

ANNEXE IV

STATEMENT OF THE BOARD OF DIRECTORS ON THE REMUNERATION POLICIES TO BE APPLIED TO DIRECTORS OF MARTIFER GROUP REGARDING PARAGRAPH 3 OF ARTICLE NO. 248-B OF THE SECURITIES CODE

I - INTRODUCTION

Following Recommendation V.2 of the Corporate Governance Code of the IPCG - Portuguese Institute of Corporate Governance (2018) about the relevance of the remuneration policy covering the managers in the sense of paragraph 3 of article no. 248-B of the Securities Code, the principles and general rules in force are presented, which are extensive to the universe of Martifer Group employees, which include other employees whose professional activity may have a relevant impact on the risk profile of the Company. In relation to the options on remuneration applicable to members of the management and supervisory bodies, whose requirement is provided for in Law no. 28/2009 of 19 June, the respective concrete options are referred to in the Statement of the Remuneration Committee.

II – GENERAL PRINCIPLES

The remuneration policy of Martifer Group comprises a set of operating principles that aim to guarantee its contribution to the achievement of the strategic vision and culture advocated for the Group, as well as the alignment of the interests of the managers with the long-term interests of the Group.

a) Ability to capture and retain:

Martifer Group intends, through its remuneration policy, to ensure the attraction and retention of talent, adopting a competitive market positioning, taking into account the degree of responsibility and the contribution of the employees to value creation.

b) Alignment of remuneration practices with short and long-term performance:

The remuneration policy of Martifer Group and its rules of application are indexed to the performance assessment model in force, aligned with the Strategic Plan of the Group that was defined for a long-term horizon.

c) Fairness/ competitiveness:

The remuneration policy is segmented in functional groups that result from an evaluation of the function, allowing, on the one hand, to internally even the remuneration practices according to criteria of responsibility, complexity and autonomy and, on the other hand, to ensure competitiveness with the practices of the reference market.

d) Meritocracy:

The criteria that establish the increment of remuneration components are based on the success achieved by Martifer Group in the several business areas, as well as the performance assessment of individual collaborators, in order to recognise and reward merit and excellence.

e) Transversality/ verticality:

Martifer Group intends to associate its management model to a common policy for executive and management functions, promoting transversal alignment and convergence for the strategy, culture and goals of the Group.

In order to safeguard the specificity of the different businesses, the remuneration policy also incorporates rules for vertical application, business area by business area, from company to company, in order to adapt their practices to the context of the respective reference activity and market sector.

The remuneration policy of Martifer Group is segmented into functional groups, which aggregate functions in accordance with parameters, such as the degree of knowledge, complexity and required responsibility/ autonomy, and which are structured as follows: (i) Executive Board Members; (ii) Coordinating Directors; (iii) Directors; (iv) Technicians and (v) Administrative and Operational Staff

The functional groups listed constitute the fundamental support to the definition of human resources policies, particularly the remuneration policy, establishing, for each functional group, the remuneration components and conditions, whether they are of a fixed or variable nature and/or benefits, taking into account the recommended positioning strategy and the salary practices of the determined reference markets.

III – CONCRETE OPTIONS

1. The overall structure of the remuneration policy of the Group

Martifer Group's remuneration policy includes two remuneration components that are defined taking into account the function, the alignment with market salary practices and the performance demonstrated by employees:

- Fixed remuneration, which is composed by a gross base salary paid during a one-year period. Each functional group has associated a salary range, being established minimum, average and maximum values, taking into account the function, the level of experience, the performance of the person and the reference market salary practices and those of Martifer.

- Benefits, which recommends a portfolio of benefits applicable per position and the respective functional group.

2. Plans for the attribution of shares or stock options

There are no plans for the attribution of shares or stock options to the managers in the sense of paragraph 3 of article no. 248-B of the Portuguese Securities Code.

ANNEXE V

STATEMENT REFERRED TO IN ARTICLE NO. 245, PARAGRAPH 1, SUBPARAGRAPH (C) OF THE PORTUGUESE SECURITIES CODE

Subparagraph (c) of paragraph 1 of article no. 245 of the Portuguese Securities Code states that every one of the people responsible for the issuers must make a set of statements provided for therein. In the case of the Company, a standard statement was adopted, with the following content:

> *I declare, under the terms and for the purposes provided for in subparagraph (c) of paragraph 1 of article no. 245 of the Portuguese Securities Code which, to my knowledge, the management report, the annual accounts, the legal certification of accounts and other documents of accountability of Martifer SGPS, S.A. – a publicly-traded company, all relating to the financial year of 2019, were drawn up in accordance with the applicable accounting standards, giving a true and fair view of the assets and liabilities, financial position and results of that company and the companies included in its scope of consolidation, and that the management report exposes faithfully the development and performance of the business and of the position that that company and the companies included in the scope of consolidation, containing a description of the main risks and uncertainties that they face.*

Considering that the members of the Supervisory Board and the Statutory Auditor subscribe an equivalent statement within the scope of the documents which are of their responsibility, the independent statement with that text was only signed by the members of the Board of Directors, because only those that are members of the governing bodies are considered to be the ones "responsible for the issuer". In terms of the mentioned legal provision, the names of the subscribers are indicated and their position:

NAME	POSITION
Carlos Manuel Marques Martins*	PRESIDENT OF THE BOARD OF DIRECTORS
Jorge Alberto Marques Martins	VICE PRESIDENT OF THE BOARD OF DIRECTORS
Arnaldo Nunes da Costa Figueiredo	VICE PRESIDENT OF THE BOARD OF DIRECTORS
Pedro Miguel Rodrigues Duarte	MEMBER OF THE BOARD OF DIRECTORS
Pedro Nuno Cardoso Abreu Moreira	MEMBER OF THE BOARD OF DIRECTORS
Maria Sílvia da Fonseca Vasconcelos da Mota	MEMBER OF THE BOARD OF DIRECTORS
Vítor Manuel Álvares Escária	MEMBER OF THE BOARD OF DIRECTORS
Mariana Machado França Gouveia Sande Nogueira	MEMBER OF THE BOARD OF DIRECTORS

ANNEXE VI

QUALIFYING HOLDINGS

In compliance with the provisions of article no. 2, paragraph 4, of CMVM Regulation no. 7/2018, the following is a list of the holders of qualifying holdings on 31 December 2019, indicating the number of shares held and the percentage of corresponding voting rights, calculated under article no. 20 of the Portuguese Securities Code:

SHAREHOLDERS	NO. OF SHARES	% OF SHARE CAPITAL	% OF VOTING RIGHTS[1]
I'M – SGPS, SA	**38,005,689**	**38.01%**	**38.86%**
Carlos Manuel Marques Martins*	2,455,028	2.46%	2.51%
Jorge Alberto Marques Martins*	2,430,260	2.43%	2.48%
Total Imputable to I'M – SGPS, SA	**42,890,977**	**42.89%**	**43.86%**
Mota-Engil – SGPS, SA	37,500,000	37.50%	38.35%
Arnaldo José Nunes da Costa Figueiredo **	3,000	0.00%	0.00%
Total Imputable to Mota-Engil, SGPS, SA	**37,503,000**	**37.50%**	**38.35%**

[1] % of voting rights = No. of Shares Held / (No. of Total Shares - Own Shares)

* Member of a corporate body of I'M SGPS, SA; ** Member of a corporate body of Mota-Engil SGPS, SA

SUSTAINABILITY REPORT

CREATING
A BETTER
FUTURE

STEP-BY-STEP

01

WHO WE ARE AND WHAT WE DO

Creating a better future, step-by-step.

Martifer Group continues to be a leading company in the execution of major projects in the metallic constructions, naval industry and renewable energy sectors that integrates values and commitments with its employees, partners and clients in its culture.

We work daily to exceed our clients' expectations, meeting deadlines and presenting the best solutions for each project. To undertake this commitment, the motivation of our teams is to analyse each project critically and creatively, always oriented to the best solution. The personal and professional development of our employees is the way to reach the best solutions, surprising and surpassing all challenges with confidence and ambition.

We operate in three business areas:

METALLIC CONSTRUCTIONS

Martifer Metallic Constructions is a globally recognised player in the sector. It provides global and innovative engineering solutions in the segments of metallic constructions, aluminium and glass façades and oil & gas.

- Metallic Structures
- Aluminium and glass façades
- Oil & Gas

NAVAL INDUSTRY

With two shipyards in Portugal, with the capacity for the build, repair and retrofit medium and large-sized vessels, the naval area already has a portfolio of reference.

- Shipbuilding
- Ship repair
- Retrofit

RENEWABLES

Martifer Renewables is a renewable energy developer, especially in the development of wind farms and PV solar parks.

- Wind Energy
- Solar Energy
- O&M

Always with our eyes set on the future, we continue to be recognised as a distinctive brand, resulting from our capacity to implement, the courage to take on new challenges and the commitment to never give up acting following our culture, values and fundamental principles as a way of thinking and working, even in the most challenging situations.

02

SUSTAINABILITY MANAGEMENT

At Martifer, we continually invest in the promotion of sustainable development, focusing on three sustainability dimensions - Social, Environmental and Economic.

We view sustainability as a fundamental factor for the success of the business, having tried, year after year, to develop it in all its forms.

For us, sustainability is not only based on risk management and compliance with standards, but it is also the engine of several benefits, such as internal efficiency, cost reduction and business expansion.

With 30 years of existence, Martifer has become a Group with a business portfolio focused on three areas: metallic constructions, naval industry and renewable energy. It has transversal and clear objectives for corporate sustainability, which seek to ensure the development of the business in the long term in all aspects: economic-financial, social and environmental.

From its effort to improve the Group's financial situation in search of solutions to reduce the ecological footprint, Martifer Group continuously seeks greater sustainability, always guided by well-defined financial objectives and following the Ethics and Conduct Code.

OUR VALUES

- Rigour and commitment
- Humility and integrity
- Critical sense and nonconformity
- Common sense and clarity in communication
- Mutual help and solidarity
- Pride in the company and feeling of belonging
- Work capacity and innovative spirit

CORPORATE GOVERNANCE

Martifer Group's governance model is defined, compiled and disclosed in the Corporate Governance Report. Besides the Board of Directors, Martifer also relies on committees that allow it to comply with best practices and to support the Board of Directors in specific areas, such as the Remuneration Committee, the Ethics and Conduct Committee, the Corporate Governance Committee and the Risk Committee.

ETHICS AND CONDUCT CODE

The Ethics and Conduct Code is the document that contains the values that guide the performance of Martifer Group, as well as the ethical principles and norms of conduct to which the Group and its employees are subject and assume as intrinsically their own.

CORPORATE STRATEGY

Continuing what was defined in the strategic pillars for the 2018-2020 period (strengthening the organisational culture and consolidating the governance model, increase in operational efficiency, planning and productivity, and consolidating the financial readaptation trajectory), the Group seeks to ensure its long-term economic and financial sustainability.

QUALITY, SAFETY AND ENVIRONMENT POLICY

Martifer Group has been committed, since the beginning of its activity, to the safety of its employees, to the reduction of the impact of its activity in the environment and the quality of its products and services, having a defined and public Quality, Safety and Environment Policy regarding these crucial aspects of an industrial company.

Sustainability management within the Group is carried out by several departments in cooperation, both in the holding company and in the business areas, always based on the above stated five vectors. However, it is on the day-to-day activities that sustainability, in a more or less formal way, is carried out. From the completed projects to the daily management of each department, we aim for sustainability to be present in all of the Group's activities.

03

SOCIAL DIMENSION

EMPLOYEES AND WORK ENVIRONMENT

Our employees are MORE! At Martifer, we trust the work capacity of each employee we recruit, their desire to innovate, improve and contribute to the success of the company, wherever they are. This is why Martifer seeks to develop a safe workplace for its approximately 1,400 employees spread over several countries, placing at their disposal the right tools to carry out their work with excellent results, without compromising their well-being and their safety.

