# REPORT AND CONSOLIDATED ACCOUNTS

# 2019

# REPORT AND CONSOLIDATED ACCOUNTS

CONDURIL

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**2019**

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CONDURIL

# REPORT AND CONSOLIDATED ACCOUNTS
**2019**

# CONDURIL

«To be winners, companies should be scrupulous regarding the establishment of specific goals and the practice of those references.

It is also extremely important to establish clear corporate and ethical values as an integral part of our business culture, being rigorous in the way they are observed in the organisation's everyday life. Especially in the construction sector, the existence of values clearly assumed by the company constitute *per se* an attribute of major importance and a distinctive factor that deeply marks it in the market, providing it with relevant and general competitive characteristics.

Over the last fifty years, during which we have led this company, we have persistently tried to improve our operation; and, from a certain moment on, that concern required the internal publication of a set of documents that provided written records, for consultation, of the company's most important management topics, which established how all employees, within their job duties, should guide their decisions and behaviour, especially within: the scope of Conduril's strategy; the performance of construction works; control; client care; the relationship with other employees and with the society in general as employees of Conduril; the compliance with our values and principles.

# VISION

Conduril develops its activity in the field of Civil Engineering and its main goal, in both technical and economic terms, is to become one of the best Portuguese engineering companies (and to be recognised by the market as such), and, at the same time, to possess the following characteristics:

To be a great company at a national scale, both in technical and economic terms, capable of responding to any work of civil engineering both in the domestic market and abroad.

To be, in terms of the total number of active people, at a national level, a medium sized company, flexible and capable of responding to different market demands, and, with great technical ability be able to, above all else, become a solid base of support for its activities abroad.

# MISSION

Our mission is to create lasting wealth for our shareholders and the sustainability of the best working conditions and remuneration for our employees, as well as their satisfaction, as the first vector of our social responsibility – whether active or retired, especially through the retirement complement that is approximately 22.5% higher than regular pensions, stemming from our pension fund, created in 1989 – and the sustainability of the Conduril Academy in Angola and Mozambique, as well as maintenance of the university scholarships in those countries, whose support entails Conduril's continuity, which means the persistent achievement of results.

# VALUES

We believe that we can only create value and wealth, that is, win in the right way. In other words: with honesty, confidence and accountability based on a culture of integrity, which means: Honesty, Transparency, Justice and a strict adherence to the rules and regulations; these are our values and the foundations of all our principles.

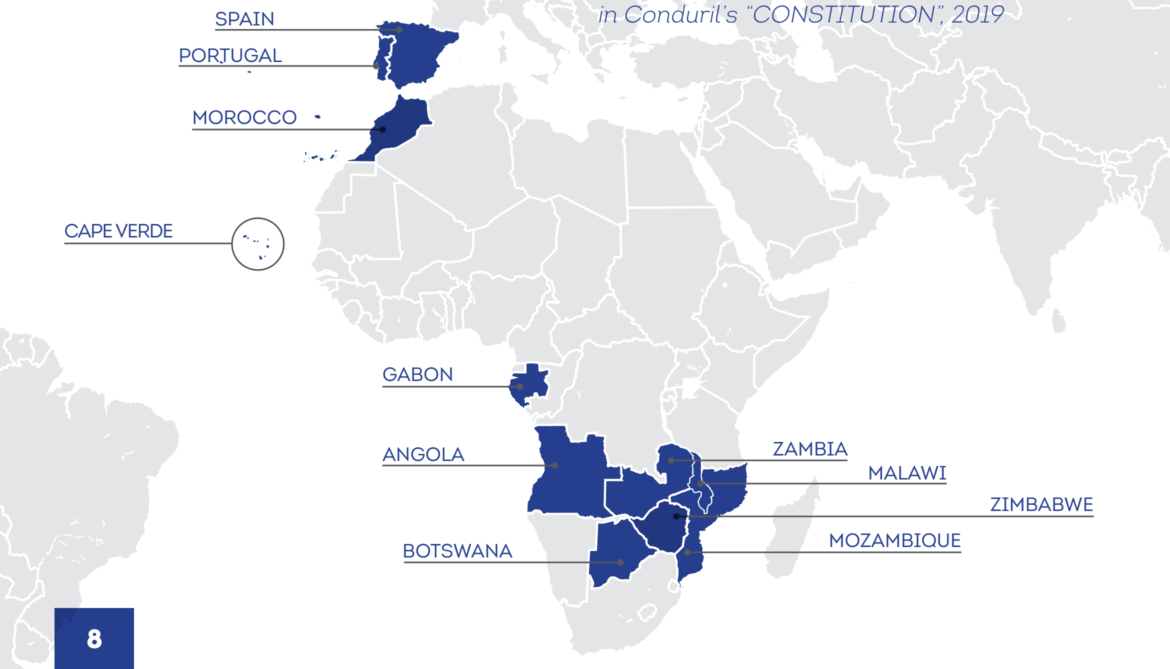
"We are determined to promote and preserve during 'the next one hundred (100) years' our values and fundamental principles, cultivating, with focus, the necessary survival conditions": Cohesion, Consistency, Meritocracy, Loyalty, Rigour, Ethics and Culture.

For a company that operates in the international market, its capacity to adapt to the society in which it is working is crucial, trying to be part of the existing social environment in the best possible way, respecting the local customs and reasonably cooperating with intelligence within its social responsibility.

A culture such as Conduril's, which values action, promotes transparency, empowers its employees and encourages communication, brings kinetic energy to the plan and is a commitment to its employees.

It is this set of 'normative documents', which has been made available to all, both orally and in writing, throughout these fifty years, that culminated, in 2019, with the unified publication of the company's essential governance, embodied in our 'CONSTITUTION'. This document is the true binder between all employees, capable of ensuring Conduril's continuity with all the benefits this entails: for all of us as employees; for all those who are touched by our active social responsibility, present and future; and for the entire country.»

*in Conduril's "CONSTITUTION", 2019*



# MANAGEMENT BODIES

**BOARD OF THE GENERAL MEETING**

Crisóstomo Aquino de Barros (President)
Amadeu Augusto Vinhas
Filipa Bastos Pinho Ferreira Lemos

**BOARD OF DIRECTORS**

António Luís Amorim Martins (Chairman)
Maria Benedita Andrade de Amorim Martins
Maria Luísa Andrade Amorim Martins
António Baraças Andrade Miragaia
António Emanuel Lemos Catarino
Jorge Lúcio Teixeira de Castro
Miguel José Alves Montenegro de Andrade
Ricardo Nuno Araújo Abreu Vaz Guimarães

**EXECUTIVE COMMITTEE**

Maria Benedita Andrade de Amorim Martins (CEO)
Maria Luísa Andrade Amorim Martins (Vice-CEO and CFO)
António Baraças Andrade Miragaia
António Emanuel Lemos Catarino
Jorge Lúcio Teixeira de Castro
Miguel José Alves Montenegro de Andrade
Ricardo Nuno Araújo Abreu Vaz Guimarães

**STATUTORY AUDIT BOARD**

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Júlio Gales Ferreira Pinto
João Ricardo Araújo Monteiro Rocha (Alternate)

**STATUTORY AUDITOR**

Horwath & Associados, SROC, Lda.
Represented by
Ana Raquel B. L. Esperança Sismeiro
João Miguel Neiva de Oliveira Coelho Pires (Alternate)

Angola_Malongo Dock


# CONSOLIDATED MANAGEMENT REPORT

# CONSOLIDATED MANAGEMENT REPORT

## THE BOARD OF DIRECTORS OF CONDURIL - ENGENHARIA, S.A., IN COMPLIANCE WITH THE ARTICLES OF ASSOCIATION AND APPLICABLE LEGAL PROVISIONS, PRESENTS AND SUBMITS TO THE GENERAL MEETING OF SHAREHOLDERS, THE CONSOLIDATED MANAGEMENT REPORT, THE CONSOLIDATED ACCOUNTS FOR THE PERIOD AND OTHER CONSOLIDATED FINANCIAL STATEMENTS, FOR THE FINANCIAL YEAR 2019.

1. The growth rate of the world domestic product registered in 2019 was the weakest since 2001, standing at 2.9%. The future expectations are not optimistic, since the projections for 2020 are facing a downward revision and due to the uncertainties created by the global trade disputes, by the geopolitical issues and, more recently, by the fall in demand and disruption of the global production chains caused by the quick dissemination of the new coronavirus (Covid-19), a growth higher than 3% is not expected.

   According to the recent estimates disclosed by Statistics Portugal, the Portuguese economy grew 2.2% in 2019, although a slowdown was verified when compared to 2018 (2.8%). The construction sector maintained its growth cycle, which started in 2017, and which followed the serious and long crisis that affected it during a decade and a half. According to more recent data from FEPICOP (Portuguese Federation of the Industry of Construction and Public Works), the production in construction revealed a real growth, when compared to the previous year, of 6% in 2019, with a slight slowdown of this growth to 5.5% being projected for 2020.

   Angola was still in recession in 2019, for the fourth consecutive year, with the real output registering a slight contraction (-0.3%), being expected for 2020, according to the International Monetary Fund, a growth close to 1%, due to the structural reforms the Government has been implementing at the economic, tax and financial levels, in an effort to reduce the external debt, fostering the diversification of economy supported by private investment and, therefore, propelling the economy as a whole. However, the existing exchange policy, which has created a continuous devaluation of the national currency and severe inflationary pressures related to the risks of the oil price/production volatility, brings additional pressure to the fragile situation of its economy.

The devastating effects of Cyclones Idai and Kenneth greatly undermined the economic performance of Mozambique, Malawi and Zimbabwe:

- in Mozambique, the growth registered in 2019 was the lowest in the last decade, standing at 2.2%, according to the country's National Institute for Statistics. However, it is estimated that the natural gas production in this country, as well as the post-cyclone rebuilding efforts and the gradual improvement of monetary conditions and access to the capital markets, after the debt restructuring achieved in 2019, will boost economy for an average growth of 12.4%, during this decade;

- in Malawi, a better performance of the agricultural sector and greater macroeconomic stability served to mitigate the harmful effects of the Cyclone Idai and, therefore, the real output achieved a growth of 5% in 2019, when compared to the 4% registered in 2018, a trend that is expected for the next years;

- the Zimbabwe GDP contracted 12.8% in 2019, with breaks in the mining, agricultural and tourism sectors. With the implementation of monetary and tax reforms, one of which included the introduction of a new currency in June 2019 – the Zimbabwean dollar – inflation increased one digit in 2018 to more than 200% at the end of 2019. If corrective measures are adopted to restore macroeconomic stability, the economic growth may be of 5%, in the short term.

The growth of the real GDP in Zambia slowed down to about 2% in 2019, below the 4% registered in 2018. It is expected that the economic activity remains weak, with a moderate growth recovery between 2-3% for the next biennium. The heavy dependence on external funding and the quick increase in public debt place Zambia at a high risk for over-indebtedness.

Highly dependent on the oil sector, Gabon maintained its path of economic recovery, achieving an estimated real GDP growth of 3.4% in 2019, when compared to 0.8% in 2018, justified in part by the investment in non-oil activities. It is expected that in the coming years the country maintains growth rates equivalent to those observed in 2019.