Characterisation of the Human Resources

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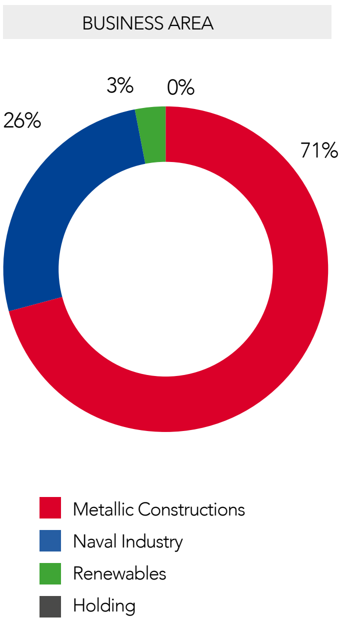
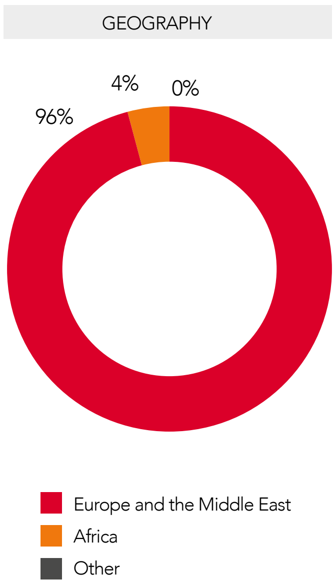
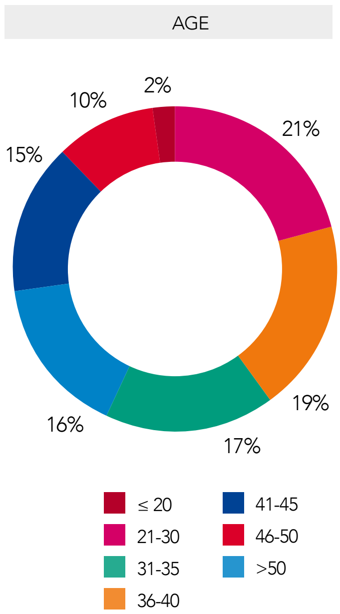
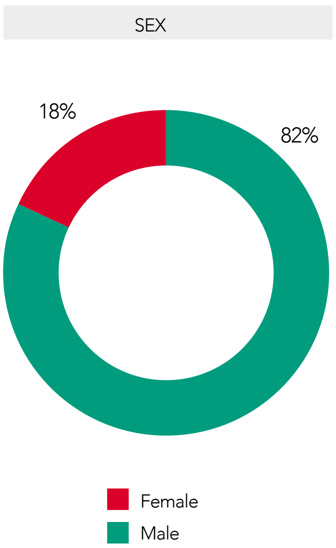
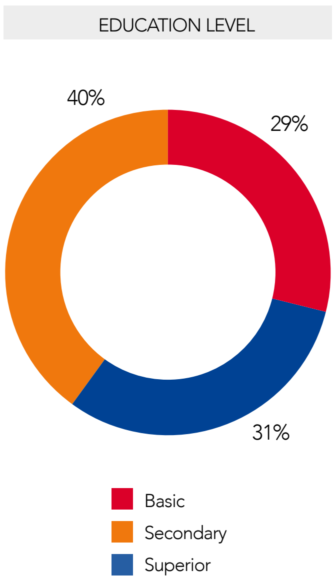
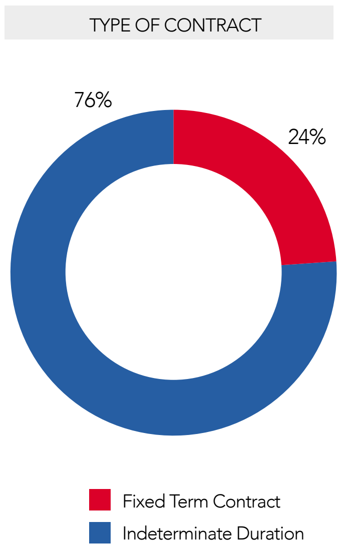












Support and benefits

Martifer Group seeks to provide various social benefits to its employees, for example, access to services or protocols with entities, contributing to the maintenance of their well-being and, consequently, for their personal and professional achievement.

The balance between the professional and personal life is a factor that over the past few years has increased corporate social responsibility, to promote the conciliation between both dimensions. In this sense, and with the awareness that it is essential to have happy employees doing what they like, Martifer Group incorporates this vital factor in its management policies and practices. Examples of this are the support and services described throughout this report.

COLLABORATOR ASSISTANCE DESK
Created more than ten years ago, the Collaborator Assistance Desk guarantees face-to-face assistance to the Group's employees in Oliveira de Frades. It provides information on the different Human Resources areas. Complementing the services available in the Internal Portal, in the multimedia kiosks and the e-mail support service, the Collaborator Assistance Desk is not only an advantage for employees but also a useful tool for internal communication.

At the Collaborator Assistance Desk, the management of several aspects of the relationship between the employee and the company is ensured, namely:

Attendance Management | absence (communication and delivery of support documents), holiday plan (information and consultation), time bank, supplementary work

Remuneration | delivery of payslips and individual income declarations, information and clarifications on salary processing

Personal Data | changes in personal data, document update, issuance of declarations for external entities

Expatriation | information and clarifications on expatriation processes, request and delivery of visas, information on international vaccination

Health Insurance | information about the policy conditions, subscription of the health insurance, delivery of health expenses for reimbursement

Recruitment | Internal recruitment (consultation and application), recommend a professional (delivery of curricula)

Academy of Competences | information on training actions, collection of training certificates, collection and delivery of books from/to the library

Social Services | service and support to employees

Work Accidents | information about the policy conditions, guidance and accompaniment of work accident situations, delivery of expenses for reimbursement

Access | request for a new password to access the internal portal for employees with no access to e-mail, issuance of employee cards and visitor cards

The Collaborator Assistance Desk also provides some useful services for employees, such as:

Nurse's Office | nursing, clinical analysis

Doctor's Office | extension of the Health Centre: curative medicine appointments, traveller's appointment

Bank Agency | information desk, bank operations (except deposits and withdrawals)

VACCINATION

Martifer offers its employees the possibility to take the flu shot every year. In 2019, around 113 employees received the vaccine.

BIRTH KIT

Since January 2017, Martifer Group offers a "Birth Kit" to congratulate its employees on their babies. During the year 2019, 42 babies received this kit.

CANTEENS

The Group has canteens in its facilities, ensuring the access of its employees to varied and low-cost meals. The meals are subsidised by Martifer. Once a month, at the headquarters of the Group, the employees can try a "special option", a themed dish.

INSURANCE

Following Martifer Group's incentive policy, all the employees with an employment contract of indeterminate duration are entitled to health insurance that can be extended to their family members.

Expatriated employees, in addition to the extension of their work accident insurance, and according to the forecasted timespan of the expatriation period, can also benefit from health insurance and life insurance.

PREPAID CARD – Meal Card

Martifer Group gives its employees the possibility to subscribe a prepaid card for the payment of the meal allowance, since 2013. It is a "meal ticket card" that substitutes the traditional meal tickets in paper, and it can be used in most food sector establishments connected to the Visa and ATM network. The advantages result in significant savings for the employee and the company. Its use is practical, with no bureaucracy and completely safe.

MOVE MARTIFER GYM

Move Martifer Gym, located at the Group's headquarters in Oliveira de Frades, promotes an active lifestyle and healthy habits among employees and the surrounding community. In 2019, of the approximately 85 enrolled, 45 were collaborators. In addition to the various regular activities, Move Martifer Gym promotes open classes to teach new activities and carries out activities on particular dates. Nutrition appointments are also available, and it has a play area for children while the parents do exercise.

Main activities in 2019:

- MOVE - BTT & TRAIL

- Nutrition Workshop

- Obstacle Race (Police Challenge)

To promote local social development, cooperation protocols have been established with entities near the Group's industrial locations to develop and support local businesses and, at the same time, to find advantages for employees and their family members in the acquisition of goods and access to services. Besides the establishment of partnerships, activities have been organised to promote the entities and their approach to employees and their family members. The protocol conditions are regularly revised and updated, as well as the partnership promotion platform, to make it clearer and to ensure easy access to the partnership conditions.

Martifer currently has 60 cooperation protocols, with an average 20% price reduction in the areas of Culture and Leisure, Education, Beauty, Geriatrics/Gerontology, Health and Well-Being, Telecommunications and Transport.

LIBRARY OF THE ACADEMY OF COMPETENCES
To invest in Martifer's Human and Intellectual Capital, in 2011 the Library of the Academy of Competences was created to facilitate the access to knowledge that can boost personal and professional development, and to stimulate the taste for reading. The Library of the Academy of Competences currently has more than 750 publications available with contents in the areas of applied sciences, social sciences, law, economics, technology, literature, among others, that can be borrowed using the HR Solutions service.

Training and development

ACADEMY OF COMPETENCES
The constant changes in the environment of an organisation are a factor that requires adaptation, flexibility and continuous evolution. The update of employee skills and their commitment to the goals of the organisation are mechanisms that facilitate their integration and adaptation to the context in which the company operates.

Professional training presents itself in this context as a critical factor for the development of employee skills and, consequently, for the progress of the organisation. It is an essential instrument for the materialisation of the organisational strategy, through the promotion of better professional performance as well as personal development, contributing to adjust the individual projects to those of the organisation.

Martifer's Academy of Competences arises from the need to form and "create" its professionals, thereby responding to the Group's growth and innovation. In this sense, Martifer has ensured continuous professional training to employees of all its companies to develop technical and personal skills related to its core activities.

Having a double scope of action, both in the hiring of external training and in the development of internal training projects, it is in this last aspect that the Academy of Competences has focused its activities. In this sense, for the development of training projects in areas where the Academy of Competencies has "installed internal capacity", in particular concerning the design and development of the solution, it uses the Centre of Internal Trainers, selecting technically and pedagogically qualified trainers, depending on an already defined internal profile.

The resort to external trainers and/or external entities appears in this context as an alternative only in situations where the necessary internal resources are not available or don't exist.

In 2019, 571 training actions were carried out, most of them (85%) being internal training, promoted by Martifer employees with recognised technical-pedagogical capacity.

2019 TRAINING ACTIONS	NO. OF ACTIONS	NO. TRAINEES
Total no. of Actions	571	%
Internal Training*	487	85%
External Training**	84	15%

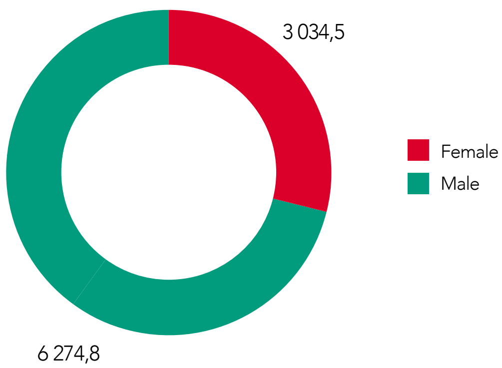
* Actions guaranteed by internal resources

** Actions with external trainers/ entities

TRAINING

The personal and professional development of our employees is the way to overcome expectations, surprising and surpassing all challenges with confidence and ambition. Our strength is the result of the valorisation of our people, through continuous training, a strategic pillar for the success of our projects. This is demonstrated by the volume of more than 9 thousand hours of training throughout the year 2019, in several areas, from the adequacy to the employee workplace, to the behavioural domain, as well as management, continuous improvement, innovation and technology.

TRAINING HOURS CARRIED OUT IN 2019, BY SEX



QUALITY OF THE TRAINING

The assessment of the training is based on the relation between who organises it and who benefits from it, through the gathering of information along the training process. It leads to the guarantee of the quality of the final product and the mobilisation of information among the participants in the training: company, trainees and trainers.

Therefore, to achieve continuous improvement, Martifer's training actions are assessed to evaluate the reaction of trainees and trainers, knowledge acquisition and the transfer of knowledge to the workplace.

The evaluation models adopted by the Academy of Competencies are based on different levels of intervention, which, like the instruments used for this purpose, are defined at the time of the characterisation of the action.

The assessment of the reaction to training aims to gather information regarding the acceptance of the content of the training, the trainer's performance, the evaluation of certain aspects of the training action and to receive suggestions for improvement.

The global result of the reaction to training in last year, excluding training provided by external entities, has shown the quality of the training actions developed by the Group.

ASSESSMENT OF THE REACTION TO THE TRAINING	
Course	3
Trainer	4
Organisation	3
Trainees	4
Global evaluation of the training session	4

Insufficient (1) - Adequate (2) - Good (3) - Excellent (4)

The learning assessment aims to determine which skills or knowledge have been acquired or developed from the training. The instruments often used in the training actions promoted by the Academy of Competences are knowledge tests, written tests, or performance tests that require the demonstration of similar behaviours by the trainees, by carrying out practical exercises.

The assessment of behaviour to evaluate the learning results in a context of training and the transfer of learning to the work context is carried out by the Academy of Competences, according to the specific characteristics of the actions and the results to be achieved in each of them.

To prove the benefits of the training, it is essential to evaluate its effectiveness, that is, to determine whether the objectives that underlined the need have been achieved and the competence has been effectively installed, demonstrating, whenever possible, that the investment made has produced the desired effects. Therefore, and since the ultimate goal of the training is that its objectives are achieved so that it can constitute an effective added value for the company and its employees, the Academy of Competences defined as a rule, that all training actions are evaluated on their effectiveness (however, this rule does not apply to short-term information actions, unless their characterisation so indicates). Thus, the company can monitor what has been effective or not and implement corrective actions for training actions that have not been effective (for all or only for some of the trainees) to increasingly adapt the contents, teaching methods, etc to the reality of Martifer Group.

FEATURED TRAINING PROJECTS

Quality, Safety and Environment

Throughout 2019, the investment in the area of quality, safety and environment was consolidated through the development of several formative projects in the various companies of the Group. These projects aim to promote customer satisfaction, improve employee safety conditions and improve their environmental performance.

Martifer believes prevention is crucial to prevent accidents. It is necessary to know the risks, to define and adopt measures to control them, and to respect the use and maintenance rules set for each equipment.

The training actions that were held throughout the year, both internal and external, have sought to cover the totality and diversity of the employee needs. Therefore, regarding safety in the operation of equipment, the following training actions were held:

Training actions on safety in the operation of diverse equipment

TRAINING ACTION	NO. ACTIONS	NO. TRAINEES
Chef de Manouvre - Elinguer	2	8
Formation Elingage	1	7
Montage et utilisation en Enchafaudages	1	2
Assembly, disassembly and maintenance of TORGAR work platforms	1	2
Safety in the assembly, disassembly and use of Catari scaffolding	1	6
Load lifting accessories	1	6
Safety in the operation of platforms and Telescopic Forklift – Update	1	9

An active effort was also made by the Occupational Health and Safety Technicians to strengthen the importance of these themes and to update knowledge regarding the legislation and procedures in force. Therefore, in this scope, the following training actions were held:

Awareness Raising | Quality, Safety and Environment

TRAINING ACTION	NO. ACTIONS	NO. TRAINEES
Specific Safety Procedure	14	88
On-site initial training	30	77
Safety at the Industrial Unit	6	16
Safety on-site	22	143
30 minutes of Safety	169	1.292
Environmental management on-site	2	27
Toolbox	94	142
Safety | Operational Procedures	8	66
General Safety and Environment Rules	1	1

To ensure and allow 161 employees who started to work at Martifer in 2019 to get to know and to comply with the organisation's existing safety and environmental rules, around 76 "Safety for New Employees" training actions were carried out, promoted by the Academy of Competences and by the direction of Quality, Safety and Environment of the various Group companies.

The investment in the promotion of a safety culture and the compliance with procedures, in Martifer Construções, was further evidenced by the increase in the hourly load of awareness actions aimed at improving the work conditions of the employees of the industrial units in Oliveira de Frades and, consequently, reducing the number of accidents. These actions previously designated as "15 Minutes of Safety" have become "30 Minutes of Safety," translating their hourly load in another 15 minutes.

Over the year, 169 actions were carried out, involving all employees who carry out functions in the Production Direction. The continuity of these bimonthly actions for each sector carried out by the Safety Technicians aims to respond to the needs and questions of the employees.

With a focus on product quality and in order to update the knowledge of the Safety Technicians and Quality Controllers, a need and a compelling requirement, some training projects were also developed, among which the following stand out:

Training | Product Quality

TRAINING ACTION	NO. ACTIONS	NO. TRAINEES
SGS and SGA Audits (OHSAS 18001:2007, ISO14001:2015, ISO19011:2012)	1	1
Uncertainties in Calibrations and Tests	1	1
Metrology II - Internal Calibrations	1	1
Penetrating Liquids* – level 1 and 2	1	1
Training for MT and UT exams	1	5
ISO 19011:2018 and ISO 45001:2018	1	8
Magnetoscopy* - level 2	1	1

* Conventional non-destructive test that allows the detection of surface and sub-surface discontinuities in ferromagnetic materials.

The new General Data Protection Regulation (GDPR)

Continuing what had been already developed in 2018 and included in an internal consulting project, information/ clarification sessions focused on the General Data Protection Regulation (GDPR) were held throughout the year 2019.

The purpose of these sessions, among others, was to present the new regulatory requirements for the protection of individuals regarding the processing of their personal data. Systematising:

Training | The new General Data Protection Regulation

TRAINING ACTION	NO. ACTIONS	NO. TRAINEES
GDPR - General Data Protection Regulation	4	46

Foreign Languages

Taking into account the large number of projects in countries whose main languages are French and English, the Academy of Competences in collaboration with several directions from Martifer Construções and West Sea developed several French and English Language courses between May and December, on-site. In all, around 400 hours of training by external certified training entities were dedicated to foreign languages.

The English language courses included 76 employees of the companies Martifer Construções and West Sea, totalling around 280 hours of professional training, in 8 training courses.

Training | English Language

TRAINING ACTION	NO. ACTIONS	NO. TRAINEES
English Language Course || A1+1 (MTC)	1	15
English Language Course || A2 (MTC)	1	14
English Language Course || B1 (MTC)	1	14
English Language Course || B1+1 (MTC)	1	16
English Language Course || A1.1 (WS)	1	4
English Language Course || A2.1 (WS)	1	2
English Language Course || A2.3 (WS)	1	7
English Language Course || B2.4 (WS)	1	4

Training | French Language

TRAINING ACTION	NO. ACTIONS	NO. TRAINEES
French language course | Starter Level (A1+1)	2	26
French language course | Pre-intermediate level (A2)	1	15
French language course | Intermediate and Advanced Level (B1+B2)	1	15

Value Selling and Financial Leaders

In 2019, the Academy of Competences maintained the goal of alignment with the Group's strategic objectives for the three-year period 2018-2020.

The focus on improving business profitability and operating margin for sustainable growth has led to the need to work on the negotiation skill with our clients. In this sense, the Academy of Competences and the Porto Business School promoted the Value Selling course. This training involved 29 employees of the companies Martifer Construções, Martifer Renewables and West Sea, belonging to several functional areas, who within the scope of their functions intervene in one of the phases of preparation, or conduct or close negotiation processes.

Also, in cooperation with the Porto Business School, the Financial Leaders – Finance for Non-Financial Managers course was organised. This training involved 24 employees of various Group companies, part of several functional areas, without academic training in finance, but who, within the scope of their functions, need to develop basic skills in the financial area. This programme provided practical, applied and objective contact with those skills, so that the management decisions reach the value creation objectives as much as possible.

Industrial Production

In what regards industrial training, training aimed at technical areas is included, and it occupies a special importance in the activity of Martifer Group. For the Project, Commercial, Technical and Production directions, the Academy of Competences in collaboration with other external entities developed several training actions whose objectives are directly related to greater knowledge in innovative methods and techniques in several areas and which, as a result, will increase the performance of the various job functions. Among the training actions mentioned above are:

Training | Industrial Production

TRAINING ACTION	NO. ACTIONS	NO. TRAINEES
Structural Glass Design: Key aspects	1	3
Hilti: Cast-in anchor channels + software "Profis Anchor"	1	20
Hilti Solution: Life Safety and Passive Fire Protection	1	12
Design of structures subject to Fire	1	1
SunGuard Guidelines	1	16
Seismic scaling of metallic structures	1	2
JANSEN seminar - CE marking applied to EN 16034	1	5
Technical Seminar - Safety Systems	2	3
Formación en Acústica en la Envolvente	1	25

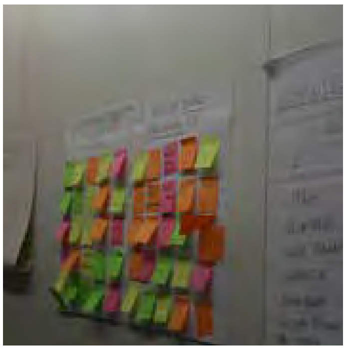
Financial, Accounting and Tax

For employees in the Financial, Accounting, Management Planning and Control, and Consolidation and Reporting areas, to update knowledge concerning legal requirements, some relevant projects were developed. These include the participation in the "Training of eventual OCC (0119; 0419; 0519)", "Paperless Invoices and Digital Archive – the new Invoicing Rules", "IFRS and IFRS Leases" and "2018 IRC Model 22 Statement", in a total of 6 training actions.

Information Technologies

Taking into account the central role that information systems have in Martifer Group's employees' daily routine, namely regarding the use of specific software and technical applications, a constant competence update is needed. In this sense, the training projects "Candy Integrated System – Introduction", "SAP FICO – Finance (Fi) and Control (CO)", "SolidWorks V. 2'19", "Introduction to Geographic Information Systems with QGIS", "SAP FICO REFRESH", "SAP MM" and "Hyperion

Financial Management Business User – introduction" were developed throughout 2019. In a total of 13 training actions, 69 trainees were involved.



Dialogue and Organisational Climate

With a very diverse set of employees, Martifer Group tries to communicate clearly and interact daily with employees, counting on the diversity of means and adapting messages to the various target audiences in the company. Martifer considers this essential for the maintenance of a healthy organisational climate and the performance of its teams.

It also relies on MOVE – Associação para Colaboradores Martifer (Martifer Employees Association) which organises initiatives that promote a spirit of unity within and between teams, contributing to the maintenance of a healthy organisational climate.

INTERNAL COMMUNICATION

The Group has tried throughout the years to maintain its communication channels with employees in a continuous, consistent and effective manner so that it can deliver messages to all those who work at the company. To do this, it uses the following media:

Martifer TV

Martifer TV is available in eight spots in canteens, receptions and social areas, and it is an effective media during work breaks. It transmits information on projects and various types of events, communicates awareness information and alerts for employees.

Inet

iNet is Martifer Group's internal portal, developed in 2012 with the goal of gathering, in one platform, all of the Group's companies and in this way ensure information access and sharing to every employee. iNet is an asset due to the interactivity between employees, departments and companies, allowing to organise, make available and share documents in a quick, simple and intuitive manner.

Newsletters Internas

Electronic newsletters are regularly sent to the internal audience, with the goal of communicating quicker, redirecting the employee to the tasks and published articles. The newsletter "Martifer on Friday" includes that week's news and is sent to all Group employees.

Multimedia Kiosks

The multimedia kiosks are the interactive information spots whose main goal is to inform employees who do not have computer access, making available, not only the access to the Canteen Integrated Management System but also other features:

Administrative Management | in the kiosks it is possible to perform some operations, such as consultation and subscription of electronic salary receipts, the subscription of the meal card, consultation of the annual income statement, among others
Organisational Development | in these spots, it is also possible to check internal recruitment opportunities

Academy of Competences | the Academy of Competences' online service allows access to an application dedicated to training: consultation and registration in training actions, printing certificates, consultation of training plans, among other features

On the wall

Martifer's social areas and canteens are also information places, not only due to Martifer TV but also by the display of posters on several themes.

Social Areas | Improvement and Information Centres

The Social areas are a physical space created in every industrial unit, located in the areas where employees take their breaks. They are communication spaces for several departments, with highlight to matters related to Human Resources and with Quality, Safety and Environment.

Expatriation Manuals

In the development of an international career, people encounter in the destination country contexts, values, standards and life strategies different from those they know. With the objective of promoting access to a set of relevant information and at the same time contribute to the integration process of the employees expatriated to new countries, the Human Resources Department provides manuals that include useful information about the destination country.

RECRUITMENT, RECEPTION AND INTEGRATION

Recruitment, reception and integration are crucial factors for the company's social climate, ensuring the employees are integrated in their new job in the best possible way since day 1 and with all the resources they need to carry out their tasks.

RECRUITMENT

Martifer Group, through its Human Resources team, analyses the recruitment needs that were identified by the internal departments and according to the functional profile, discloses the internal and/or external job post using different methods and sources of recruitment.

Internal Recruitment

Martifer Group encourages internal recruitment whenever it is appropriate. Like in external recruitment, job vacancies are published in several internal communication media, with the job description and the needed skills, so that all the interested employees can apply to these opportunities.

External recruitment

Martifer Group uses external recruitment to identify candidates in the market with a profile to fill the existing job post, and the management of these processes is assured by Martifer's Human Resources Direction.

Career opportunities are disclosed in various internal and external media, with a description of the role profile and required skills.
Martifer uses its website, Professional Employment institutions, the Institute of Employment and Professional Training, business associations and various educational institutions (secondary, professional, higher education) for the external disclosure of career opportunities.

Participation in Employment Fairs

During the year 2019, to attract talent, Martifer Group developed a series of initiatives involving external entities, such as student associations and universities.

The participation in employment fairs promoted by educational institutions is a way of materialising existing partnerships and a way of making the Group's career opportunities known.

The company participated in 5 employment fairs of universities considered strategic for the business. In these events, it was also possible to hold some workshops/ conferences, presenting in a more personalised way the work done at the company.

- Industrial Management and Mechanical Engineering Days – Polytechnic Institute of Viseu
- IACES - III Civil Engineering Days – Faculty of Engineering of the University of Porto
- FEUP Career Fair 2019 – Faculty of Engineering of the University of Porto
- BEST - Engineering Week – University of Coimbra
- University 5.0 – University of Aveiro

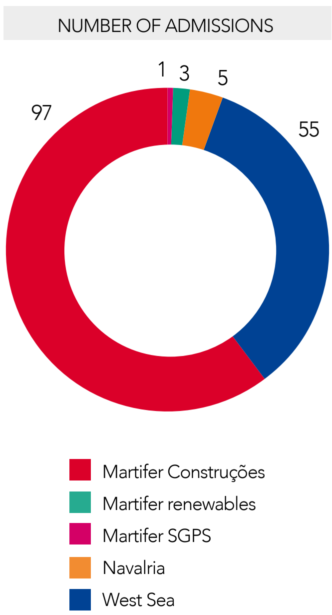
In addition, with the objective of reaching a more diverse audience, the Human Resources Direction was also present at the Employment Fair at the shopping centre Palácio do Gelo in Viseu.

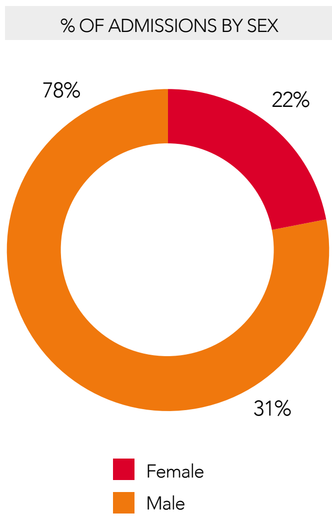
I Recommend

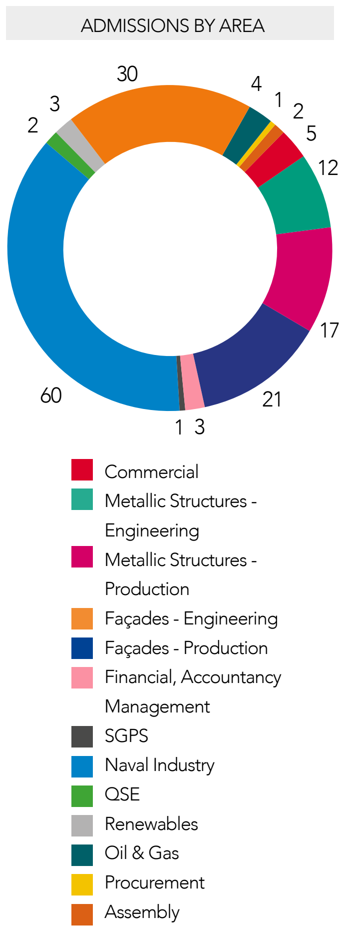
Today, networking is a crucial tool in the recruitment and selection of professionals and in a Group as diversified as Martifer, employees know people from different fields that may contribute positively to the Group. Therefore, the initiative "I Recommend" was created to motivate employees to recommend competent professionals to participate in Martifer's recruitment processes.