2. Notwithstanding the constraints in several countries where Conduril Group ("Group") performs its activity and that undermine the construction sector, in 2019, the turnover exceeded 154 million euros, surpassing in about 24% the value registered in the previous period, while the net income amounted to 2.4 million euros.

In Portugal, some work contracts remain in progress, such as the rehabilitation of the international bridge over the Guadiana river, the construction of the motorway section between Vilar Formoso and the Spanish border, the construction of the Arouca pedestrian bridge, the extension of the A4 motorway between Águas Santas and Ermesinde, and the modernisation of the Beira Baixa railway line between Covilhã and Guarda. In Angola, the rehabilitation of the Malongo dock, the rehabilitation of the road between Condé and Ebo, and the construction of three bridges on N380 in Mozambique should be highlighted.

The international presence in Zimbabwe was reinforced with the beginning of the extension and paving work of the A1 road between Makuti and Chirundu.

The following work contracts should also be highlighted: in Portugal, the work contracts for the extension of the eastern pier of the Sines port, in the amount of 72 million euros, and the requalification of the Rabo de Peixe school, in the Azores; in Angola, within the Road Recovery Project, the rehabilitation and maintenance of the road between Ganda and Catengue; in Mozambique, the water supply system between Mathlemele and Guava; in Zambia, the completion of the water supply system of Bombay; and, in Malawi, the construction of the new facilities for the Domasi College of Education and the construction of a 6 Km irrigation channel in Chikwawa.

The national operation corresponds to 35% of the 2019 turnover and the Group expects that this will represent about 50% in 2020. Since this market has lower margins than the external market, along with the negative exchange impact of the latter, which more than doubled in comparison to 2018, the Group's performance was less favourable than in the equivalent period.

Therefore, the Group focused on the efficient increase of its assets, which already materialised in 2019 with an increase in its turnover, a value proposition that, in the medium term, will consist in a generalised improvement of its profitability indicators.

| INDICATORS | 2017 | 2018 | 2019 |
|---|---|---|---|
| Net assets (€) | 421,594,004 | 346,526,010 | 370,893,772 |
| Liabilities (€) | 203,641,959 | 134,027,840 | 161,620,781 |
| Equity (€) | 217,952,045 | 212,498,170 | 209,272,991 |
| Net debt (€) (1) | -31,269,629 | -19,689,859 | -1,051,957 |
| Turnover (€) | 146,807,517 | 124,574,488 | 154,775,033 |
| GAV (€) | 75,936,354 | 59,776,016 | 59,030,795 |
| EBITDA (€) | 36,051,392 | 25,651,997 | 20,248,176 |
| Net income for the period (€) | 7,016,463 | 3,047,097 | 2,465,333 |
| Financial autonomy | 52% | 61% | 56% |
| General liquidity | 183% | 206% | 184% |
| Solvency ratio | 107% | 159% | 129% |
| Sales profitability | 5% | 2% | 2% |
| Asset turnover | 35% | 36% | 42% |

(1) the net debt represents the difference between the bank loans and the resources or equivalents of the Group.

Unquestionable is the economic and financial soundness of the Group, which validates the merit of the strategy that has been adopted, with a consolidated internationalisation process, always alert and reactive to the constraints and opportunities of the markets.

3. The Group is focused on improving its production capacity, which is only possible through a continuous investment in the updating, renewal and improvement of all its assets.

Its human capital is considered as a differentiating element, which maximises its capacity, investing in the development of its skills and qualifications, that, in 2019, was translated into several training courses, with more than 29,200 training hours, to which its training academy, Conduril Academy, greatly contributed. It also celebrated 10 years of existence, sharing, knowledge and impacts in 2019.

Last year, the Group had, in average, 2180 employees (2110 in 2018), 81% of which outside of Portugal.

The Conduril Pension Fund remains the pillar of its social responsibility policy and amounted, at the end of December 2019, to 10.2 million euros.

Also, in terms of equity assets, an important reinforcement of competences was made, ensuring the response to the technical requirements of our construction works and the market: in 2019, this strategy involved an investment of approximately 10 million euros, an amount that should be more than double in 2020.

4. In its investment portfolio, Conduril has participations in the concessionaires of two of the road sub-concessions in Portugal:

- 21.85% in SPER - Sociedade Portuguesa para a Construção e Exploração Rodoviária, S.A., with which IP - Infraestruturas de Portugal, S.A. concluded the contract for the sub-concession of Baixo Alentejo, which was renegotiated and approved by the Portuguese Court of Auditors in 2017, and which is currently in its operating period;

- 23.64% in RAL - Rotas do Algarve Litoral, S.A., with which IP concluded the contract for the sub-concession of Algarve Litoral. The original contract suffered changes, with a "changed concession contract" being signed, whose approval was denied by the Portuguese Court of Auditors in 2018. Consequently, RAL requested the acknowledgement of its right to withdraw from the existing labour contract and the reimbursement of the investment made up to that date, a request that was denied by IP. This forced the use of legal procedures with the request of an arbitration proceeding, in September 2019, which included a claim for compensation of 445 million euros and termination of the contract. It is with great conviction that Conduril expects a favourable decision, having the Government itself announced an inclusion of funds in the 2020 State Budget for this effect.

5. Over the years, the Group has been promoting active policies for quality management, safety reinforcement and an environmentally committed attitude, through the planning, risk and impact assessment and the definition of control methods.

During 2019, this effort was translated into:

- the renewal by APCER (Portuguese Association of Certification) of the certification of the quality management system in Portugal (including its subsidiary Edirio) and Angola, and its follow-up in Mozambique, according to the standard NP EN ISO 9001:2015;

- the follow-up by APCER of the certifications in the scope of the occupational health and safety management system in Portugal (including its subsidiary Edirio) and Mozambique, and its renewal in Angola, according to the standards OHSAS 18001:2007 and NP 4397:2008;

- the follow-up by APCER of the certification of the environmental management system in Portugal and the obtainment of this certification in Mozambique, according to the standard NP EN ISO 14001:2015;

- the follow-up of the accreditation by IPAC (Portuguese Institute for Accreditation) for the Portuguese Central Laboratory and transition to the standard NP EN ISO/IEC 17025:2018;

- the maintenance by APCER of the certification obtained in the scope of the EC Marking for the metal structures produced in Edirio - Construções, S.A., according to the standard EN 1090+1:2009+A1:2011; and

- in Mozambique, the construction of the central laboratory was completed and the requirements of the standard NP EN ISO/IEC 17025:2018 implemented, in order to achieve the accreditation of the main tests in the area of soils, aggregates and hydraulic cement, whose certificate issuance is expected at the end of 2020.

6. The weakness that the global projections present compel the Group to face the future with special attention and consideration.

In the Portuguese market, despite the existing optimism, only 77% of the funds allocated to the Portugal 2020 programme were completed or are in progress, and some of the main investments in infrastructures were transferred to the new national investment programme, which comprises the 2021-2030 period.

In the foreign markets in which the Group currently operates, the sector still does not show a solid recovery. The number of ongoing construction works is residual and the tenders are few and have been continuously postponed.

In 2020, the Group has more than 500 million euros in its portfolio of works and is alert to funded projects which are considered strategically and economically advantageous in different regions, therefore, remaining focused on the profitability of its business concept and in the strengthening of its culture, essential for consolidating its continuity.

7. Other information:

**a)** Conduril has branches in Angola, Mozambique, Botswana, Cape Verde, Zambia, Malawi, Gabon and Morocco.

**b)** There are no overdue debts to the State or any other public entity, including the Social Security.

**c)** The share capital is fully subscribed and paid-in, and is composed of 2,000,000 ordinary shares with a nominal value of 5 euros each.

**d)** The 200,000 shares owned by the company were not object of any transaction during the year.

**e)** No change was verified regarding the number of shares of Conduril - Engenharia, S.A. held by members of the Board of Directors, throughout 2019.

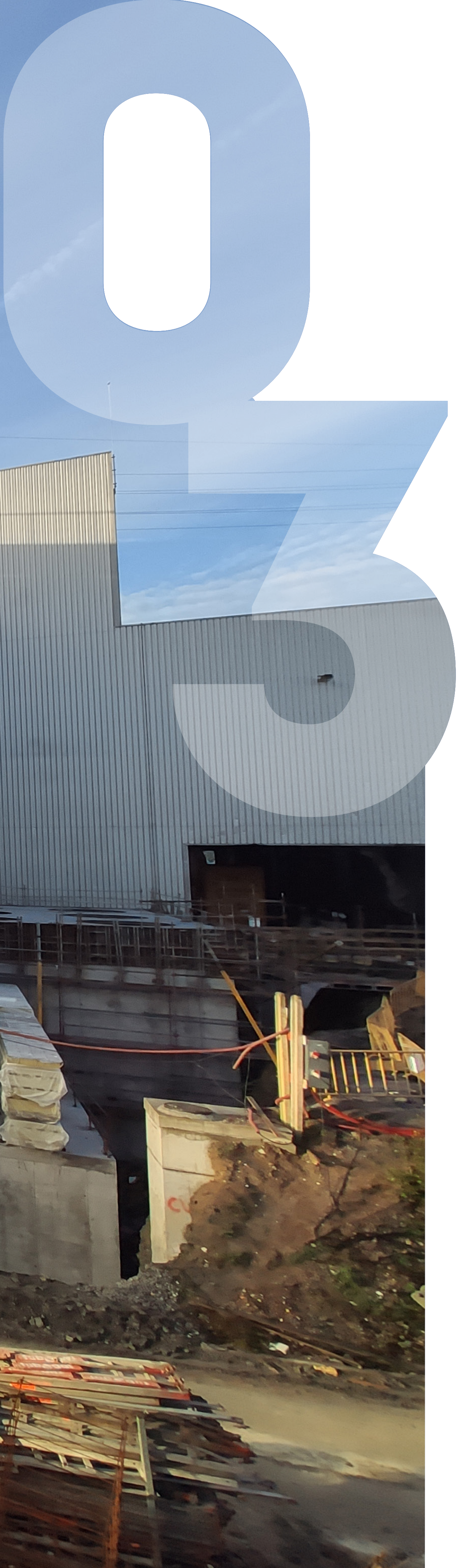
8. The Board of Directors proposes in its report and individual accounts that the net income for the 2019 period, in the amount of 2,461,138 euros, is fully transferred to Free Reserves.

9. The Board of Directors expresses its recognition to all of those who, throughout 2019, upheld it in the pursuit of the goals established by the Group. It thanks the support and confidence demonstrated by the shareholders and the availability of the Statutory Audit Board and the Statutory Auditor. It recognises the dedication, professionalism and commitment of all its employees, as well as the essential cooperation of its clients, suppliers and financial institutions.