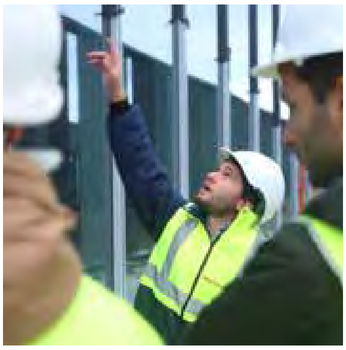
Martifer Group Data 2019

Martifer Group in Portugal admitted 161 employees throughout 2019 in various companies and areas, with different contractual situations: fixed-term, indeterminate duration or without term.

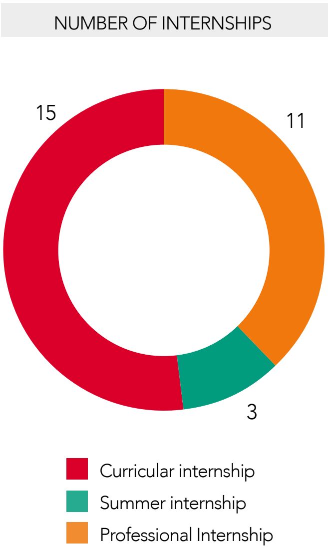


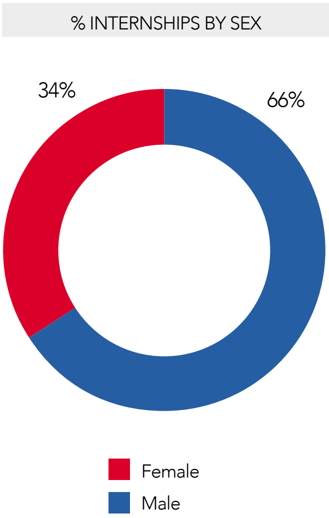


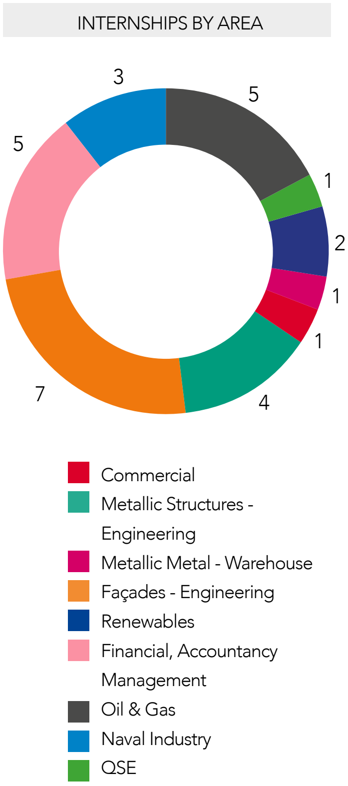




INTERNSHIP PROGRAMMES
Martifer Group promoted 29 traineeships in different areas to provide young people with an opportunity to approach active life.







Internship programme – Dare yourself

Reinforcing Martifer's long history of empowering young graduates in the labour market, 2019 is also marked by the first edition of the "Dare yourself!" internship programme.

The "Dare yourself!" is Martifer Group's annual internship programme, which aims to integrate new graduates and finalist students, with the objective of promoting their inclusion in the labour market, through practical experience in the work context. Altogether, more than 100 applications of students interested in joining the Group were received.

The trainees, after their admission, counted on an integration programme, specially designed to make them aware of the various directions of Martifer Construções and West Sea and the day-to-day work at these companies.

Summer internships

To provide young people with an opportunity to approach active life, during their academic course, Martifer Group designed 11 summer traineeships in different areas.

For a few weeks, these young people were able to learn about some functions within the company and develop various activities within the Engineering and Finance areas.

Curricular internships

Martifer Group has always maintained a partnership with various national and foreign educational institutions, which is materialised in participations in employment fairs and events and in the promotion of curricular internships.

The activities developed by the trainees are aligned with a structured internship plan between Martifer, the teaching institution and the trainee himself/ herself.

Reception and Integration of New Employees

The integration process has a direct impact on the motivation and organisational commitment; therefore, the Group seeks to ensure the accompaniment of this process, through an integration plan adapted to the specific aspects of each company, of each position and each employee. It specifies and directs their action in direct articulation with their immediate superiors, diagnosing needs and planning solutions.

The main goal of the reception plans is to ensure support to employees in the first months, having their personal and professional well-being in mind; therefore, besides the integration at the workplace, we seek to support and answer the queries of the new employees (e.g. house searching, best transport solution from home to work, among others).

RECEPTION TRAINING – COMMUNICATING SINCE DAY 1

Martifer Group seeks to communicate clearly with its employees, since their first contact with the company. In the integration process, all employees participate in reception training, where they get to know Martifer in more detail.

In this training, the internal dynamics, the main procedures and Martifer's day to day are presented. Reception Training is also essential to raise awareness to the Quality, Safety and Environment rules, fundamental for the integration in the Group.

Visits to the factories

Since 2016 and every six months a visit to factories in Oliveira de Frades is organised. This visit, in groups of up to 15 people, is guided by the ones responsible for each factory who explain how it works. Employees take much interest in this initiative. This way, they learn about the production process and become aware of the ongoing projects.

All of the new employees, integrated in the semester before each visit, regardless of the area to which they belong, are invited to participate, also within the scope of their integration process.

MOVE - Martifer Employee Association

MOVE aims to promote initiatives directed to and indicated by Martifer's employees.

With defined goals in the promotion of activities for employees and their families, as well as social responsibility. MOVE operates in four distinct areas:

- Health and well-being
- Social and environmental responsibility
- Sports and adventure
- Culture and leisure

- **Health and well-being**

In the area of Health and Well-being, MOVE counts on MOVE Martifer Gym as its main ally, referred to in the chapter "Support and Benefits", which the Association supports in the promotion of health and a healthy lifestyle.

TIPS FOR HEALTH AND WELL-BEING
Since 2016, in coordination with the occupational physician, articles with essential issues for the promotion of employee health have been published and posted. In 2019, 7 articles were published, including themes such as the Zica virus, tobacco, work under the sun, cardiovascular diseases, among others.

BLOOD DONATIONS
Biannually, Martifer organises blood donations and bone marrow donor enrolment campaigns in partnership with Instituto Português do Sangue e da Transplantação de Coimbra (Portuguese Institute for Blood and Transplants in Coimbra). The Group's employees have always participated significantly in these actions, and in 2019, around 108 participants were registered in the two actions.

WORLD DAY OF CANCER
Martifer joined the Portuguese League Against Cancer to promote the 2019 World Cancer Day campaign. In coordination with volunteers from Oliveira de Frades and the Coimbra region, awareness materials were disclosed in the various internal platforms.

WORKSHOPS: HEALTHY MEALS
In October, as part of the World Food Day, Martifer promoted two workshops on healthy recipes that sensitised employees to the use of healthier ingredients and alternatives. One of the workshops focused on vegan cuisine, and the other was a menu for families with children at home. With the participation of 20 people in each workshop, the workshops ended in the tasting and lunch for all of the participants.

• **Social and environmental responsibility**
MOVE is also responsible for Martifer Group's social responsibility area, having promoted several initiatives in this area in 2019 (see chapter "Citizenship/ Social Responsibility").

As an association for employees, MOVE seeks to involve the Group's employees in the activities it carries out. A Solidarity Forum was created in iNet, in which all the employees can suggest support to initiatives and promote responsibility and social solidarity campaigns.

Through this platform, any employee of the Group can:

1. Get to know, support and actively participate in solidarity campaigns/ initiatives;
2. Vote on the campaigns/ solidarity initiatives that they would like to see supported;
3. Suggest the promotion of solidarity campaigns/ initiatives.

According to the goals of each campaign/ initiative, the publications in this tool are divided in five categories: culture, local and community development, sports, education and health.

• **Sports and Adventure**
The Association aims to encourage its employees to participate in activities with other employees and with their families.

Periodically, it offers tickets to football matches of the main Portuguese and European competitions to employees and their family members, from among the employees who choose to participate in the raffle.

• **Culture and Leisure**
In the area of promotion of Culture and Leisure, MOVE seeks to encourage employees to participate in cultural activities.

WEEKEND SUGGESTIONS
Weekend suggestions are published weekly and compile cultural events in the regions where Martifer has facilities. Some of the events have special conditions for Martifer employees. To promote culture, these suggestions also focus on reconciling professional and personal life.

PHOTO INITIATION WORKSHOP
Held in October, the photography initiation workshop was promoted by 4 colleagues who work for Martifer Construções and Izertis, a service provider. With the duration of four and a half face-to-face sessions + 8 hours of project follow-up, the workshop brought together 7 participants. An exhibition of the work will be held in 2020 at Martifer's headquarters.

"CHRISTMAS M'S" CONTEST
Since 2016, Martifer Group promotes, for Christmas, a contest for employees' children to reward the best artists and to decorate the Christmas tree at the Group's head office. In 2019, Martifer's Christmas tree was decorated with 91 "M's", which challenged the imagination of the little ones. After the vote, the best "M's" were chosen, and prizes were awarded to the artists. All participants received a solidarity-related symbolic prize.

This competition has also stimulated the relationship and interest of the little ones for Martifer Group, where their parents work daily.

TICKET RAFFLE
To celebrate the World Children's Day, the Group organised in 2019 the raffle of tickets to participate in two shows, the Panda Festival and the Musical Madagascar, adequate to the different age groups of children, allowing employees and their children the opportunity to spend a day of fun, memorable for the younger ones. Around 130 children participated, and 20 tickets were offered to 5 families.

29 YEARS MARTIFER - "BEFORE 30…"
What to do before turning 30 was the motto of the internal communication in Martifer Group. A proposal for individual and team reflection on the objectives to be achieved in the year before Martifer's 30th anniversary. The communication initiative was multiplied on several platforms, disseminating testimonies from several employees with the main focus on our mission and vision.

In addition to the usual initiative of offering hot drinks at the Group's facilities, at lunchtime, the employees were able to take with them a dessert that referred to Martifer's values.

WEST SEA – EMPLOYEE GET-TOGETHERS
In March, Mário Ferreira and Carlos Martins, on behalf of Mystic Cruises and West Sea respectively, as a way to thank the efforts of all those working in the project of the first polar vessel, the World Explorer, promoted a get-together at the shipyard for the employees.

Entering the shipyard, it was possible to hear the background music, and the smoke indicated a tasty snack; a small gesture to renew energies to complete this project, satisfying all of the client's requirements.

In October, West Sea also promoted a Castanyada (a popular Portuguese feast to celebrate the chestnut) at its canteen.

Health, Hygiene and Safety at Work

The safety of all its employees is absolutely strategic in Martifer Group. Based on its Management Policy, actions are continually implemented and designed to prevent accidents at work.

The 3C's

- Give Competences
- Create Conditions
- Demand Conduct

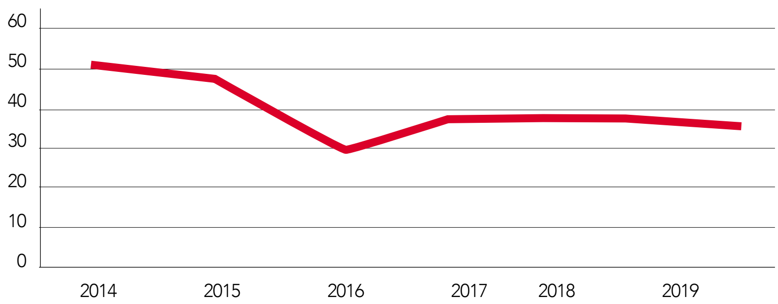
Martifer Group's safety policy is based on the three C's. The main goal is the involvement and the accountability of all the employees in the several hierarchical levels of the organisation. Martifer gives the competences through continuous and regular training and provides the necessary safety conditions so it can demand safe conduct from its employees.

ACCIDENTS
In practice, the fundamental objective of the culture of the 3 C's is the reduction of accidents at work and, consequently, their associated severity.

Due to various initiatives within Martifer Group over the years, there has been a consistent reduction in the number of accidents.

At the end of the year 2015, the frequency rate (1) of accidents at work at Martifer was 47, having decreased to 46 in the year 2016 and decreased once again, this time more sharply, to 37 in the year of 2017, which remained unaltered in the years 2018 and 2019.

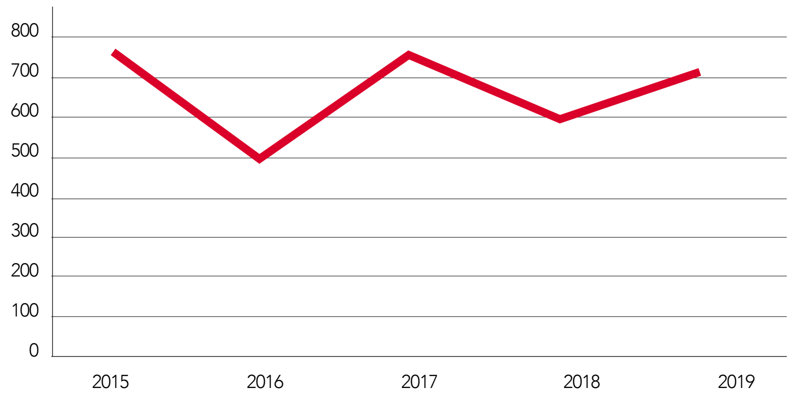
Accidents | Frequency Rate (FR)



(1) Frequency Rate (FR) No. of accidents at work, for every 1 million hours actually worked.

Despite the consistent decrease in the frequency of accidents at work over the last few years, the severity rate(2) has experienced some oscillations, and it increased in the year 2019 compared to the year 2018. However, it is below the figures for 2017.

Accidents | Severity Rate (SR)



(2) Severity Rate (SR): Number of days lost, for every 1 million hours actually worked.

The decrease trend in the frequency of work accidents reflects the effort developed by the Group's companies to create better working conditions for their employees, through technical and organisational actions that decrease the probability of the occurrence of accidents.

CITIZENSHIP

Social Responsibility

Martifer Group believes that, more than a supplier of products and services, a company is also an employability and social responsibility agent in its geographical area. Therefore, it supports causes it considers relevant for society in general while supporting local institutions to develop their solidarity work.

BLOOD AND BONE MARROW DONATIONS

Biannually, Martifer organises blood donations and bone marrow donor enrolment campaigns in partnership with Instituto Português do Sangue e da Transplantação de Coimbra (Portuguese Institute for Blood and Transplants in Coimbra). The Group's employees have always participated significantly in these actions, and in 2019, around 108 participants were registered in the two actions.

DONATIONS

Within the Group's social responsibility and following criteria of proximity and relationship with the institutions, in 2019, Martifer supported some solidarity institutions.

GENDER EQUALITY

In 2019, Martifer celebrated two dates publishing informative material on the various internal communication platforms. In March, International Women's Day – focusing on domestic violence, and in November, the "16 days of activism against rape." These awareness-raising initiatives intend to involve all employees in the promotion of gender equality by informing and promoting actions of solidarity and accusation.

COLLECT PLASTIC CAPS FOR THE "LIGA DOS PEQUENINOS" (League for the Little Ones)

The plastic caps gathered by the Liga dos Pequeninos (League for the Little Ones) allows the purchase of equipment to support children with special needs at the Pediatric Hospital of Coimbra. Martifer, with the help of all its employees, has been collecting caps for this entity since 2016.



SOLIDARITY FORUM

Martifer discloses several important national initiatives so that its employees can actively participate in solidarity activities. In 2019, we highlight "Help Mozambique", "Portugal calls you", and "Let us all fight air pollution", in addition to the gender equality initiatives already mentioned.

WEST SEA's WASTE BECOMES FURNITURE FOR THE 2nd and 3rd CYCLE OF BASIC EDUCATION SCHOOL DR. PEDRO BARBOSA

West Sea and the 2nd and 3rd Cycle of Basic Education School Dr. Pedro Barbosa joined a project that aimed at reusing and recycling waste to transform one of the school's recreation rooms. The Quality, Safety and Environment team and the responsible teacher selected some waste that is common at the shipyard, and the students gave it a new life. The final result was presented at the inauguration of the recreation room, and West Sea participated in it, finding out the new life of its waste.

WEST SEA OPENED THE SHIPYARD'S DOORS TO THE COMMUNITY

On 12 October, West Sea, within the Port of Viana do Castelo Day, opened its doors to the community and received around 400 visitors of all ages. The visits were guided by shipyard employees who showed the facilities and the vessels that were being built and repaired.

COOL KIDS – RED NOSE AND GENDER EQUALITY

A Christmas contest is held every year for the Group's employees' children. In 2019, Martifer's M's Contest, which decorated the Christmas tree at the head office building, had 91 participants and all of them helped the cause 'Operation Red Nose'. This activity entitled all the participants to a Red Nose gift that reverted as a donation to the institution in the amount of 651 euros. The contest invites all employees to vote on the best M, and the first 2 places are awarded recreational and educational activities. The 3rd place received a storybook that promotes gender equality between children and parents.

MARTIFER AND CMM IN PARTNERSHIP FOR THE ORGANISATION OF THE STRUCTURAL GLASS COURSE

Martifer took part in the training course "Structural Glass Design: Key aspects", organised by CMM – Portuguese Steelwork Association, in Coimbra, from17 to 19 January 2019. This training course was for civil engineering students, civil engineers and construction technicians.

Ethics and Conduct

The Ethics and Conduct Code is the document that contains the values that guide the performance of Martifer Group, as well as the ethical principles and norms of conduct to which the Group and its employees are subject and assume as intrinsically their own.

This Code applies to all Martifer employees no matter their bond or hierarchical position, as well as to all Martifer subsidiaries. In this Code, "employees" means all members of the statutory governing bodies of Martifer, consultants, managing directors and all other employees no matter the kind of bond, as well as all the entities or individuals that received representation powers for any Martifer company.

The Ethics and Conduct Committee's (ECC) mission is to create, implement, accompany and control the compliance with the Group's ethics and conduct standards. Any professional situation that may raise doubts regarding compliance with the guidelines of the Ethics and Conduct Code may be referred to the ECC.

Anonymity is guaranteed in relation to any communication made with the ECC, and the contact is made through the e-mail address comissaoeticaeconduta@martifer.com.

MISSION, VISION AND VALUES

Mission and Vision

To create Value with products and services designed and executed by motivated employees and partners, to overcome client expectations, respecting safety rules and social responsibility.

To be a recognised brand in the markets and businesses where it operates in, for its competence, its innovation and engineering, ensuring the best solutions to its clients.

Values

Rigour and commitment
Rigour in processes, rigour in complying with rules and rigour in relations with partners and clients. Commitment to ensure technical competence in all the activities we carry out.

Humility and integrity
We believe that relations are built having as a base humility, respect and integrity, whether they are relations with partners and employees, or with the environment.

Critical sense and nonconformity
In the search to always reach the best solution for each project, we are characterised by a strong critical and non-conformist sense. We always demand more and better.

Common sense and clarity in communication
It is not possible not to communicate. Therefore, communication must be made simply and clearly so that the message is consistent and perfectly understood by the receiver.

Mutual help and solidarity
Human beings evolve through the development of skills, abilities and attitudes that make more sense in a group, in an attitude of mutual assistance and solidarity.

Pride in the company and feeling of belonging
Belonging and contributing to the success of the company makes employees feel more integrated, results-oriented and motivated, certain that the results lead them to more significant professional achievement.

Work capacity and innovative spirit
We want to grow; we want to do well and improve every day. We seek to innovate, and we have the ambition of going further, for our clients and for us.

COMMUNICATION AND TRANSPARENCY

Communication and transparency are the key pillars of any company, especially of listed companies. Martifer seeks to give to all its stakeholders the access to the company's most relevant information, most simply and directly.

Therefore, it has several communication tools that allow it to communicate not only with clients, suppliers and investors but also with society in general.

Institutional Communication Tools

Martifer Group has a team dedicated to the development of the Group's corporate communication. The communication department seeks to respond to the requests of the various national and international stakeholders and media. It is through its communication instruments that the Group communicates.

ONLINE PRESENCE

Online presence is one of the best forms of non-face-to-face communication. Martifer Group is present online, not only through its website but also in selected social networks, according to the company's characteristics.

Websites

In 2019, the Group had four websites, which had a total of more than 120 thousand visitors from various countries.

www.martifer.com is the Group's corporate website, and it also hosts the Martifer Metallic Constructions website. Here, besides corporate information, the visitors can check the latest news, catalogues, publications, as well as relevant information in the Investor Relations area. In the area concerning Martifer Metallic Constructions, we highlight the portfolio of the business area. It is available in two languages – Portuguese and English.

www.martifer.fr is the Group's website directed to French-language markets. Here, in addition to institutional information, visitors can see the latest news, the main indicators, catalogues, publications, as well as the metallic constructions portfolio.

www.west-sea.pt is West Sea's website. Available in four languages (Portuguese, English, Spanish and French), it presents the Group's shipyard in Viana do Castelo, from the equipment to the location, as well as the Quality Policy and the portfolio and ongoing projects at the shipyard.

www.navalria.pt is Navalria's website, the Group's shipyard in Aveiro. Besides general information about the shipyard, visitors can learn more about some of the vessels that have been at its docks, both for repair and construction. It is available in Portuguese, English and French.

Social Networks

Martifer is present in LinkedIn©, Facebook© and YouTube©.

In LinkedIn©, the Group's most used social network, Martifer seeks to disclose not only information about the company but also to take advantage of the more professional nature of this network, through the release of job offers and other corporate information. At the end of 2019, the Group's LinkedIn page had about 28 thousand followers, and Martifer Metallic Constructions's page had nearly 8 thousand followers.

On Facebook©, the Group posts, from time to time, the most relevant information about its projects. At the end of 2019, it had more than 4,900 followers.

In YouTube©, the Group shares both corporate and press videos.

It is through the social networks that the Group seeks a closer relationship with its stakeholders. More than giving an opinion, social networks allow Martifer to contact its followers, through their comments, messages and "likes", which are analysed by the company.

MNEWS

MNews is the Group's corporate magazine that annually presents a summary of the Group's activities. MNews is published in a digital format in Portuguese and English on the Group's website and subsequently shared on social networks and distributed in the corporate newsletter.

CATALOGUES

Catalogues are one of the best communication tools for commercial relations with clients and future clients. These materials are an excellent way to present the company and are vital commercial support, showing the portfolio and the proven ability over almost 30 years of activity.

Communication with Investors and Shareholders

Listed on NYSE Euronext Lisbon since 2007, Martifer seeks to maintain efficient communication with the capital market, with investors and with shareholders.

RELEASES

The Investor Relations releases are a way to communicate with the entire market at the same time, granting simultaneous access to the most relevant information about the company's activity, shareholder structure or corporate governance.

In 2019, Martifer issued 6 releases to the market, material information and other releases.

REGULAR REPORTING

In the periodical financial information, issued every semester, Martifer also seeks to contextualise this information with other relevant data, such as the semester's leading events and the Group's strategy and future prospects. Besides the Annual Report, the Corporate Governance Report and the Sustainability Report, Martifer also issues each semester an earnings release, which is a summary of the main information included in the Annual Report.

INVESTOR RELATIONS

Martifer believes that communication with its stakeholders is essential to the development of its activities.

With the Group's growth and internationalisation strategy, it is crucial for the company to be visible, and for its information to be quickly accessed by its shareholders and future investors.

The Investor Relations & Communication Office guarantees the on-time disclosure of all information relating to the Group and is available to answer any of the shareholders and investors' queries.

Investor Relations Office

Martifer Group's Investor Relations representative is Pedro Nuno Cardoso Abreu Moreira.

Contact:
investor.relations@martifer.pt
T.: +351 232 767 700
F.: +351 232 767 750

Visits and Corporate Events

Martifer believes that companies must be open to those who want to know more about the company and visit its facilities, both for educational or corporate reasons.

Technical field trips, with the presence of professionals in the area, are an asset for students who visit Martifer since they get to contact the real demands of the job they are learning about, a crucial factor to enter the labour market.

During 2019, Martifer Group was visited by around 400 students and teachers of national and international education institutions, providing students with an insight into the professional world, helping them to become better professionals in the future while seeking closer contact with potential future collaborators.

In addition to the study visits, the Group companies received in 2019 several clients who showed interest in knowing the industrial reality and following the various test stages of the projects. The Group also welcomed several entities and personalities at corporate events, following the signature of relevant contracts or the commemoration of key company dates.

We highlight, in February 2019, the christening of the vessel of the Portuguese Republic, the NRP Setúbal, built at West Sea's shipyard in Viana do Castelo. The ceremony was attended by the Minister of National Defence and the Chief of Staff of the Navy. Also at West Sea in May, 19 Ambassadors from European Union countries visited the shipyard. They had the opportunity to get to know more about the company, its ongoing projects and business growth opportunities.

04

ENVIRONMENTAL DIMENSION

Martifer Group has a Quality, Safety and Environment Management System, based on a Management Policy which has as main objectives to ensure the quality of all its products, the safety of its employees and the improvement of its environmental performance.

QUALITY, SAFETY AND ENVIRONMENT MANAGEMENT SYSTEM

In its policy, Martifer Group undertakes the commitment of improving client, shareholder, employee and the general society's satisfaction.

In sum, Martifer "wishes" that its Policy is understood by all employees as: "Do it well the first time, in safety and respecting the environment."
Therefore, Martifer Group has always had a strategy oriented towards the satisfaction of its clients, and the conscience that we can only attend, with quality, the needs of our clients, with committed and motivated employees.

For the application of this strategy, the Group believes that the implementation of management systems in several areas plays an important role. These allow the systematisation of practices and methods that need to work regardless of the people who do them.

The Group's first certification was issued in 1997, with the certification of the quality management system in Martifer Construções Metalomecânicas, according to NP EN ISO 9002.

With the implementation of integrated management systems, Martifer Group has obtained as main results:

• Recognition of the work practices by an external entity, which allows the recognition by our clients;

• Increase in the satisfaction and motivation of employees;

• Increase in productivity;

• Decrease in failure costs;

• Decrease in accidents;

• Decrease in costs from the consumption of resources;

• Prevention and reduction of pollution.

Quality, Safety and Environment Certifications

Currently, Martifer Group has the following certifications:

1. Martifer – Construções Metalomecânicas, S.A. (Portugal):

• ISO 9001 | Quality Management Systems (certifying entity: Portuguese Certification Association - APCER);

• OHSAS 18001/NP 4397 | Occupational Health and Safety Management Systems (APCER);

• ISO 14001 | Environmental Management Systems (APCER);

• EN 1090-1 | Manufacturing Production Control (TÜV Rheinland);

• EN 1090-2 | Welding (TÜV Rheinland);

• ISO 3834-2 | Certification of Welding Inspection (TÜV Rheinland).