Ermesinde, 04 March 2020

The Board of Directors,

Portugal_Mixing Building



# CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

# CONSOLIDATED BALANCE SHEET

## AS AT 31 DECEMBER 2019 AND 2018

Amounts expressed in EURO

| | NOTES | 2019 | 2018 |
|---|---|---|---|
| ASSETS | | | |
| NON-CURRENT ASSET | | | |
| Property, plant and equipment | 2;3;8 | 59,754,129 | 54,884,005 |
| Intangible assets | 2;3;7 | 5,540,046 | 5,335,521 |
| Permanent participations (equity method) | 3;10 | 710,789 | 823,721 |
| Other financial investments | 3;10 | 91,872,418 | 89,280,114 |
| Deferred tax assets | 3;18 | 226,280 | 63,198 |
| Subtotal | | 158,103,662 | 150,386,559 |
| CURRENT ASSET | | | |
| Inventories | 3;11 | 12,722,558 | 13,544,069 |
| Clients | 3;19 | 101,265,037 | 99,452,174 |
| Clients with retention payments | 3;19 | 4,122,995 | 3,117,604 |
| State and other public bodies | 21 | 15,662,198 | 14,865,706 |
| Shareholders | | 7,159 | 7,175 |
| Other accounts receivable | 3;19;21 | 68,147,219 | 52,541,556 |
| Deferrals | 3;21 | 672,250 | 362,547 |
| Other financial assets | 3;19 | 1,482 | 1,420 |
| Cash and bank deposits | 3;4 | 10,189,212 | 12,247,200 |
| Subtotal | | 212,790,110 | 196,139,451 |
| **TOTAL ASSETS** | | **370,893,772** | **346,526,010** |
| SHAREHOLDERS' FUNDS AND LIABILITIES | | | |
| SHAREHOLDERS' FUNDS | | | |
| Paid-in capital | | 10,000,000 | 10,000,000 |
| Own shares | 3 | (950,000) | (950,000) |
| Legal reserves | | 3,453,109 | 3,444,152 |
| Other reserves | | 202,621,765 | 200,716,282 |
| Retained profit | | 5,752,326 | 5,004,165 |
| Revaluation surpluses | | 2,708,790 | 2,708,790 |
| Adjustments/Other changes in equity | | (16,807,417) | (11,537,690) |
| Subtotal | | 206,778,573 | 209,385,699 |
| Net income for the period | | 2,461,138 | 3,045,107 |
| Subtotal | | 209,239,711 | 212,430,805 |
| Non-controlling interests | | 33,280 | 67,365 |
| **TOTAL SHAREHOLDERS' FUNDS** | **3** | **209,272,991** | **212,498,170** |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Provisions | 3;14 | 3,055,500 | 2,856,386 |
| Financing obtained | 3;9;19 | 41,537,311 | 34,616,607 |
| Deferred tax liabilities | 3;18 | 1,347,247 | 1,356,928 |
| Other accounts payable | 3;21 | 253,410 | - |
| Subtotal | | 46,193,468 | 38,829,921 |
| CURRENT LIABILITIES | | | |
| Trade creditors | 3 | 40,768,618 | 33,978,207 |
| Advanced payments from clients | 3 | 14,332,353 | 17,270,399 |
| State and other public bodies | 21 | 19,677,611 | 17,290,778 |
| Shareholders | | 2,846,179 | 2,846,180 |
| Financing obtained | 3;9;19 | 25,178,178 | 12,934,358 |
| Other accounts payable | 3;21 | 11,475,204 | 10,271,947 |
| Deferrals | 3;21 | 1,149,170 | 606,048 |
| Subtotal | | 115,427,313 | 95,197,919 |
| **TOTAL LIABILITIES** | | **161,620,781** | **134,027,840** |
| **TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES** | | **370,893,772** | **346,526,010** |

The Management,　　　　The Chartered Accountant,

# CONSOLIDATED PROFIT AND LOSS ACCOUNT BY NATURE

## AS AT 31 DECEMBER 2019 AND 2018

Amounts expressed in EURO

| INCOME AND EXPENSES | NOTES | 2019 | 2018 |
|---|---|---|---|
| Sales and services provided | 3;13;21;23 | 154,775,033 | 124,574,488 |
| Grants received as compensation for expenses | | - | - |
| Gains/losses allocated to subsidiaries, associated companies and joint ventures | 3 | 149,220 | 630,313 |
| Variation of inventories in production | 3;11 | 87,012 | 103,879 |
| Own work capitalised | 3 | 1,706,850 | 1,540,773 |
| Cost of goods sold and materials consumed | 11 | (39,338,324) | (27,369,092) |
| External supplies and services | 21 | (51,144,471) | (43,427,304) |
| Personnel expenses | 3;20;21 | (38,782,619) | (34,124,019) |
| Impairment of inventories (losses/reversals) | 3;11 | - | (25,307) |
| Impairment of doubtful debts (losses/reversals) | 3;19 | (65,457) | 271,143 |
| Provisions (increases/reductions) | 3;14 | (197,043) | (262,455) |
| Impairment of non-depreciable/amortisable investments (losses/reversals) | | - | - |
| Increases/reductions of fair value | | - | - |
| Other income | 15;21 | 10,000,130 | 18,596,124 |
| Other expenses | 2;15;21 | (17,204,655) | (14,873,168) |
| Operating income before depreciations, financing costs and taxes | | 19,985,676 | 25,635,379 |
| | | | |
| Depreciation and amortisation expenses/reversals | 3;7;8 | (4,171,339) | (6,443,673) |
| Impairment of depreciable/amortisable investments (losses/reversals) | | - | - |
| Net operating income (before financing costs and taxes) | | 15,814,337 | 19,191,705 |
| | | | |
| Interests and similar income obtained | | - | - |
| Interests and similar expenses supported | 3;21 | (3,882,697) | (6,407,899) |
| Income before taxation | | 11,931,640 | 12,783,806 |
| | | | |
| Income taxes | 3;18 | (9,466,307) | (9,736,709) |
| **NET INCOME FOR THE PERIOD** | | **2,465,333** | **3,047,097** |
| | | | |
| Income of discontinued operations (net of tax) inc. in the net income for the period | | - | - |
| | | | |
| NET INCOME FOR THE PERIOD ATTRIBUTABLE: | | | |
| Holders of equity of the parent entity | | 2,461,138 | 3,045,107 |
| Non-controlling interests | | 4,195 | 1,990 |
| Subtotal | | 2,465,333 | 3,047,097 |
| | | | |
| **EARNINGS PER SHARE (BASIC)** | | **1.37** | **1.69** |

The Management,

The Chartered Accountant,

# CONSOLIDATED CASH FLOW STATEMENT

## AS AT 31 DECEMBER 2019 AND 2018

Amounts expressed in EURO

| ITEMS | NOTES | 2019 | 2018 |
|---|---|---|---|
| OPERATING ACTIVITIES FLOW | | | |
| Cash receipts from clients | | 109,828,301 | 176,878,856 |
| Payments to suppliers | | (87,816,426) | (75,678,533) |
| Payments to employees | | (32,940,985) | (27,901,334) |
| Cash flow generated by operations | | (10,929,110) | 73,298,990 |
| Payment/Receipt of income taxes | | (1,886,833) | (1,795,046) |
| Other cash receipts/payments | | (3,421,895) | (10,010,019) |
| **OPERATING ACTIVITIES FLOW (1)** | | **(16,237,838)** | **61,493,925** |
| INVESTMENT ACTIVITIES FLOW | | | |
| CASH PAYMENTS ARISING FROM: | | | |
| Property, plant and equipment | | (535,785) | (609,773) |
| Intangible assets | | (10,887) | - |
| Financial investments | | (2,722,144) | (12,241) |
| Other assets | | - | - |
| CASH RECEIPTS ARISING FROM: | | | |
| Property, plant and equipment | | - | - |
| Other assets | | - | - |
| Interest and similar income | | 3,066,560 | 2,440,141 |
| Dividends | | 118,600 | 800,907 |
| **INVESTMENT ACTIVITIES FLOW (2)** | | **(83,656)** | **2,619,034** |
| FINANCING ACTIVITIES FLOW | | | |
| CASH RECEIPTS ARISING FROM: | | | |
| Financing obtained | | 84,607,985 | 85,351,145 |
| Other financing operations | | - | - |
| CASH PAYMENTS ARISING FROM: | | | |
| Financing obtained | | (62,763,383) | (134,053,310) |
| Leasing financing | | (1,598,614) | (756,741) |
| Interests and similar expenses | | (3,619,931) | (5,947,608) |
| Dividends | | (900,000) | (2,700,000) |
| Capital decreases and other equity instruments | | - | - |
| Other financing operations | | - | - |
| **FINANCING ACTIVITIES FLOW (3)** | | **15,726,057** | **(58,106,514)** |
| Net increase/decrease in cash and cash equivalents (1 + 2 + 3) | | (595,437) | 6,006,445 |
| Effects of foreign exchange rate | | (1,462,551) | (1,316,115) |
| Cash and cash equivalents at the beginning of the period | | 12,247,200 | 7,556,870 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | **4** | **10,189,212** | **12,247,200** |

The Management, The Chartered Accountant,

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDING ON 31 DECEMBER 2019

Amounts expressed in EURO

| | | SHAREHOLDERS' FUNDS ATTRIBUTED TO HOLDERS OF EQUITY OF THE PARENT ENTITY | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | NOTES | PAID-IN CAPITAL | OWN SHARES | LEGAL RESERVES | OTHER RESERVES | RETAINED PROFIT | REVALUATION SURPLUSES | ADJUSTMENTS/ OTHER CHANGES IN EQUITY | NET INCOME FOR THE PERIOD | TOTAL | NON-CONTROLLING INTERESTS | TOTAL SHAREHOLDERS' FUNDS |
| POSITION AS AT 1 JANUARY 2019 | | 10,000,000 | (950,000) | 3,444,152 | 200,716,282 | 5,004,165 | 2,708,790 | (11,537,690) | 3,045,107 | 212,430,806 | 67,364 | 212,498,170 |
| Application of the income for the period | | | | 8,957 | 3,169,545 | (133,395) | | | (3,045,107) | - | | - |
| Position as at 1 January 2019 after application of income | | 10,000,000 | (950,000) | 3,453,109 | 203,885,827 | 4,870,770 | 2,708,790 | (11,537,690) | - | 212,430,806 | 67,364 | 212,498,170 |
| | | | | | | | | | | | | |
| CHANGES IN THE PERIOD: | | | | | | | | | | | | |
| First adoption of the new accounting framework | | | | | | | | | | | | |
| Changes in accounting policies | | | | | | | | | | | | |
| Differences in the translation of financial statements | | | | | | | | (3,858,015) | | (3,858,015) | (38,280) | (3,896,295) |
| Realisability of the revaluation surpluses | | | | | | | | | | | | |
| Revaluation surpluses | | | | | | | | | | | | |
| Adjustments by deferred taxes | | | | | | | | | | | | |
| Application of the equity method | | | | | | | | (262,152) | | (262,152) | | (262,152) |
| Other recognised changes in equity | | | | | (364,062) | 881,556 | | (1,149,560) | | (632,066) | | (632,066) |
| | | - | - | - | (364,062) | 881,556 | - | (5,269,727) | - | (4,752,233) | (38,280) | (4,790,513) |
| | | | | | | | | | | | | |
| NET INCOME FOR THE PERIOD | | | | | | | | | 2,461,138 | 2,461,138 | 4,196 | 2,465,334 |
| Overall result | | | | | | | | | 2,461,138 | 2,461,138 | 4,196 | 2,465,334 |
| | | | | | | | | | | | | |
| OPERATIONS WITH EQUITY HOLDERS IN THE PERIOD | | | | | | | | | | | | |
| Capital subscriptions | | | | | | | | | | | | - |
| Subscriptions of share issuance premiums | | | | | | | | | | | | - |
| Distributions | | | | | (900,000) | | | | | (900,000) | | (900,000) |
| Contributions to cover losses | | | | | | | | | | | | - |
| Other operations | | | | | | | | | | | | - |
| | | - | - | - | (900,000) | - | - | - | - | (900,000) | - | (900,000) |
| | | | | | | | | | | | | |
| **POSITION AT THE END OF DECEMBER 2019** | **3** | **10,000,000** | **(950,000)** | **3,453,109** | **202,621,765** | **5,752,326** | **2,708,790** | **(16,807,417)** | **2,461,138** | **209,239,711** | **33,280** | **209,272,991** |

The Management,

The Chartered Accountant,

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

## 1. INTRODUCTORY NOTE

Conduril - Engenharia, S.A. ("Conduril" or "Company"), is a company founded in 1959 and transformed in a company limited by shares in 1976, with registered office at Av. Eng.º Duarte Pacheco, 1835, 4445- 416 Ermesinde – Valongo, Portugal, and the participated companies ("Group"), whose main activity is public construction works and all other works related to the exercise of this activity.