2. Martifer Romania RO SRL (Romania):

• ISO 9001 (TÜV Rheinland);

• OHSAS 18001/NP 4397 (TÜV Rheinland);

• ISO 14001 (TÜV Rheinland);

• EN 1090-1 (TÜV Rheinland);

• ISO 3834- 2 | (TÜV Rheinland).

3. WestSea – Estaleiros Navais Unipessoal, Lda.

• ISO 9001 (Bureau Veritas);

• OHSAS 18001/NP 4397 (Bureau Veritas).

• ISO 14001 (Bureau Veritas) – Certification obtained during 2019, which was an objective that had been communicated.

For the year 2020, the companies that are certified in the area of safety at work have the objective of migrating their management systems to the new regulatory framework, ISO 45001.

Management Policy

Martifer Group is committed to improving the satisfaction of its clients, shareholders and employees and to establish sustained relations with stakeholders, with the objective of asserting itself by its technological capacity, innovation and social responsibility. It aims to differentiate itself from other competitors, leading each client, employees and society, due to their satisfaction, to recommend our products and services.

In this regard, it undertakes:

• The constant concern to identify and correspond to the current and future requirements and expectations of its clients;

• To promote an integrated vision of its clients, employees and suppliers and ensure compliance with contractual requirements;

• To promote the development of people through awareness-raising and training;

• To promote the consultation and participation of all employees and all those working on behalf of the company on the objectives assumed by the organisation;

• To ensure compliance with the requirements of the Standards ISO 9001, ISO 45001, ISO 14001 and of EN 1090-1 and associated standards;

• To promote continuous improvement of process performance and effectiveness of the management system, contributing to reduced failures and increased productivity;

• To comply with legal and regulatory requirements applicable to products, services and activities;

• To promote continuous improvement of the occupational health and safety conditions, identifying hazards and assessing and controlling the risks associated to the activities, preventing the occurrence of accidents and providing greater comfort in the work execution, through information and the availability of protective equipment, to minimise exposure to risk factors that cannot be eliminated;

- To promote continuous improvement of the environmental performance through the identification and evaluation of environmental aspects associated with the products or services that the company controls or can influence to minimise or eliminate the resulting environmental impacts, preventing pollution;

- To promote ethical behaviour, respect for human rights and respect for fundamental labour rights;

- To implement operational practices aimed at preventing corruption in all its operations.

- To promote social responsibility in local communities where its companies operate to contribute towards the progress and well-being of those communities.

ENVIRONMENTAL RESPONSIBILITY

The continuous improvement of the environmental performance of Martifer Group is ensured through the identification and control of environmental aspects, associated with its products, activities and services, with the aim of eliminating or minimising the environmental impacts resulting from them, namely those that are identified and assessed such as significant environmental aspects.

As a result of this evaluation, the most significant environmental aspects resulting from the activities developed by Martifer Group are energy consumption, air emissions and waste production.

Energy and energy efficiency

Car traffic accounts for approximately 25% of the global carbon emissions that contribute to global warming and the resulting climate change.
In this sense, within the framework of Martifer Group's Management Policy, which has as one of its pillars the reduction of the environmental impact resulting from its activity, a Policy for the purchase, rental and use of vehicles was drafted and approved.

POLICY FOR THE PURCHASE, RENTAL AND USE OF VEHICLES

When purchasing and renting vehicles:

- In the purchase of vehicles (acquisition or hire), preference should be given to electric or hybrid vehicles;

- If it is not possible to purchase an electric or a hybrid vehicle, then diesel vehicles should be given preference over vehicles that run on petrol;

- An assessment should be made based on CO_2 emissions and other hazardous pollutants, such as NOx or other carcinogenic substances. In practice, vehicle performance should be assessed in two areas: emissions and energy efficiency.

- Preference should be given to lighter vehicles since they are usually associated with lower fuel consumption;

- The noise level emitted by vehicles should also be assessed, and vehicles with lower noise emission levels should be preferred;

• Depending on the criteria mentioned above, always consider vehicles with lower environmental impact as determinants in performance criterion.

Use of vehicles:

• Drive in the highest possible gear. In cars that run on petrol, the gear must be changed to the following one at 2,500 rpm, while in a diesel-driven vehicle the gear must be changed at 2,000 rpm;

• Driving should be maintained at a constant and moderate speed, avoiding harsh braking and many changes in gear;

• Moderate the use of air conditioning. From 80 km/h it is preferable to switch on the air conditioning than to drive with the window open, as this is also an increase in consumption at higher speeds.

• Eliminate, whenever possible, unnecessary weight in the vehicle. The weight of the load in the vehicle is also a major factor in the increase in consumption;

• Tire pressure should also be checked at some intervals so that it is always within the optimum values for each type of tire.

In addition to the energy consumption associated with its vehicle fleet, in all of the Martifer Group companies, energy consumption is a significant environmental aspect, namely in the companies with industrial facilities. Therefore, this is one of the issues with the highest incidence of actions aimed at reducing the consumption, promoting the energy efficiency of its facilities and, consequently, reducing CO2 emissions into the atmosphere.

Currently, the largest energy consumers of Martifer Group are the industrial units located in Oliveira de Frades, dedicated to the production of metallic structures, namely the OF2 plant and the West Sea shipyard located in Viana do Castelo, dedicated to the construction of vessels.

In this sense, and to improve energy efficiency and, consequently, the environmental performance of the Group, the implementation of Plans for the Rationalisation of Energy Consumption (PREC) are being implemented in the facilities.

For the factory OF2, a reduction of 4% of the specific energy consumption is intended, which means a decrease of 39 TEPs/year, which at the end of the implementation of the PREC implies a decrease in approximately 300 TEPs.

To achieve these goals, the actions to be implemented, which are ongoing, among others are:

• Replacement of less efficient lighting systems by LED technology;

• Control and reduction of compressed air leaks;

• Adjustment of the combustion of the burners of the painting booths.

• Improve the energy efficiency of machinery and equipment.

Air Emissions

Air emissions, especially those resulting from the painting process of metallic structures in several industrial units of the Group, are also another significant environmental aspect that results from Martifer's activity.

Therefore, in the past few years, several initiatives have been adopted to minimise the environmental impacts associated with these emissions, namely:

• Reorganisation of the painting areas with the adaptation of the exhaust systems and associated treatments to reduce air emissions and their hazardousness;

• Operational awareness sessions to minimise the diffuse emissions associated with the process of handling and use of paints;

• Progressive replacement, and whenever possible depending on client specifications, of solvent-borne paints (with large quantities of volatile organic compounds) for waterborne paints;

• Diluent recovery, through a distillation process of the "dirty" diluent, allowing its reuse and, consequently, a lower consumption of "new" diluent.

Waste

The production of waste is also an environmental aspect that is considered significant, namely the production of some hazardous waste, which results from the painting and maintenance activities.

In this aspect, the behaviour of employees has a significant impact on improving the environmental performance of the Group, so several training actions are continuously developed to raise awareness for the correct management of the produced waste.

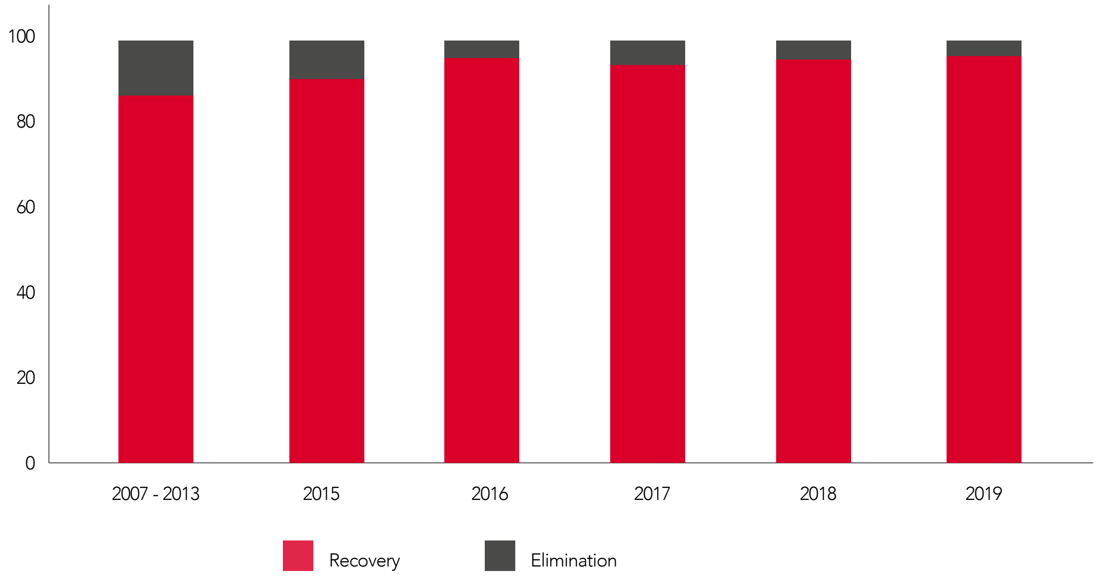
To raise awareness, but also to hold every employee accountable for adequate waste treatment, enhancing its recovery, Martifer instilled a culture based on the 3 Rs in those actions.

THE 3 Rs
Responsibility – Define rules
Respect – Follow the defined rules
Recycling – Separate the produced waste

Rules were defined for the reuse and separation of the produced waste, making every employee accountable for their compliance to increase the amount of waste that can be recycled, through its correct separation and routing to authorised waste treatment operators.

In the following chart, we present the percentage of waste routed for recovery (R operations) and for elimination (D operations) from 2007 to 2019, showing a trend towards an increase in the percentage of waste recovered compared to waste being routed for elimination.

Waste Routing (%)



As can be seen in the previous chart, over the years, there is a clear tendency to increase the amount of waste sent for recovery and a reduction in the percentage of waste sent for elimination.

This increase in the recovered waste indicates the effort developed by Martifer not only in the reduction of produced waste but also in the search for "partners" in waste management and treatment that provide environmentally more correct and adequate treatment for the waste produced by the Group.

05

ECONOMIC DIMENSION

ECONOMIC AND FINANCIAL PERSPECTIVE

2019 Annual Results

HIGHLIGHTS - 2019 RESULTS

• Operating Income of 266.9 M€, of which 138.1 M€ in Metallic Constructions, 97.5 M€ in the Naval Industry and 33.4 M€ in Renewables

• Turnover generated outside Portugal and exports amount to 77% of the total Turnover of the Group

• Improvement in operational performance with EBITDA reaching 28.9 M€ (12.2% margin on Turnover), compared to 15.2 M€ registered in the same period the year before. The operational performance benefited in part from the one-off impact of the sale of photovoltaic parks in Spain

• Gross Value Added amounted to approximately 55 M€, approximately 23% of the Turnover, which represents a substantial increase in productivity

• Net Result attributable to the Group of 23.5 M€, enhanced by the positive impact of the sale of assets in Renewables

• The comparable Gross Debt decreased from 65 M€ compared to December 2018 to 154 M€ (141 M€ excluding financial leasings which due to the adoption of IFRS 16 in 2019 integrated the lease liabilities item). The comparable Net Debt was reduced in 67 M€ to 119 M€

• Order Book of 562 M€ in Metallic Constructions and in the Naval Industry, the most robust in the last 6 years

KEY FINANCIAL INDICATORS

M€	DEC-19	DEC-18	VAR.%
Revenues	266,9	216,4	23%
EBITDA	28,9	15,2	89%
EBITDA Margin	12,2%	7,6%	4,6 pp
Amortisation and depreciation	-8,5	-8,8	3%
Provisions and impairment losses	-2,1	1,3	n.m.
EBIT	18,3	7,7	>100%
EBIT Margin	7,7%	3,9%	3,9 pp
Financial result	4,2	-4,5	n.m.
Result before tax	22,4	3,3	>100%
Tax	-1,0	-1,7	40%
Net income for the period	21,4	1,6	>100%
Attributable to non-controlling interests	-2,1	0,3	n.m.
Attributable to the Group	23,5	1,3	>100%
Earnings per share	0,241	0,013	>100%

In 2019, the total operating income was 266.9 million Euros (216.4 million Euros in 2018), 52% of which is in the Metallic Constructions segment, 37% in the Naval Industry segment and 13% in the Renewables segment. "Others" refers to intersegment transactions.

Operating Revenues of the Metallic Constructions segment amounted to 138.1 million euros, registering an increase of 13.5 million euros due to increased activity. The Naval industry segment presents a value of 97.5 million euros in 2019 (a growth of 19% compared to 2018) which results from the strong growth of the activity of this segment in the last few years. In the Renewables segment, they amount to 33.4 million euros in 2019, and result from the sale of solar parks in Spain as well as from the activities of the parks in operation.

DEBT AND FINANCIAL POSITION

M€	DEC-19	DEC-18	VAR.%
Fixed assets (including Goodwill and right-to-use assets)	97,1	123,4	-21%
Other non-current assets	46,4	56,6	-18%
Inventories and Current receivables	109,1	106,4	3%
Cash and cash equivalents	35,0	33,4	5%
Total Assets	**287,6**	**319,7**	**-10%**
Equity	7,6	-13,9	n.m.
Non-controlling interests	-39,0	-35,9	-9%
Total Equity	**-31,4**	**-49,7**	**37%**
Debt and Liabilities of non-current leases	158,8	210,1	-24%
Other non-current liabilities	24,2	31,8	-24%
Debt and Liabilities of current leases	5,9	8,9	-34%
Other current liabilities	130,1	118,6	10%
Total Liabilities	**319,0**	**369,4**	**-14%**

During 2019, the decreasing trend of the net debt was maintained, in line with the goals set in Martifer Group's Strategic Plan. Thus, on 31 December 2019, the consolidated Net Debt reached 106 million euros, reflecting an 80 million euro reduction when compared with the previous year.