We believe that these consolidated financial statements are a true and proper representation of the operations of the companies belonging to the Group, as well as their financial position and performance and cash flows.

The consolidated financial statements are filed in the Company's registered office.

All amounts expressed in these notes are presented in euros, rounded to the nearest unit.

## 2. ACCOUNTING FRAMEWORK FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

**2.1. These financial statements have been prepared bearing in mind the continuation of the Group's operations, from the accounting records of the Group and in accordance with the rules of the Accounting Standardisation System, governed by the following legislation:**

- Decree-law no. 158/2009, of 13 July, as amended by Decree-law no. 98/2015, of 2 June (Accounting Standardisation System);
- Decree Order no. 220/2015, of 24 July (Financial Statements Models);
- Notice no. 8254/2015 of 29 July (Framework);
- Notice no. 8256/2015, of 29 July (Accounting Standards and Financial Reporting);
- Decree Order no. 218/2015, of 23 July (Code of Accounts).

### 2.2. Indication and comment on the balance sheet and the income statement whose contents are not comparable with those of the previous financial year:

The amounts presented for comparison purposes are comparable and presented in accordance with the model resulting from the amendments introduced by the legislation mentioned in the previous paragraph, with the exception of the effect mentioned in Note 5, regarding the change of the expected useful life of property plant and equipment and intangible assets. This way, the comparative analysis of 2019 and 2018 should consider this impact.

# 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the attached financial statements are the following:

### 3.1. Measurement bases used in the preparation of the financial statements

The attached financial statements have been prepared bearing in mind the continuation of the Group's operations, from the accounting books and records of the companies belonging to the Group, maintained in accordance with the accounting principles generally accepted in Portugal (NCRF).

**A. Consolidated principles**
The consolidated principles adopted by the Group in the preparation of the consolidated financial statements are the following:

i. Investments in subsidiaries
Permanent participations in companies in which the Group owns, directly or indirectly, more than 50% of the voting rights at a General Meeting of Shareholders or is able to establish financial and operational policies (definition of control used by the Group), are included in the consolidated financial statements using the full consolidation method. Equity and net income of these companies corresponding to the shareholding of third parties in the subsidiary companies is shown separately in the consolidated balance sheet and in the consolidated profit and loss account in the item "Non-controlling interests".

When losses attributable to minority shareholders exceed the minority interest in a subsidiary's equity, then the Group absorbs this excess and any additional losses, except when the minority shareholders have a binding obligation and are able to cover such losses. If the subsidiary subsequently reports profits, then the Group appropriates all profits until the minority's share of losses absorbed has been recovered.

The results of subsidiaries acquired or sold during the period are included in the income statement from the effective date of acquisition or up to the effective date of sale, as appropriate.

Adjustments to the financial statements of subsidiaries are made whenever necessary to adjust them to the accounting policies used by the Group. Transactions, balances and dividends distributed between the Group's subsidiaries are eliminated on consolidation.

Whenever the Group has, in substance, control over other entities created for a specific purpose ("Special Purpose Entities"), even if no share capital interest is directly or indirectly held in those entities, these are consolidated by the full consolidation method.

ii. Investments in associates
Investments in associated companies (companies where the Group exercises significant influence but does not have control or joint control through the participation in financial and operational policies – usually corresponding to holdings between 20% and 50% in a company's share capital) are registered by the equity method.

According to the equity method, investments in associated companies are initially accounted at the acquisition cost, which is adjusted proportionally to the Group's share in the corresponding equity of those companies, at the date of acquisition or at the date of the first adoption of the equity method. Permanent participations are adjusted annually by the amount corresponding to the participation in the net profit/loss of the associated companies as opposed to income or expenses in the period. Furthermore, the dividends of these companies are registered as a decrease in investments, and the Group's share in the changes occurred in the associated company's equity is registered as a change in the Group's equity.

The differences between the acquisition cost and fair value of the assets and liabilities attributable to the associate on the acquisition date, if positive, are recognised as goodwill. If those differences are negative, after reassessment of the estimated fair value, they are registered as gains for the period in the item "Other income".

An assessment of the investments in associated companies is performed whenever there are indications that the asset may be impaired, with the impairment losses that are shown to exist being registered as expenses. Impairment losses recognised in previous periods that are no longer justifiable are reversed.

When the Group's share of losses of the associated company exceeds the investment value, the investment is reported at null value, except to the extent of the Group's commitments to the associated company, setting up a provision to cover those obligations.

The Group's share in unrealised gains arising from transactions with associated companies is eliminated proportionately, against the investment in that associated company. Unrealised losses are eliminated, but only to the extent that there is no evidence of impairment of the asset transferred.

iii. Jointly controlled entities

The financial interests in jointly controlled companies/entities were consolidated in the attached financial statements by the proportionate consolidation method from the date in which the control is shared. According to this method, the assets, liabilities, income and expenses of these companies have been included in the consolidated financial statements, on a line-by-line basis, in proportion to the Group's participation in the companies.

The classification of the financial interests held in jointly controlled companies/entities is determined based on:

- shareholder agreements that regulate the joint control;
- effective percentage held;
- voting rights held.

Any change of consolidation generated by the acquisition of a jointly controlled company/entity is registered according to the accounting policies defined for subsidiaries. Transactions, balances and dividends distributed between the jointly controlled companies are eliminated in proportion to the Group's participation.

iv. Goodwill

At the balance sheet date, an evaluation of the recoverable amount of the net value of the goodwill is made, and the respective impairment losses recognised whenever the accounting value of goodwill exceeds its recoverable amount. The goodwill value is not amortised. The gain or loss on disposal of an entity includes the accounting value of goodwill related to the entity sold, unless the business to which that goodwill is related is maintained generating benefits to the Group. Impairment losses related to goodwill cannot be reversed and are registered in the income statement for the period, in the item "Impairment of non-depreciable/amortisable investments (losses/reversals)".

The differences between the acquisition cost of investments in subsidiaries and associated companies, and the fair value of the identifiable assets and liabilities (including contingent liabilities) of these companies at the date of their acquisition, if negative, are recognised as income at the date of acquisition, after reassessment of the fair value of the identifiable assets and liabilities.

The gain or loss on disposal of an entity includes the accounting value of goodwill related to the entity sold, unless the business to which that goodwill is related is maintained generating benefits to the Group.

v. Translation of financial statements of foreign subsidiaries expressed in foreign currency
Assets and liabilities of foreign entities financial statements included on consolidation are translated into euros using the exchange rates at the balance sheet date, and income and expenses using the average exchange rates. The amount related to the exchange rate difference is registered in the equity item "Other changes in equity".

The goodwill value and fair value adjustments resulting from the acquisition of foreign entities are treated as assets and liabilities of those entities and translated to euros according to the exchange rate in force at the end of the period. Whenever a foreign company is sold, accumulated exchange rate differences are recognised in the income statement as a gain or loss on the disposal.

**B. Intangible assets**
The intangible assets, which essentially comprise development rights and computer programmes, are registered at acquisition cost, net of eventual impairment losses and accumulated amortisation. These assets are written down from the moment in which the underlying assets are completed or in use, by the straight-line method, for a period of 60 and 3 years, respectively.

The intangible assets are only recognised when it is probable that they derive future economic benefits for the Group, are controllable by the Group and that they can be measured reliably.

The development costs for which the Group demonstrates ability to complete their development and start their marketing and/or use, and for which it is probable that their created asset will generate future economic benefits, are capitalised. The development costs that do not meet these criteria are registered as expense in the period in which they are incurred.

The gains or losses arising from the sale or write-off of these assets are determined as the difference between the sale price and the accounting net value at the date of sale/write-off, and are registered by the net value in the income statement, as "Other income" or "Other expenses".

**C. Property, plant and equipment**
The property, plant and equipment acquired up to 1 January 2009, are registered at their considered cost, which corresponds to the acquisition cost or the revaluated acquisition cost in accordance with the generally accepted principles in Portugal until that date, net of accumulated depreciation and impairment losses.

The property, plant and equipment acquired after that date, are registered at acquisition cost, net of the corresponding depreciation and accumulated impairment losses.

Depreciations are calculated after the beginning of use of the assets, by the straight-line method, on an annual basis. It is important to mention that, in the present period, the useful life of some assets was subject to revision. The effect of this change in estimate was recognised in the income statement, whose impact was of 1,163,258 euros.

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

| | YEARS |
|---|---|
| Buildings and other constructions | 20 - 50 |
| Machinery and other equipment | 5 - 16 |
| Transport equipment | 6 - 12 |
| Office equipment | 6 - 25 |
| Other property, plant and equipment | 6 - 16 |

Maintenance and repair costs, which do not increase the useful life of these fixed assets are registered as expenses in the period in which they occur. The costs of major repairs and renovations are included in the accounting value of the asset whenever it is expected that this would involve additional future economic benefits.

Property, plant and equipment in progress represent assets still in the construction phase or in transit, and are registered at acquisition cost net of eventual impairment losses. These assets are depreciated from the moment they are in a state of use.

The gains or losses arising from the sale or write-off of these assets are determined as the difference between the sale price and the accounting net value at the date of sale/write-off, and are registered by the net value in the income statement, as "Other income" or "Other expenses".

**D. Leases**

Classification of leases as financial or operating is made based on the substance and not on the form of the contract. The lease agreements in which the Group acts as lessee are classified as finance leases, if the risks and rewards incident to ownership lie with the lessee, and as operating leases, if the risks and rewards incident to ownership do not lie with the lessee.

In accordance with the financial method, the cost of the asset is registered as an asset, the corresponding responsibility is registered as a liability, in the item "Financing obtained", and the interests included in the value of rentals and the assets reintegration are registered as costs in the income statement for the concerning period.

Operating lease instalments are recognised as expenses in the income statement, on a straight-line basis, over the rental period.

**E. Integration of branches**

The accounting information of the branches where the Group develops its activity, namely Angola, Mozambique, Morocco, Botswana, Cape Verde, Zambia, Malawi and Gabon, is monthly integrated in accounting. The balances and transactions occurred in the period between the registered office and the branches are eliminated.

When the functional currency of the branch is different from the reporting currency of the Group, the process of integration is performed through the translation of the variations of assets and liabilities, income and expenses at the exchange rate in force on the date of each monthly integration. On the reporting date, the exchange differences resulting from monetary assets and liabilities are calculated, being registered as income or expenses in the income statement.