M€	CONSTRUÇÃO METÁLICA	NAVAL INDUSTRY	RENEWABLES	HOLDING	MARTIFER CONSOLIDADO
Net Debt 2019	67	-5	-2	47	106
Net Debt 2018	87	-7	22	84	186

This 43% reduction in the net debt value results to a great extent from the implementation of the Group's non-core asset divestiture plan, in line with the restructuring plan executed with the financing entities which has completed its fifth year of implementation.

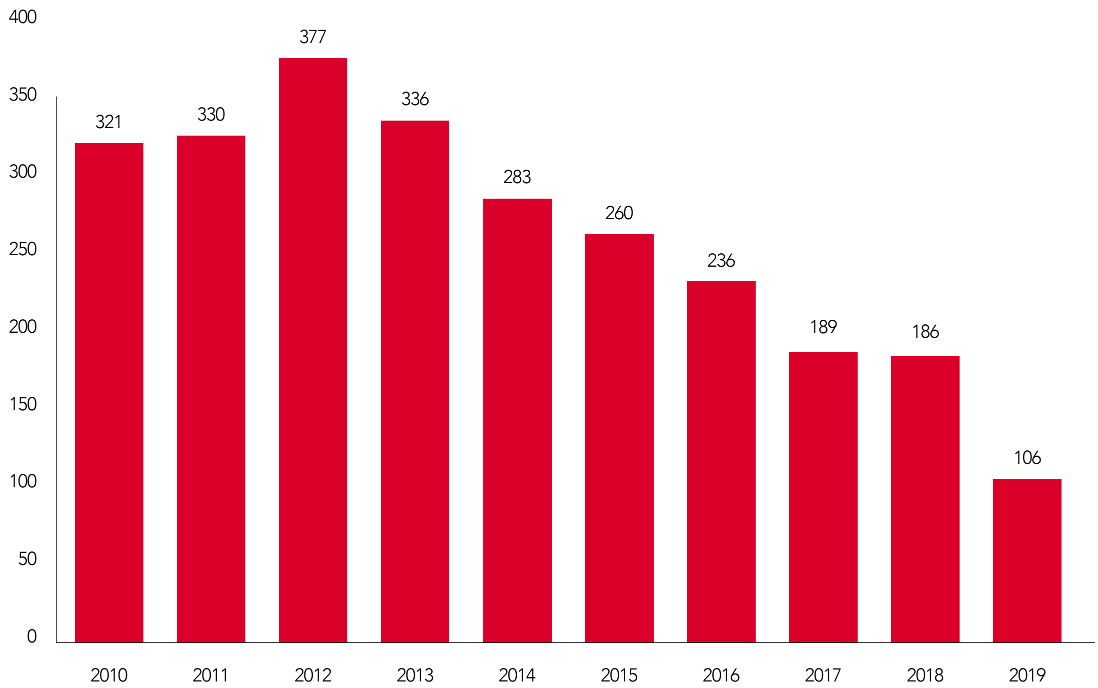
This reduction is primarily the result of:

- the fulfilment of the Group's bank debt service for the period under consideration (3.4 million euros);

- debt repayments in accordance with the Group's non-core asset divestiture plan;

- disregard of the debt previously classified as Financial Leasings (12.8 million euros) which, by virtue of the adoption of IFRS 16 in 2019, became part of the item 'Lease liabilities'.

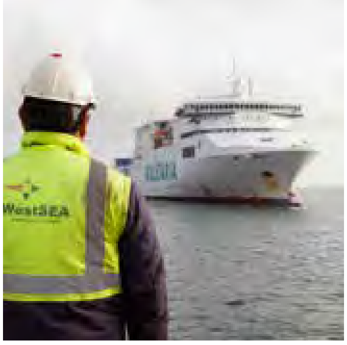
DECREASE TREND OF THE NET DEBT (M€)



Note 1: Until 2018, Net Debt = Borrowings + Financial Leases (+/-) Derivatives - Cash and Cash Equivalents

Note 2: As of 2019, Net debt = Loans (+/-) Derivatives - Availabilities and Equivalents

In 2020, the Group will maintain its debt reduction strategy, continuing the premises defined in its Strategic Plan, namely focusing on the execution of the non-core asset disposal plan.



Future Prospects

The year 2019 clearly confirmed the positive trajectory with the new cycle in the Group, which began the previous year with the implementation of a new governance model, more independent from the reference shareholders and with the definition of the strategic plan 2018-2020.

2020 was expected to be the year of consolidation of this path, with an even more ambitious budget and to clearly benefit from a strategy that is proving to be the most correct for the Group. Suddenly the world was affected by the COVID-19 pandemic, whose effects on the economy only compare to the years of World War II.

Of course, this disruptive effect on companies needs to be considered in their present performance or deserves intense monitoring and adjustment at all times.

However, the strength of the strategy that has been implemented since 2018, which is based on 3 fundamental pillars, namely:

- Reinforcement of the organisational culture and consolidation of the governance model;

- Increased operational efficiency, planning and productivity in particular in Metallic Constructions, consolidation in the Naval Industry and reinforcement of the sustainable growth strategy in Renewables, and

- Consolidation of the financial stabilisation trajectory.

It enables us to look at this period with greater tranquillity and the necessary discernment to make the most assertive decisions and thus to escape this crisis even more strengthened.

From the outset, the Group's financial consolidation, with the substantial and systematic debt reduction and, as a result, the associated financial costs, helps us to have the capacity to be more resilient, in the worst moments, such as those we are now living.

On the other hand, the concrete and structured measures to increase our productivity – with the results achieved in the per capita Gross Value Added (VAB) indicator showing this success, when compared to the national average and previous years in the Group – namely in constant actions of organising our teams, of simplifying and having the majority of our work electronic, in a clear commitment to training people and of an even more rigorous technical-commercial positioning, focused and adapted to the countries and business segments, allowing us to have the necessary competitiveness to satisfy our clients, who already recognise our industrial and technical skills.

We will continue to look at all the opportunities that may strengthen the Group's export profile, enhancing the industrial capacity in Portugal to the external markets where Martifer is present; in Oil & Gas and O&M we will follow the trajectory of increasing their weight in the Group's Turnover and of a clear balance with the core activity of metallic structures in Angola and Mozambique.

In the Renewables segment, both through asset rotation and the exploration of opportunities in wind and solar projects, we will continue to boost the success that was achieved in 2019, namely in the auctions that we won in Poland for wind and solar energy, which amount to 50 MW.

The Naval area, which has in the 2020 budget and for the first time in the history of the Group, a weight of almost 50% of Turnover, will remain one of the big flags of this trajectory and where we expect the Group's largest investments to occur in the following years, in order to consolidate our diversification strategy.

We will continue to do justice to this Group's DNA, to boost the search for new areas and to be alert to new opportunities, having defined the Energy sector as an area to pursue in the near future, because we want to continue to be part of the companies that see climate and environmental change and the resulting challenges as a huge opportunity.

The year 2020 will undoubtedly bring new and great challenges, but, above all, it will be the year in which all of us, taking advantage of the good energy of Martifer's 30th anniversary, will have to know how to establish new objectives to design a new path: the 2021- 2023 Plan. This new path, which should be coherent with the previous one, will only be travelled successfully if the Group is able to reach the finish line in 2020 in a solid, consistent and structured way.

Oliveira de Frades, 21 April 2020

The Board of Directors,

Carlos Manuel Marques Martins
(President)

Arnaldo José Nunes da Costa Figueiredo
(Vice President)

Jorge Alberto Marques Martins
(Vice President)

Pedro Miguel Rodrigues Duarte
(Board Member)

Pedro Nuno Cardoso Abreu Moreira
(Board Member)

Maria Sílvia da Fonseca Vasconcelos da Mota
(Board Member)

Vítor Manuel Álvares Escária
(Board Member)

Mariana França Gouveia
(Board Member)

AUDIT AND FISCAL REPORTS

MARTIFER
GROUP

Martifer SGPS S.A. - Sociedade Aberta
Zona Industrial - Apartado 17
3684-001 Oliveira de Frades
Portugal

REPORT AND OPINION OF THE SUPERVISORY BOARD
On the 2019 consolidated Accounts

(TRANSLATION OF A REPORT ORIGINALLY ISSUED IN PORTUGUESE)

Dear Shareholders,

1. *In accordance with the law, the articles of association and the duty that was entrusted to us at the General Meeting on 18th May 2018, we enclose our report on our supervisor activity and our opinion on the MARTIFER – SGPS, S.A. management report and consolidated accounts for the year ending on 31st December 2019, presented by the Board of Directors.*

2. *We regularly followed the activity of the Company and of its main subsidiaries, having received from the executive members of the Board and company officials all required explanations and support for the execution of our duties.*

3. *We accompanied the preparation of the Group's consolidated accounts, the work of the statutory auditor and external auditor with whom we met, and we reviewed the Legal Certification of Consolidated Accounts and Audit Report, issued with today's date with an emphasis related to the impacts that the COVID-19 pandemic may cause on the Group's future operational activity, which deserved our agreement.*

4. *We have also analysed the Additional Report to the Supervisory Body issued by PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. as statutory auditor in accordance with article no. 24, number 1 and 2 of Law no. 148/2015 of 9th September, with whom we met especially for this purpose.*

5. *Within the scope of competence conferred upon us, we have found that:*

   a) *The Consolidated Statements of Financial Position, the Consolidated Income Statements, the Consolidated Statements of Comprehensive Income, the Consolidated Cash-flow Statements and the Consolidated Statement of Changes in Shareholders' Equity, and respective Accompanying Notes give a true and fair view of the Group and its financial results;*

   b) *The accounting policies and valuation criteria used are in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, were consistent with those applied in the preparation of financial information for the previous year and allow the correct assessment of the Company's assets and results, with the exception of IFRS 16, which became effective at the beginning of the year, on 1st January 2019;*

   c) *The impact of the application of IFRS 16 amounted to EUR 7.2 million, an increase in assets and liabilities in the same amount and is duly explained in the Note to the financial statements "1.2 Comparability of Information" of the Consolidated Annex; and*

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GROUP

Martifer SGPS S.A. - Sociedade Aberta
Zona Industrial - Apartado 17
3684-001 Oliveira de Frades
Portugal

d) *The Management Report shows a clear picture of the evolution of the business and the financial position of the Group, describing clearly the Group's most important activities.*

6. *Therefore, taking into account the information received from the Board of Directors, from the external auditor, and the conclusions of the Legal Certification of Consolidated Accounts and the Additional Report to the Supervisory Body, we are of the opinion that:*

   a) *The Management Report should be approved; and*

   b) *The Consolidated Financial Statements should be approved.*

Oliveira de Frades, 30th April 2020

____
Paulo Sérgio Jesus das Neves
Chairman of the Supervisory Board

____
Mária Maria Machado Lapa de Barros Peixoto
Member of the Supervisory Board

____
Américo Agostinho Martins Pereira
Member of the Supervisory Board

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Cons. Reg. Comercial de Oliveira de Frades

MARTIFER GROUP

Martifer SGPS S.A. - Sociedade Aberta
Zona Industrial - Apartado 17
3684-001 Oliveira de Frades
Portugal

REPORT AND OPINION OF THE SUPERVISORY BOARD On the 2019 individual Accounts

(TRANSLATION OF A REPORT ORIGINALLY ISSUED IN PORTUGUESE)

Dear Shareholders,

1. *In accordance with the law, the articles of association and the duty that was entrusted to us at the General Meeting on 18th May 2018, we enclose our report on our supervisor activity and our opinion on the MARTIFER – SGPS, S.A. management report and individual accounts for the year ending on 31st December 2019, presented by the Board of Directors.*

2. *We regularly followed the activity of the Company and of its main subsidiaries, having received from the executive members of the Board and company officials all required explanations and support for the execution of our duties.*

3. *We accompanied the work of the statutory auditor and external auditor with whom we met, and we reviewed the Legal Certification of Accounts and Audit Report, issued with today's date with an unqualified opinion and with an emphasis related to the impacts that the COVID-19 pandemic may cause on the Group's future operational activity, which deserved our agreement.*

4. *We have also analysed the Additional Report to the Supervisory Body issued with today's date by PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. as statutory auditor according to article no. 24, number 1 and 2 of Law no. 148/2015 of 9th September, with whom we met especially for this purpose.*

5. *Within the scope of competence conferred upon us, we have found that:*

   a) *The management report and financial statements show a clear picture of the Company's financial position, financial results and cash flows;*

   b) *The accounting policies and valuation criteria used, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, were consistent with those applied in the preparation of the financial information of the previous year and allow the correct evaluation of the assets and results of the Company; and*

   c) *The proposal of results allocation is appropriate, under the current circumstances.*

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Zona Industrial - Apartado 17
3684-001 Oliveira de Frades
Portugal

6. *Therefore, taking into account the information received from the Board of Directors andthe external auditor, and the conclusions of the Legal Certification of Accounts, we are of the opinion that:*

   a) *The Management Report should be approved;*

   b) *The Individual Financial Statements should be approved;*

   c) *The proposal of results allocation should be approved; and*

   d) *The shareholders must proceed to a general assessment of the Company's management and supervision, in accordance with article no. 455 of the Commercial Companies Code (Código das Sociedades Comerciais).*

Oliveira de Frades, 30th April 2020

____
Paulo Sérgio Jesus das Neves
Chairman of the Supervisory Board

____
Mária Maria Machado Lapa de Barros Peixoto
Member of the Supervisory Board

____
Américo Agostinho Martins Pereira
Member of the Supervisory Board

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Portugal

STATEMENT OF COMPLIANCE

(According to article no. 245, number 1, paragraph C of the Securities Code)

Dear Shareholders,

We hereby declare that as to the best of our knowledge:

i) The information in the individual and consolidated financial statements for the financial year 2019, as well as in the appendices, was compiled in accordance with the applicable accounting standards, giving a true and appropriate picture of the assets and liabilities, the financial position and the performance of MARTIFER – SGPS, S.A. and of the companies included in the consolidation perimeter;

ii) The information contained in the Management Report for the financial year 2019 truthfully represents the operational performance and position of MARTIFER - SGPS, S.A. and the companies included in the consolidation perimeter, including a description of the main risks and uncertainties faced by the company.