In the accounting information of the branches are mainly used accounting policies in force in Portugal. To guarantee the uniformity of the accounting policies, whenever the local legislation is different from the laws in force in Portugal, the proper adjustments are made.

**F. Impairment of non-current assets (except for goodwill)**

Whenever an event or change in circumstances is identified that would indicate that the amount by which the asset is registered cannot be recovered, an assessment of impairment is performed with reference at the end of each period.

Whenever the amount by which the asset is registered is higher than its recoverable amount, an impairment loss is recognised, registered as an expense in the item "Impairment of depreciable/amortisable investments (losses/reversals)". The recoverable amount is the highest between the assets' net selling price and the use value. The net selling price is the amount that would have been achieved with the disposal of the asset in a transaction between independent and knowledgeable entities, deducted from the costs directly attributable to the disposal. The use value is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

After the recognition of an impairment loss, the expense with the amortisation/depreciation of an asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

The reversal of impairment loss recognised in previous periods is registered when it is concluded that the recognised impairment losses no longer exist or have decreased. This assessment is made whenever it is believed that impairment losses previously recognised have been reversed. The reversal of impairment losses is recognised as income in the income statement. However, the reversal of the impairment loss is performed up to the limit of the amount that would be recognised (net of amortisation or depreciation), if the impairment loss had not been registered in previous periods.

**G. Costs of financing obtained**

Costs related to financing are recognised as an expense on an accrual basis, even in cases where these costs are directly attributable to the acquisition, construction or production of an asset whose period of time to get ready for its intended use is substantial, in which case it could be capitalised until the moment in which all the activities necessary to prepare the asset eligible for its use or sale are complete.

**H. Inventories**

Goods and raw, subsidiary and consumable materials are stated at acquisition cost or at market price, whichever is lower (using the average cost as a costing method). Market price means the net realisable value or the replacement cost.

Finished or semi-finished products, by-products and products and works in progress are valued at production cost (which includes the cost of raw materials, labour and manufacturing overheads) or at market price in case this is lower. Market price means the net realisable value.

In cases where the market price is lower than the acquisition cost, impairment losses are recognised.

**I. Financial instruments**

i. Investments

The investments on other companies are registered at acquisition cost or, in the case of loans granted, at nominal value. An assessment of these investments is made whenever there are indications that the asset may be impaired, with the impairment losses that are shown to exist being registered as costs. Income obtained from financial investments (dividends or profit distributed) are registered in the income statement for the period in which distribution is decided and announced.

ii. Debtors

Debtors are registered at their nominal value and presented at the balance sheet net of eventual impairment losses, recognised in the item "Impairment of doubtful debts (losses/reversals)", in order to reflect their net realisable value. There are no situations where the nominal value differs from the fair value and, therefore, where the debt should be measured using the effective interest method.

Impairment losses are recognised if there is objective and measurable evidence that, as a result of one or more events which occurred, the outstanding balance will not be fully or partially received.

For that, the Group takes into consideration market information showing that the client is insolvent along with historical data of overdue and not paid amounts.

Recognised impairment losses correspond to the difference between the carrying amount and the present value of the estimated cash flows, discounted at the original effective interest rate, which is null whenever payment is expected to occur within less than one year.

iii. Financing

Financing is registered as liabilities at its amortised cost. Financial expenses are calculated based on the effective interest rate and are registered in the income statement for the period on an accruals basis.

There are no situations where the application of the amortised cost method has a materially relevant impact on the measurement, when compared to the nominal value.

iv. Trade creditors
Trade creditors and other creditors are registered at their nominal value, as they do not bear interests, being the effect of the use of the effective interest method considered immaterial.

v. Financial liabilities and equity instruments
Financial liabilities and equity instruments are classified based upon their contractual substance, regardless of the legal form they assume.

An instrument is classified as a financial liability when there is a contractual obligation for its settlement to be effected through the delivery of cash or another financial asset, regardless of its legal form. Financial liabilities are recognised initially at fair value net of transaction costs incurred, and subsequently at amortised cost, using the effective interest rate method.

An instrument is classified as an equity instrument when there is no contractual obligation for its settlement to be effected through the delivery of cash or another financial asset, regardless of its legal form, which evidence a residual interest in the assets of an entity after deducting all of its liabilities.

The costs directly attributable to the issuance of equity instruments are recognised in equity as a deduction to the amount issued. Amounts paid or received related to purchases or sales of equity instruments are registered in equity, net of transaction costs.

The distributions made of an equity instrument are deducted to equity as dividends, when declared.

vi. Own shares
Own shares are accounted at the acquisition cost as an allowance to equity. Gains or losses arising from disposal of own shares are registered in the item "Other reserves", not affecting the profit/loss of the period.

vii. Discounted bills and accounts receivable in factoring
The Group derecognises financial assets in its financial statements, only when the contractual rights to the cash flows inherent to those assets have already expired, or when the Group substantially transfers all the risks and benefits inherent to the ownership of those assets to a third entity. If the Group substantially retains the risks and benefits inherent to the ownership of those assets, it continues to recognise them in its financial statements, by registering in liabilities, in the item "Financing obtained", the monetary consideration for the assets transferred.

Consequently, clients' balances represented by discounted bills that have not yet reached their maturity date and accounts receivable in factoring as at the balance sheet date, with the exception of operations of "Factoring without resource", are recognised in the consolidated financial statements, in liabilities, until they are collected.

viii. Cash and cash equivalents
The amounts included in the item "Cash and cash equivalents" correspond to cash on hand, bank deposits, term deposits and other treasury applications, which mature in less than three months and are subject to insignificant risk of change in value.

**J. Provisions, contingent liabilities and contingent assets**
Provisions are recognised only when the Company has a present obligation (legal or constructive) as result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of that obligation. Provisions are reviewed at each balance sheet date and are adjusted to reflect the best estimate at that date. Provisions for restructuring costs are recognised whenever a formal and detailed restructuring plan exists and that plan has been communicated to the parties involved.

Contingent liabilities are defined by the Group as: (i) possible obligations arising from past events and whose existence will only be confirmed by the occurrence, or not, of one or more uncertain future events not under full control of the Group, or (ii) present obligations arising from past events, but which are not recognised because it is unlikely that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group. The Group does not recognise the contingent assets in its financial statements; it only proceeds to its disclosure if it considers that the economic benefits which may result from there to the Group are likely. When the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

**K. Economic periods**
Income and expenses are registered in the period to which they relate, regardless of the corresponding payment or receipt, on an accruals basis. Differences between the amounts received or paid and the corresponding income and expenses are registered in the items "Other accounts receivable", "Other accounts payable" or "Deferrals".

**L. Income taxes**
The income taxes registered in profit/loss include the effects of current taxes and deferred taxes. The current income tax is determined based on the taxable profit of each company included on consolidation, in accordance with the tax rules in force.

Deferred taxes refer to the temporary differences between the amounts of the assets and liabilities for the purposes of accounting records and the respective amounts for the purposes of taxation, as well as those arising from the tax benefits obtained and the temporary differences between the tax and accounting results. The tax is recognised in the income statement, except when related with items, which are moved in equity, a fact that implies their recognition in equity.

Deferred tax assets and liabilities are calculated and periodically evaluated using the taxation rates, which are expected to be in force on the date of reversal of temporary differences.

Deferred taxes refer to temporary differences between the accounting values of the assets and liabilities and their tax base, using the tax rates approved or substantially approved, at the balance sheet date, in each jurisdiction and which are expected to be applied when the temporary differences are reversed.

Deferred tax liabilities are recognised for all taxable temporary differences (except for goodwill not deductible for tax purposes), differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent when it is probable that future taxable profits will be available to absorb deductible temporary differences for tax purposes.

Deferred tax assets are registered only when there are reasonable expectations of sufficient taxable profits for them to be used. Every year, a revaluation of the temporary differences underlying to the deferred tax assets is made, with the purpose of recognising or adjust them according to the present expectation of their future recovery.

**M. Non-current assets held for sale**
Non-current assets are classified as held for sale if the balance sheet value is realisable through a sales transaction, rather than through its continuing use. This situation is only verified when: (i) the sale is probable and the assets are available for immediate sale in the present conditions; (ii) the management is committed with a sales plan; and, (iii) the sale is expectable to occur within twelve months.

Non-current assets classified as held for sale are measured at the lower value between the carrying amount and fair value net of expectable expenses with its sale.

**N. Government and other public entities subsidies**

Subsidies for vocational training programmes or exploration subsidies are registered in the item "Grants received as compensation for expenses" of the income statement for the period in which these programmes are carried out, independently of when they are received, unless it becomes receivable in a later period, in which it will be income for the period when it was received.

Non-reimbursable subsidies related to the assets are registered in the balance sheet as "Other changes in equity" and recognised in the income statement proportionally to the reintegrations of the subsidised assets, in each period.

**O. Retirement complements**

Conduril - Engenharia, S.A. has assumed the commitment of attributing a number of pecuniary benefits to its employees at complementary title of retirement pensions for old age or disability. To cover those responsibilities Conduril - Engenharia, S.A. created a defined benefit Pension Fund in 1989, exclusive to its employees, whose annual charges, determined according to actuarial calculations, are registered in accordance with the NCRF 28 – "Employee benefits".

The actuarial responsibilities are calculated according to the "Projected Unit Credit Method", by using the actuarial and financial assumptions considered appropriate.

**P. Revenue**

The Group recognises the income of works, contract by contract, in accordance with the NCRF 19 – "Construction contracts" under the percentage of completion method, which is understood as the relation between costs incurred in each work until a certain date and the sum of those costs with the costs estimated for the work completion. The differences between the values resulting from the application of the level of completion to the estimated income and the invoiced values are included in the items "Other accounts receivable" and "Deferrals".

Variations in works in the amount of revenue agreed in the contract are recognised in the income for the period when it is highly possible that the client will approve the amount of revenue arising from the variation, and that this can be reliably measured.

Claims for reimbursement of costs not included in the contract price are included in contract revenue when negotiations are at an advanced stage and it is probable that the client will accept the claim, and that it will be reliably measurable.

To meet the costs incurred during the warranty period of the works, the Group recognises every year liabilities to fulfil this legal obligation, which is calculated taking into account the annual production volume and the costs incurred in the past with works in warranty period.

When it is probable that total costs foreseen in the construction contract will exceed its defined income, the expected loss shall be immediately recognised in the income statement for the period.

Dividends from participations registered at cost are recognised as income in the income statement for the period in which its attribution is decided.

**Q. Expenses with the preparation of proposals**

The expenses made with the preparation of proposals for several tenders are recognised in the income statement for the period in which they are incurred.

**R. Own work capitalised**

Own work capitalised corresponds to construction and improvement works carried out by any company of the Group, as well as the major repairs of equipment and include expenses with materials, direct labour and general expenses.

Those expenses are object of capitalisation only when fulfilled the following requirements:

- The assets developed are identifiable;
- There is a strong probability of the assets generating future economic benefits; and
- They can be reliably measured.

**S. Subsequent events**

Events that occur after the balance sheet date that provide evidence or additional information on conditions existing at the balance sheet date ("adjusting events"), are reflected in the consolidated financial statements. Events after the balance sheet date that provide information on conditions arising after the balance sheet date ("non-adjusting events"), when material, are disclosed in the notes to the consolidated financial statements.

**T. Judgements and estimates**

For the preparation of the financial statements, the Board of Directors of each company included on consolidation has been based on best knowledge of past and/or present events, considering assumptions related to future events.

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

- Useful lives of tangible assets;
- Record of provisions and impairment losses;
- Recognition of revenue in works in progress;
- Recognition of the present value of responsibilities with retirement benefits; and
- Calculation of fair value of the financial instruments.

The estimates were determined based on the best information available at the preparation date of the financial statements. However, situations may occur in subsequent periods that, not being foreseeable at the date, have no impact on the estimates. Changes to the estimates that occur after the date of the financial statements, will be corrected in profit/loss, using a prospective method, in accordance with NCRF 4.

### 3.2. Other relevant accounting policies

**A. Earnings per share**

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in circulation during the period, excluding the number of own shares held.

**B. Foreign currency**

All assets and liabilities expressed in foreign currency have been converted into the functional presentation currency, using the exchange rates in force at the reporting date. Exchange gains and losses resulting from differences between the exchange rates in force on the date of the transactions and those in force on the dates of collection, payments or the balance sheet date, are recognised as income and expenses in the income statement for the period.

Exchange differences related to accounts receivable/payable whose maturity is not defined, are registered in the income statement for the period when those accounts receivable/payable are depreciated/disposed/liquidated. Financial statements of participated companies and branches expressed in foreign currency are translated to euros.

The exchange rates used to convert to euros were as follows:

| | | | 2019 | | 2018 |
|---|---|---|---|---|---|
| CURRENCY | TRANSACTION CURRENCY | 31 DECEMBER | EXCHANGE RATE | 31 DECEMBER | EXCHANGE RATE |
| American Dollar | Euro | 0.89015 | n/a | 0.87336 | n/a |
| Moroccan Dirham | Euro | 0.09290 | 0.09278 | 0.09130 | 0.09022 |
| Botswana Pula | Euro | 0.08400 | 0.08309 | 0.08150 | 0.08320 |
| Mozambican Metical | Euro | 0.01451 | 0.01430 | 0.01423 | 0.01402 |
| Cape Verdean Escudo | Euro | 0.00907 | 0.00907 | 0.00907 | 0.00907 |
| CFA Franc | Euro | 0.00152 | 0.00152 | 0.00152 | 0.00152 |
| Zambian Kwacha | Euro | 0.06336 | 0.06875 | 0.07323 | 0.08010 |
| Malawi Kwacha | Euro | 0.00121 | 0.00121 | 0.00120 | 0.00117 |
| Angolan Kwanza | Euro | 0.00180 | 0.00234 | 0.00279 | 0.00325 |
| South African Rand | Euro | 0.06376 | n/a | 0.06066 | n/a |
| Namibian Dollar | Euro | 0.06370 | n/a | 0.06031 | n/a |
| Zimbabwean Dollar | Euro | 0.05320 | 0.05688 | n/a | n/a |

### 3.3. Judgements on the application process of the accounting policies and which had greater impact in the amounts recognised in the consolidated financial statements

In preparation of the consolidated financial statements according with NCRF (equivalent to GAAP), the Board of Directors of each company included on consolidation uses estimates and assumptions that affect the application of the policies and amounts reported. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances on which the estimate was based, or as a result of new information or more experience.

### 3.4. Main assumptions concerning the future

The attached consolidated financial statements have been prepared bearing in mind the continuation of the Group's operations, from the accounting books and records of the Group, maintained in accordance with the accounting principles generally accepted in Portugal.

Events that occur after the balance sheet date that affect the value of the existing assets and liabilities at the balance sheet date are considered when preparing the financial statements for the period. Those events are disclosed in the notes to the consolidated financial statements, if material.

### 3.5. Major sources of uncertainty

The present note makes reference to the major assumptions for the future adopted in the preparation of the attached financial statements, which may involve a significant risk of material adjustments to the valuation of assets and liabilities in the following financial period.

**A. Impairment of assets**
The determination of the impairment of assets requires an estimate of the present value of the future cash flows associated with those assets. In this calculation, the assumptions are adopted based on the historical experience of each company included on consolidation, as well as on future expectations. The Group considers that there is a controlled risk of these assumptions not taking place.

# 4. CASH FLOWS

### 4.1. Management's comment about the amount of significant balances of cash and cash equivalents, which are not available for use

The balance amount of "Cash and cash equivalents" is fully available.

### 4.2. Breakdown of the amounts registered in "Cash and bank deposits"

The cash and bank deposits balance is the following:

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Cash | 231,419 | 203,012 |
| Demand deposits | 9,025,409 | 11,093,318 |
| Term deposits | 932,384 | 950,870 |
| **TOTAL CASH AND BANK DEPOSITS** | **10,189,212** | **12,247,200** |

# 5. CHANGES IN ESTIMATES

In the present period, studies were carried out in order to verify the estimate related to the expected useful lives of property, plant and equipment and intangible assets. Following this analysis, the Company changed the aforementioned estimates for some of the assets. If this change did not occur, depreciations and amortisations for the period ending on 31 December 2019 would be higher in around 1,163,258 euros.

# 6. RELATED PARTIES

### 6.1. Remunerations of the key management personnel

**A. Total remunerations:** 1,389,846 euros (2018: 1,870,598 euros).

## 6.2. Transactions between related parties

### A. Nature of the related party relationship:

| | COUNTRY | DIRECT % | TOTAL % |
|---|---|---|---|
| BRANCHES: | | | |
| Angola | - | - | - |
| Mozambique | - | - | - |
| Morocco | - | - | - |
| Botswana | - | - | - |
| Cape Verde | - | - | - |
| Zambia | - | - | - |
| Malawi | - | - | - |
| Gabon | - | - | - |
| | | | |
| SUBSIDIARIES: | | | |
| Conduril - Gestão de Concessões de Infraestruturas, S.A. | Portugal | 100.00 | 100.00 |
| Edirio - Construções, S.A. | Portugal | 100.00 | 100.00 |
| Métis Engenharia, Lda. | Angola | 99.00 | 99.00 |
| ENOP - Engenharia e Obras Públicas, Lda. | Mozambique | 100.00 | 100.00 |
| Urano, Lda. | Angola | 99.00 | 99.00 |
| Conduril Engenharia - Açores, S.A. | Portugal | 100.00 | 100.00 |
| Esquénio - Estudos e Projetos de Engenharia, S.A. | Portugal | 100.00 | 100.00 |
| Conduril Construction Zimbabwe (PVT) LTD | Zimbabwe | 100.00 | 100.00 |
| | | | |
| JOINTLY CONTROLLED ENTITIES: | | | |
| Groupement Adriano, Jaime Ribeiro, Conduril - Construção, ACE | Morocco | 33.33 | 33.33 |
| Groupement CJA / Lot 3 - Construção ACE | Morocco | 33.33 | 33.33 |
| Groupement Túnel de Nador, Construção ACE | Morocco | 50.00 | 50.00 |
| RAL - Rodovias do Algarve Litoral, ACE | Portugal | 16.67 | 16.67 |
| RBA - Rodovias do Baixo Alentejo, ACE | Portugal | 17.86 | 17.86 |
| UTE Alcántara - Garrovillas | Spain | 15.00 | 15.00 |
| | | | |
| ASSOCIATED COMPANIES: | | | |
| Rotas do Algarve Litoral, S.A. | Portugal | 21.64 | 23.64 |
| SPER - Sociedade Portuguesa para a Construção e Exploração Rodoviária, S.A. | Portugal | 20.11 | 21.85 |
| Planestrada - Operação e Manutenção Rodoviária, S.A. | Portugal | 33.33 | 33.33 |
| Marestrada - Operação e Manutenção Rodoviária, S.A. | Portugal | 33.33 | 33.33 |
| | | | |
| KEY MANAGEMENT PERSONNEL: | | | |
| BOARD OF DIRECTORS: | | | |
| António Luís Amorim Martins (President) – Chairman | | | |
| Maria Benedita Andrade de Amorim Martins (President of the Executive Committee) – CEO | | | |
| Maria Luísa Andrade Amorim Martins Mendes (Vice-President of the Executive Committee) | | | |
| António Baraças Andrade Miragaia | | | |
| António Emanuel Lemos Catarino | | | |
| Jorge Lúcio Teixeira Castro | | | |
| Miguel José Alves Montenegro Andrade | | | |
| Ricardo Nuno Araújo Abreu Vaz Guimarães | | | |
| | | | |
| OTHER RELATED PARTIES: | | | |
| Geonorte - Geotecnia e Fundações Especiais, Lda. | Portugal | - | - |
| Sociedade Agrícola da Quinta do Javali, Lda. | Portugal | - | - |
| Mugige Vinhos, Lda. | Angola | - | - |

**B. Transactions and outstanding balances:**

In the course of the present period, the Group presented the following transactions and balances in what concerns the related entities:

As at 31 December 2019:

| RELATED PARTIES | OUTSTANDING BALANCES ASSETS | OUTSTANDING BALANCES LIABILITIES | ACCUMULATED IMPAIRMENT LOSSES |
|---|---|---|---|
| ENTITIES WITH JOINT CONTROL OR SIGNIFICANT INFLUENCE: | | | |
| Groupement CJA / Lot 3 - Construção ACE | 828,503 | - | - |
| | 828,503 | - | - |
| | | | |
| OTHER PARTICIPATIONS: | | | |
| SPER - Sociedade Portuguesa para a Construção e Exploração Rodoviária, S.A. | 20,332,373 | - | 20,000 |
| Rotas do Algarve Litoral, S.A. | 13,473,348 | - | 20,000 |
| | 33,805,721 | - | 40,000 |
| | | | |
| OTHER RELATED PARTIES: | | | |
| UTE Alcántara - Garrovillas | 1,134,094 | - | - |
| Geonorte - Geotecnia e Fundações Especiais, Lda. | 9,595 | 922,242 | - |
| Geonorte - Geotecnia e Fundações Especiais, Lda. - Angola branch | 480,265 | 383,998 | - |
| Sociedade Agrícola da Quinta do Javali, Lda. | - | 39,668 | - |
| Mugige Vinhos, Lda. | 1737090 | - | - |
| | 3,361,044 | 1,345,908 | - |

| PARTIES | INCOME | EXPENSES |
|---|---|---|
| OTHER RELATED PARTIES: | | |
| UTE Alcántara - Garrovillas | 29,293 | - |
| Geonorte - Geotecnia e Fundações Especiais, Lda. | 187,376 | 68,618 |
| Geonorte - Geotecnia e Fundações Especiais, Lda. - Angola branch | 95,909 | 2,383 |
| Sociedade Agrícola da Quinta do Javali, Lda. | - | 23,224 |
| Mugige Vinhos, Lda. | 2,260,500 | - |
| | 2,573,078 | 94,225 |