Oliveira de Frades, 30th April 2020

Paulo Sérgio Jesus das Neves
Chairman of the Supervisory Board

Mária Maria Machado Lapa de Barros Peixoto
Member of the Supervisory Board

Américo Agostinho Martins Pereira
Member of the Supervisory Board

Statutory Audit Report and Auditors’ Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Martifer SGPS, S.A. (the Group), which comprise the consolidated statement of financial position as at December 31, 2019 (which shows total assets of Euro 287.599.902 and total negative shareholders' equity of Euro 31.398.134 including a net profit of Euro 23.546.244, the consolidated statement of income by nature, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Martifer SGPS, S.A. as at December 31, 2019, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw your attention to what is disclosed in note 45 of the notes to the consolidated financial statements, namely with regard to the impacts COVID 19 pandemic may have on the Group's future operational activity.

Our opinion is not changed in relation to this matter.

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Matriculada na CRC sob o NUPC 506 628 752, Capital Social Euros 314.000
Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	Audit approach
Construction contracts revenue recognition As mentioned in Notes 4, 27 and 38 of the consolidated financial statements, the value of the construction contracts' revenues amounted to approximately 191,1 million euros and the customer contract assets and liabilities and amounted respectively to 27,8 and 50,8 million euros. The Group recognizes revenue according to the guidelines introduced by the adoption of IFRS 15 – Revenue from contracts with costumers. In accordance to IFRS 15, revenue and margins related to ongoing construction contracts are recognized in accordance with the percentage of completion method, using measurement reports, which reflect the physical execution of the works on a given date, contract by contract. Determining the percentage of completion of the contracts requires significant estimates and judgements, namely the total contract income, expenditure to incur until completion and the impact of work to be performed differently from the agreed work, delays in execution and existent or future claims. Additional revenue amounts are estimated when established as contractual rights and assessed as highly probable. These estimates are reviewed in each reporting period, based on management's best knowledge, and material changes in recognized revenue and margins can arise from that review. Due to the magnitude of the amounts and uncertainty and complexity of the judgements involved in the estimates, we consider this issue as a key audit matter.	The work performed over constructions contracts revenue recognition included the following procedures: • Understanding and evaluating the control activities related to revenue recognition of construction contracts, and testing control effectiveness, when relevant; • Obtaining construction contract reports that support revenue recognition of plurennial construction contracts, and its reconciliation with the accounting records; • Confirmation of total estimated income as stated in the reports with the contracts agreed with clients and other terms and conditions, and of the local estimated cost with production budgets, for a sample of contracts; • Obtaining and analyzing the incurred costs supporting information and measurement reports of work performed, for a sample of contracts; • Reasonableness tests to the percentage of completion, considering the underlying assumptions; • Analysis of the estimates and judgements of management, concerning the recognized margin, through: (i) analysis of the reliability of historical estimates; (ii) inquiring of changes in total income and total estimated costs, as well as in incurred costs in comparison with budgeted costs, and (iii) evaluating the sufficiency and strength of the

Key audit matters	Audit approach
	supporting evidence for additional revenue values that result from contractual rights but whose amount is not yet approved by the client; and • Analysis of the need to recognize provisions for expected losses in contracts, through key personnel inquiry, as well as through examination of significant contracts and management minutes, external know factors, litigation and disputes with the counterparties or the outcomes of events after the reporting period. We have verified the adequacy of the disclosures related to construction contracts presented in the consolidated financial statements.
Impairment of goodwill and tangible assets As mentioned in Notes 11, 17 and 19 to the Consolidated Financial Statements, Goodwill and Tangible Fixed Assets recognized at December 31, 2019 amounted to 79,5 million euros, with accumulated impairments of 32,1 million euros and current year impairments of 2,7 million euros. As required by IAS 36 - Impairment of assets, Goodwill impairment test is performed annually. Additionally, at the end of the year, the Group also assesses the existence of signs of impairment in tangible fixed assets in order to verify if there were changes that indicate that the asset could not be recoverable. The evaluation model used is Discounted Cash Flow. To build this model, management incorporates judgments based on assumptions about future cash flow projections, growth rates, and the discount rate to be applied. Changes in judgments and estimates may result in material adjustments to the financial statements, so there is a high degree of	The work performed to validate the impairment of goodwill and tangible assets focused essentially in the valuation models used to determine the recoverable value of each cash generating unit, and we obtained the valuation models used to determine the recoverable value of each cash generating unit. In order to validate the Discounted Cash Flow model, the following procedures were performed: • Test the accuracy of the model; • Validation of the assumptions underlying the models of impairment, namely regarding the discount rate and growth rate used; • Reasonableness of future Cash Flow projections, comparing with historical performance; • Sensitivity analysis of the model;

Key audit matters	Audit approach
subjectivity, which may result in significant changes in recoverable amounts, and we therefore consider as a key audit matter.	We evaluated the disclosures compliance, as required in IAS 36.
Valuation of Investment Properties As mentioned in Note 21 to the Consolidated Financial Statements, the value of Investment Properties at December 31, 2019 is 20,8 million euros, which are measured at fair value. Independent entities carry out the valuations in accordance with IAS 40 and IFRS 13. If any, the valuations take into account evidence of market transactions for identical investments and locations comparable to these investments of the Group. Determining the fair value of these assets requires estimates to be made, which involve the use of assumptions by management, particularly with respect to comparable market sales, projections of future cash flows (sales prices and construction costs at incur for the completion of the asset), market rents and yields. As there is a high degree of subjectivity, changes in judgments and in the estimates used may result in material adjustments to the financial statements, which is why we consider a key audit matter.	The work performed for the valuation of Investment Properties included: • assessment of the inventory and investment property presentation reasonableness, considering the expected way of realization, based on meetings with management; • independence and competence assessment of the external appraisers appointed by management; • review of real estate valuation, namely through the following procedures: (i) meeting with the Group’s real estate managers, in order to analyze and discuss the evidence presented and conclusions withdrawn; and (ii) analysis of the reasonableness of the underlying data used in appraisals, considering our knowledge and experience, including the comparison with industry and transaction benchmarks. We have also verified the adequacy of the disclosures according IAS 40 and IFRS 13.

Key audit matters	Audit approach
Impairment of accounts receivable As mentioned in Note 25 to the Consolidated Financial Statements, the Group presents balances receivable from customers and other debtors in the amount of 82,2 million euros at December 31, 2019, for which impairments of 31,3 million euros are registered. In 2019 were recorded in the consolidated statement of income 8,9 million euros of impairments, net of reversals. The Group assesses, in each reporting period, the amount of impairment losses to be recognized under IFRS 9 – Financial Instruments. For this purpose, impairment losses are recognized for the estimated non recoverable amount of aged receivables or receivables for which other impairment indicators exist (incurred losses), as well as potential expected impairment losses, using an uncollectability matrix based on the credit history of the Group's debtors, as explained in note 1.4. vii) of the notes of the consolidated financial statements. The identification of impaired accounts receivable, an determining its recoverable amount, and the modeling of matrices for determination of potential impairment losses by type of customer, industry/sector or country, involve significant management judgement, namely in regards to (i) the debtors ability to settle the debt, probability of default of agreed conditions and collection prospects; and (ii) the segmentation of the portfolio of customers and other debtors in different groups of credit risk profiles and subsequent determination of estimated impairment loss rates. Moreover, and in accordance with the group accounting policies, the normal cycle of the accounts receivable recoverability is 12 months. However, there are amounts for which the period between the rendering of services and the payment exceeds the normal operation cycle.	Work performed over recognition and measurement of accounts receivable impairment included the following procedures: • Understanding and evaluating control activities related to recognition and measurement of accounts receivable impairment, and tests to the effectiveness of controls, when relevant; • Obtaining the detail list and calculation of accounts receivable impairment recognized in the year, and in the opening financial position, arising from the adoption of IFRS 9, and reconciling with accounting records; • Obtaining the calculation of matrices of expected impairment loss rates by country, industry and customer segments at the reporting date at the date of adoption of IFRS 9; • Discussion with the management of the main assumptions used in determining expected impairment losses, namely segmentation of matrices by different groups of credit risk profile, selection of historical periods and base information, as well as expectations of future credit risk changes; • Obtaining ageing accounts receivable reports and reconciling with the recognized impairment losses; • Discussing with management the assumptions used to determine accounts receivable incurred impairment losses, namely for significant amounts outstanding for long time periods; • Obtain and analyze available supporting information, used by management in the assessment performed; and

Key audit matters	Audit approach
In accordance with IFRS 9 – Financial Instruments, and as reported in 1.4. vii) a) of the notes of the consolidated accounts, the Group estimates the present value of accounts receivable whenever it is expected that payment exceeds the normal operational cycle. In this case, the estimates made by management require judgement, namely concerning the settlement date and the discount rate to use. Estimates of accounts receivable impairment and present value are a key audit matter because they require a high level of judgement by management.	• Verify receipts after the closing date. We have also verified the adequacy of disclosures related to the valuation and impairment of accounts receivable presented in the consolidated financial statements.

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;

g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements [and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our understanding that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

Non-financial statement set forth in article No. 508-G of the Portuguese Company Law

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the entity prepared a separated report of the Director's report, that included the non-financial statement set forth in article No. 508-G of the Portuguese Company Law, which was published together with the Director's report.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of Martifer SGPS, S.A. for the period from 2010 to 2012, and Statutory Auditors in the Shareholders' General Meeting of april 10, 2013 for the period from 2013 to 2014 having remained in functions until the current period. Our last appointment was in the Shareholders' General Meeting of may 18, 2018 for the period from 2018 to 2019.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of April 30, 2020.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Group in conducting our audit.

April 30, 2020

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Joaquim Miguel de Azevedo Barroso, R.O.C.

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Martifer, SGPS, S.A. (the Entity), which comprise the statement of financial position as at December 31, 2019 (which shows total assets of Euro 165.957.956 and total shareholders' equity of Euro 31.223.917 including a net loss of Euro 8.154.379), the statement of income by nature, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Martifer, SGPS, S.A. as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law we are independent of the Entity and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw your attention to what is disclosed in note 26 of the notes to the financial statements, namely with regard to the impacts COVID 19 pandemic may have on the Entity's future operational activity.

Our opinion is not changed in relation to this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	*Summary of the Audit Approach*
Recoverability of financial investments in subsidiaries and associates As mentioned in Note 1, 5, 12 and 19 to the Financial Statements, the Entity holds financial investments in subsidiaries and affiliates in the amount of €142,6 million, with reversions recognized, net of impairments, in the year in a total amount of € 9,7 million. It is performed a valuation of investment when there is an indication that the asset may be impaired or when the impairments recognized in previous years cease to exist. The evaluation model used is Discounted Cash Flows. To build this model, management incorporates judgements based on assumptions about future cash flow projections, growth rates and the discount rate to be applied. The valuation of financial investments is considered a key audit matter, since changes caused by events or circumstances which influence negatively the financial investments participation may result in the non-recoverability of the book value of these assets. and there is a high judgment associated with the evaluation model of the financial investments. .	In order to evaluate the assumptions and judgments assumed by the Management in the valuation of financial investments, the work performed included: a) verify the adequacy of the criteria used by management for the assessment of the existence of impairment signs of financial investments; and b) obtain and analysis the impairment test of financial investments, in the applicable cases. The impairment tests analysis based in the Discounted Cash Flow model, implied audit procedures as the a) validation of the method used to quantify the fair value of financial investments and b) valuation of assumptions underlying the models of impairment, namely the growth rate used, sales margin and the discounts implicit in the valuation model. We compare the recoverable amount obtained in the evaluations with the book value of the investments and we conclude the reasonability of impairments considered by the Entity. We also evaluate the reasonableness of the disclosures made in accordance with applicable regulations.

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Entity in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report , including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Entity's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Entity's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Entity's financial information.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

g) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

h) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our understanding that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Entity, no material misstatements were identified.

Non-financial statement set forth in article No. 66-B of the Portuguese Company Law

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the entity prepared a separated report of the Director's report, that included the non-financial statement set forth in article No. 66-B of the Portuguese Company Law, which was published together with the Director's report.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of Martifer SGPS, S.A. for the period from 2010 to 2012, and Statutory Auditors in the Shareholders' General Meeting of april 10, 2013 for the period from 2013 to 2014 having remained in functions until the current period. Our last appointment was in the Shareholders' General Meeting of may 18, 2018 for the period from 2018 to 2019.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Entity's supervisory board as of 30 April 2020.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors (“Estatutos da Ordem dos Revisores Oficiais de Contas”) and that we remain independent of the Entity in conducting our audit.

April 30, 2020

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Joaquim Miguel de Azevedo Barroso, R.O.C.

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