As at 31 December 2018:

| RELATED PARTIES | OUTSTANDING BALANCES ASSETS | OUTSTANDING BALANCES LIABILITIES | ACCUMULATED IMPAIRMENT LOSSES |
|---|---|---|---|
| ENTITIES WITH JOINT CONTROL OR SIGNIFICANT INFLUENCE: | | | |
| Groupement CJA / Lot 3 - Construção ACE | 828,503 | - | - |
| | 828,503 | - | - |
| | | | |
| OTHER PARTICIPATIONS: | | | |
| SPER - Sociedade Portuguesa para a Construção e Exploração Rodoviária, S.A. | 20,332,373 | - | 20,000 |
| Rotas do Algarve Litoral, S.A. | 13,473,348 | - | 20,000 |
| | 33,805,721 | - | 40,000 |
| | | | |
| OTHER RELATED PARTIES: | | | |
| UTE Alcántara - Garrovillas | 1,212,122 | - | - |
| Geonorte - Geotecnia e Fundações Especiais, Lda. | - | 590,442 | - |
| Geonorte - Geotecnia e Fundações Especiais, Lda. - Angola branch | 1,194,156 | 1,030,350 | - |
| | 2,406,278 | 1,620,792 | - |

| PARTIES | INCOME | EXPENSES |
|---|---|---|
| OTHER RELATED PARTIES: | | |
| UTE Alcántara - Garrovillas | 66,775 | - |
| Geonorte - Geotecnia e Fundações Especiais, Lda. | 672,515 | 651,428 |
| Geonorte - Geotecnia e Fundações Especiais, Lda. - Angola branch | 303,700 | 19,110 |
| Sociedade Agrícola da Quinta do Javali, Lda. | - | 59,943 |
| | 1,042,990 | 730,481 |

# 7. INTANGIBLE ASSETS

## 7.1. Disclosure for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets

**A. Depreciations for the period are calculated taking into account the following average useful lives and amortisation rates for each item:**

| INTANGIBLE ASSETS – OTHERS | USEFUL LIFE | AMORTISATION RATE |
|---|---|---|
| Computer programmes | 6 | 16.67% |
| Development rights | 60 | 1.66% |
| Other intangible assets | 6 | 16.67% |

**B. Elements of intangible assets are depreciated by the straight-line method, based on their expected useful life.**

**C. The intangible assets are the following:**

| | 31.12.2019 | | 31.12.2018 | |
|---|---|---|---|---|
| INTANGIBLE ASSETS – OTHERS | GROSS ASSETS | AMORTISATIONS AND IMPAIRMENT LOSSES | GROSS ASSETS | AMORTISATIONS AND IMPAIRMENT LOSSES |
| Computer programmes | 106,440 | 92,775 | 97,687 | 91,138 |
| Industrial property | 48,446 | 1,605 | 48,446 | 1,325 |
| Development rights | 5,868,885 | 616,592 | 5,881,721 | 600,149 |
| Other intangible assets | 229,522 | 2,275 | 2,006 | 1,727 |
| TOTAL | 6,253,293 | 713,247 | 6,029,860 | 694,339 |

**D. The value of amortisations related to intangible assets included in the item "Depreciation and amortisation expenses/reversals" of the income statement is the following:**

| AMORTISATIONS FOR THE PERIOD – OTHERS | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Computer programmes | 1,637 | 5,240 |
| Development rights | 16,485 | 19,702 |
| Other intangible assets | 735 | - |
| TOTAL | 18,857 | 24,942 |

**E. The movements in the item "Intangible assets" during 2019 and 2018 are the following:**

| | | | | | 2019 |
|---|---|---|---|---|---|
| | DEVELOPMENT RIGHTS | SOFTWARE | INDUSTRIAL PROPERTY | OTHER INTANGIBLE ASSETS | TOTAL |
| GROSS ASSETS: | | | | | |
| Balance as at 31.12.2018 | 5,881,721 | 97,687 | 48,446 | 2,006 | 6,029,860 |
| Additions | 15694 | 8,753 | - | 227,516 | 251,963 |
| Transfers and write-offs | (28,530) | - | - | - | (28,530) |
| Balance as at 31.12.2019 | 5,868,885 | 106,440 | 48,446 | 229,522 | 6,253,293 |
| ACCUMULATED AMORTISATION: | | | | | |
| Balance as at 31.12.2018 | 600,149 | 91,138 | 1,325 | 1,727 | 694,339 |
| Additions | 16485 | 1,637 | - | 735 | 18,857 |
| Transfers and write-offs | (42) | - | 280 | (187) | 51 |
| Balance as at 31.12.2019 | 616,592 | 92,775 | 1,605 | 2,275 | 713,247 |
| NET VALUE | 5,252,293 | 13,665 | 46,841 | 227,247 | 5,540,046 |

| | | | | | 2018 |
|---|---|---|---|---|---|
| | DEVELOPMENT RIGHTS | SOFTWARE | INDUSTRIAL PROPERTY | OTHER INTANGIBLE ASSETS | TOTAL |
| GROSS ASSETS: | | | | | |
| Balance as at 31.12.2017 | 5,801,425 | 97,873 | 48,446 | 2,006 | 5,949,750 |
| Additions | 80296 | - | - | - | 80,296 |
| Transfers and write-offs | - | (186) | - | - | (186) |
| Balance as at 31.12.2018 | 5,881,721 | 97,687 | 48,446 | 2,006 | 6,029,860 |
| | | | | | |
| ACCUMULATED AMORTISATION: | | | | | |
| Balance as at 31.12.2017 | 580,447 | 86,084 | 1,325 | 1,727 | 669,583 |
| Additions | 19702 | 5,240 | - | - | 24,942 |
| Transfers and write-offs | - | (186) | - | - | (186) |
| Balance as at 31.12.2018 | 600,149 | 91,138 | 1,325 | 1,727 | 694,339 |
| **NET VALUE** | **5,281,572** | **6,549** | **47,121** | **279** | **5,335,521** |

# 8. TANGIBLE ASSETS

## 8.1. Disclosure on property, plant and equipment

**A. Measurement bases:**
Tangible assets are valued according to the cost model, to which an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

**B. Depreciation method used:**
The Group amortises its property, plant and equipment goods according to the straight-line method. In accordance to this method, depreciation is constant during the useful life of the assets if its residual value does not change.

**C. Useful lives and depreciation rates used:**
Depreciations for the period are calculated taking into account the following average useful lives and amortisation rates for each item:

| TANGIBLE ASSETS | USEFUL LIFE | AMORTISATION RATE |
|---|---|---|
| Land and natural resources | - | - |
| Buildings and other constructions | 20 - 50 | 2% - 5% |
| Machinery and other equipment | 5 - 16 | 6.25% - 20% |
| Transport equipment | 6 - 12 | 8.33% - 16.67% |
| Office equipment | 6 - 25 | 4% - 16.67% |
| Other property, plant and equipment | 6 - 16 | 6.25% - 16.67% |

**D/E. Reconciliation of the carrying amount at the beginning and end of the period:**

**2019**

| | LAND AND NATURAL RESOURCES | BUILDINGS AND OTHER CONSTRUCTIONS | MACHINERY AND OTHER EQUIPMENT | TRANSPORT EQUIPMENT | OFFICE EQUIPMENT | OTHER PROPERTY, PLANT AND EQUIPMENT | INVESTMENTS IN PROGRESS | TOTAL |
|---|---|---|---|---|---|---|---|---|
| GROSS ASSETS: | | | | | | | | |
| Balance as at 31.12.2018 | 2,918,326 | 28,541,543 | 92,741,615 | 24,353,701 | 2,123,661 | 1,453,786 | 18,216,731 | 170,349,363 |
| Change of % held | - | - | - | - | - | - | - | - |
| Additions | - | 140,200 | 5,866,676 | 2,017,306 | 106,136 | 143,038 | 1,630,301 | 9,903,658 |
| Disposals | - | - | (1,695,366) | (1,592,052) | - | - | - | (3,287,417) |
| Other variations | - | (1,078,743) | (556,978) | (188,582) | (21,186) | (3,641) | 1,137 | (1,847,993) |
| Transfers and write-offs | - | 763,925 | (459,360) | (78,360) | (1,524) | - | (1,084,289) | (859,609) |
| Balance as at 31.12.2019 | 2,918,326 | 28,366,925 | 95,896,587 | 24,512,013 | 2,207,087 | 1,593,183 | 18,763,880 | 174,258,001 |
| ACCUMULATED DEPRECIATION: | | | | | | | | |
| Balance as at 31.12.2018 | - | 18,549,018 | 74,249,263 | 19,931,288 | 1,821,459 | 914,330 | - | 115,465,358 |
| Change of % held | - | - | - | - | - | - | - | - |
| Additions | - | 660,086 | 2,612,321 | 668,735 | 54,279 | 157,061 | - | 4,152,482 |
| Disposals | - | - | (1,556,185) | (1,606,146) | (4,616) | - | - | (3,166,947) |
| Other variations | - | (605,565) | (535,806) | (68,892) | (16,011) | (993) | - | (1,227,267) |
| Transfers and write-offs | - | - | (634,293) | (85,461) | - | - | - | (719,755) |
| Balance as at 31.12.2019 | - | 18,603,539 | 74,135,300 | 18,839,524 | 1,855,111 | 1,070,398 | - | 114,503,872 |
| **NET VALUE** | **2,918,326** | **9,763,386** | **21,761,287** | **5,672,489** | **351,976** | **522,785** | **18,763,880** | **59,754,129** |

**2018**

| | LAND AND NATURAL RESOURCES | BUILDINGS AND OTHER CONSTRUCTIONS | MACHINERY AND OTHER EQUIPMENT | TRANSPORT EQUIPMENT | OFFICE EQUIPMENT | OTHER PROPERTY, PLANT AND EQUIPMENT | INVESTMENTS IN PROGRESS | TOTAL |
|---|---|---|---|---|---|---|---|---|
| GROSS ASSETS: | | | | | | | | |
| Balance as at 31.12.2017 | 3,020,918 | 29,955,486 | 93,513,846 | 24,680,419 | 2,156,888 | 1,255,305 | 16,407,582 | 170,990,444 |
| Change of % held | - | - | - | - | - | - | - | - |
| Additions | - | 699,492 | 2,109,602 | 1,147,897 | 25,024 | 236,090 | 2,951,551 | 7,169,656 |
| Disposals | (54,148) | - | (2,226,785) | (613,972) | - | (435) | - | (2,895,340) |
| Other variations | (48,444) | (2,103,418) | (1,436,520) | (474,005) | (58,250) | (12,192) | 152 | (4,132,677) |
| Transfers and write-offs | - | (10,017) | 781,472 | (386,638) | - | (24,983) | (1,142,554) | (782,720) |
| Balance as at 31.12.2018 | 2,918,326 | 28,541,543 | 92,741,615 | 24,353,701 | 2,123,661 | 1,453,786 | 18,216,731 | 170,349,363 |
| ACCUMULATED DEPRECIATION: | | | | | | | | |
| Balance as at 31.12.2017 | - | 18,909,939 | 72,008,178 | 20,058,824 | 1,794,658 | 766,948 | - | 113,538,547 |
| Change of % held | | - | - | - | - | - | - | - |
| Additions | - | 959,986 | 4,299,055 | 916,056 | 67,651 | 175,983 | - | 6,418,731 |
| Disposals | - | - | (1,185,185) | (547,607) | - | (435) | - | (1,733,227) |
| Other variations | - | (1,312,766) | (1,323,904) | (184,828) | (39,327) | (3,271) | - | (2,864,096) |
| Transfers and write-offs | - | (8,141) | 451,119 | (311,157) | (1,523) | (24,895) | - | 105,403 |
| Balance as at 31.12.2018 | - | 18,549,018 | 74,249,263 | 19,931,288 | 1,821,459 | 914,330 | - | 115,465,358 |
| **NET VALUE** | **2,918,326** | **9,992,525** | **18,492,352** | **4,422,413** | **302,203** | **539,455** | **18,216,731** | **54,884,005** |

## 8.2. Amount of expenditures recognised in the carrying amount of fixed assets during its construction

| | EXPENDITURES RECOGNISED DURING CONSTRUCTION | |
|---|---|---|
| **TANGIBLE ASSETS** | **31.12.2019** | **31.12.2018** |
| Buildings and other constructions | 1,242,708 | 2,891,541 |
| Machinery and other equipment | 387,593 | 15,736 |
| Transport equipment | - | 44,274 |
| Other property, plant and equipment | - | - |
| **TOTAL** | **1,630,301** | **2,951,551** |

## 8.3. Depreciation recognised in profit/loss or as part of other assets costs during the period

| TANGIBLE ASSETS | DEPRECIATION RECOGNISED IN PROFIT/LOSS 2019 | DEPRECIATION RECOGNISED IN PROFIT/LOSS 2018 |
|---|---|---|
| Buildings and other constructions | 660,086 | 959,986 |
| Machinery and other equipment | 2,612,321 | 4,299,055 |
| Transport equipment | 668,735 | 916,056 |
| Office equipment | 54,279 | 67,651 |
| Other property, plant and equipment | 157,061 | 175,983 |
| **TOTAL** | **4,152,482** | **6,418,731** |

## 8.4. Accumulated depreciation at the end of the period

| ACCUMULATED DEPRECIATION | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Buildings and other constructions | 18,603,539 | 18,549,018 |
| Machinery and other equipment | 74,135,300 | 74,249,263 |
| Transport equipment | 18,839,524 | 19,931,288 |
| Office equipment | 1,855,111 | 1,821,459 |
| Other property, plant and equipment | 1,070,398 | 914,330 |
| **TOTAL** | **114,503,872** | **115,465,358** |

## 8.5. Items of fixed assets in progress

The most significant values included in the item "Investments in progress", as at 31 December 2019 and 2018, refer to the following projects:

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Buildings and other constructions | 18,763,565 | 17,931,687 |
| Equipment | - | 101,732 |
| Transport equipment | - | 183,312 |
| Other assets | 315 | - |
| **TOTAL** | **18,763,880** | **18,216,731** |

## 8.6. Property, plant and equipment by geographical location

| 2019 | GROSS ASSETS | ACCUMULATED DEPRECIATION | NET AMOUNT |
|---|---|---|---|
| Portugal | 50,606,504 | 32,910,760 | 17,695,744 |
| Angola | 91,727,320 | 58,762,721 | 32,964,599 |
| Mozambique | 15,565,407 | 9,777,489 | 5,787,918 |
| Morocco | 2,045,775 | 2,045,775 | - |
| Botswana | 60,163 | 48,647 | 11,516 |
| Cape Verde | 51,348 | 49,706 | 1,642 |
| Zambia | 10,917,143 | 8,279,699 | 2,637,444 |
| Malawi | 1,771,999 | 1,380,306 | 391,693 |
| Gabon | 1,512,342 | 1,248,769 | 263,573 |
| **TOTAL** | **174,258,001** | **114,503,872** | **59,754,129** |

| 2018 | GROSS ASSETS | ACCUMULATED DEPRECIATION | NET AMOUNT |
|---|---|---|---|
| Portugal | 45,892,886 | 32,960,291 | 12,932,595 |
| Angola | 93,177,861 | 59,592,865 | 33,584,996 |
| Mozambique | 14,049,664 | 9,599,926 | 4,449,738 |
| Morocco | 2,748,957 | 2,700,682 | 48,275 |
| Botswana | 60,164 | 48,446 | 11,718 |
| Cape Verde | 51,347 | 49,705 | 1,642 |
| Zambia | 11,057,528 | 8,292,015 | 2,765,513 |
| Malawi | 1,798,614 | 1,124,365 | 674,249 |
| Gabon | 1,512,342 | 1,097,063 | 415,279 |
| **TOTAL** | **170,349,363** | **115,465,358** | **54,884,005** |

# 9. LEASES

## 9.1. Finance leases – Lessees

### A. Net carrying amount for each asset category at 31 December 2019 and 2018:

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Machinery and other equipment | 4,178,738 | 970,669 |
| Transport equipment | 2,618,762 | 1,482,527 |
| **TOTAL** | **6,797,500** | **2,453,196** |

### B. Reconciliation between the total of the future lease minimum payments at 31 December 2019 and 2018 and its present value:

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Minimum payments up to 1 year | 1,982,108 | 902,890 |
| Minimum payments for more than 1 year and no more than 5 years | 4,226,871 | 1,687,275 |
| Minimum payments for more than 5 years | - | - |
| **TOTAL MINIMUM PAYMENTS** | **6,208,979** | **2,590,165** |
| | | |
| Future interest payments | 106,959 | 45,867 |
| **PRESENT VALUE OF RESPONSIBILITIES** | **6,102,020** | **2,544,298** |

### C. Total of the future minimum lease payments at the balance sheet date and its present value:

| | MINIMUM PAYMENTS | | PRESENT VALUE | |
|---|---|---|---|---|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| No more than 1 year | 1,982,108 | 902,890 | 1,932,060 | 879,871 |
| More than 1 year and no more than 5 years | 4,226,871 | 1,687,275 | 4,169,960 | 1,664,427 |
| More than 5 years | - | - | - | - |
| **TOTAL** | **6,208,979** | **2,590,165** | **6,102,020** | **2,544,298** |

# 10. INTERESTS IN JOINT VENTURES AND INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

## 10.1. Subsidiaries

**A. List and description of the subsidiaries:**

| COMPANY | TYPE OF PARTICIPATION | METHOD USED |
|---|---|---|
| Conduril - Gestão de Concessões de Infraestruturas, S.A. | 100.00% | Full consolidation |
| Edirio - Construções, S.A. | 100.00% | Full consolidation |
| Métis Engenharia, Lda. | 99.00% | Full consolidation |
| ENOP - Engenharia e Obras Públicas, Lda. | 100.00% | Full consolidation |
| Urano, Lda. | 99.00% | Full consolidation |
| Conduril Engenharia - Açores, S.A. | 100.00% | Full consolidation |
| Esquénio - Estudos e Projetos de Engenharia, S.A. | 100.00% | Full consolidation |
| Conduril Construction Zimbabwe (PVT) LTD | 100.00% | Full consolidation |

## 10.2. Joint ventures

**A. List and description of the interests in significant joint ventures:**

| COMPANY | TYPE OF PROJECT | OTHER PARTICIPANTS |
|---|---|---|
| Groupement Adriano, Jaime Ribeiro, Conduril - Construção, ACE | Jointly controlled entity | Elevolution and Jaime Ribeiro e Filhos |
| Groupement CJA / Lot 3 - Construção ACE | Jointly controlled entity | Elevolution and Jaime Ribeiro e Filhos |
| Groupement Túnel de Nador, Construção ACE | Jointly controlled entity | Jaime Ribeiro e Filhos |
| RAL - Rodovias do Algarve Litoral, ACE | Jointly controlled entity | Elevolution and Tecnovia |
| RBA - Rodovias do Baixo Alentejo, ACE | Jointly controlled entity | Elevolution and Tecnovia |

**B. Proportion of ownership interest held and data about the entities:**

| COMPANY | PROPORTION OF THE INTEREST HELD | CONSOLIDATION METHOD |
|---|---|---|
| Groupement Adriano, Jaime Ribeiro, Conduril - Construção, ACE | 33.33% | Proportionate method |
| Groupement CJA / Lot 3 - Construção ACE | 33.33% | Cost |
| Groupement Túnel de Nador, Construção ACE | 50% | Proportionate method |
| RAL - Rodovias do Algarve Litoral, ACE | 16.67% | Proportionate method |
| RBA - Rodovias do Baixo Alentejo, ACE | 17.86% | Proportionate method |

At the preparation date of the financial statements, the financial statements of the group Groupement CJA / Lot 3 - Construção ACE were not available.

**C. Method used in the recognition of interests in joint ventures:**

The interests in jointly controlled companies were recognised in the consolidated financial statements by the proportionate consolidation method, from the date in which the control is shared until the date it effectively ends. According to this method, the assets, liabilities, income and expenses of these companies have been included in the consolidated financial statements, on a line-by-line basis, in proportion to the Group's participation in the companies.

## 10.3. Associated companies

### A. List and description of the associated companies:

| COMPANY | PARTICIPATION | METHOD USED |
|---|---|---|
| Rotas do Algarve Litoral, S.A. | 23.64% | Equity method |
| SPER - Sociedade Portuguesa para a Construção e Exploração Rodoviária, S.A. | 21.85% | Equity method |
| Planestrada - Operação e Manutenção Rodoviária, S.A. | 33.33% | Equity method |
| Marestrada - Operação e Manutenção Rodoviária, S.A. | 33.33% | Equity method |

### B. Carrying amount and data about the entities:

| 2019 COMPANY | CARRYING AMOUNT | TOTAL ASSETS | TOTAL SHAREHOLDERS' FUNDS | TOTAL PERIOD INCOME |
|---|---|---|---|---|
| Rotas do Algarve Litoral, S.A. | - | 176,237,035 | (3,226,340) | (10,936,496) |
| SPER - Sociedade Portuguesa para a Construção e Exploração Rodoviária, S.A. | - | 326,818,452 | (16,308,301) | 4,922,123 |
| Planestrada - Operação e Manutenção Rodoviária, S.A. | 547,581 | 2,641,830 | 1,642,907 | 793,496 |
| Marestrada - Operação e Manutenção Rodoviária, S.A. | 163,208 | 2,799,062 | 489,674 | (345,790) |
| **TOTAL** | **710,789** | | | |

| 2018 COMPANY | CARRYING AMOUNT | TOTAL ASSETS | TOTAL SHAREHOLDERS' FUNDS | TOTAL PERIOD INCOME |
|---|---|---|---|---|
| Rotas do Algarve Litoral, S.A. | - | 179.633.938 | 15.852.232 | (10.227.909) |
| SPER - Sociedade Portuguesa para a Construção e Exploração Rodoviária, S.A. | - | 292.374.039 | (8.626.182) | 7.423.213 |
| Planestrada - Operação e Manutenção Rodoviária, S.A. | 414,000 | 2,621,733 | 1,242,123 | 1,182,123 |
| Marestrada - Operação e Manutenção Rodoviária, S.A. | 409,720 | 3,558,915 | 1,229,287 | 434,401 |
| **TOTAL** | **823,720** | | | |

## 10.4. Details of the item "Other financial investments"

| OTHER PARTICIPATIONS REGISTERED AT COST | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Norgarante | 18,877 | 18,877 |
| Garval | 1,682 | 1,682 |
| Lisgarante | 1,682 | 1,682 |
| BAI - Banco Africano Investimento | 341,375 | 341,375 |
| Lusitânia Seguros | 76,815 | 76,815 |
| Other | 1,817 | 2,820 |
| **TOTAL** | **442,248** | **443,251** |

Related to these participations, in the item "Other financial investments" are registered the following amounts concerned to financing granted:

| COMPANY | LOANS GRANTED | |
|---|---|---|
| | 31.12.2019 | 31.12.2018 |
| UTE Alcántara - Garrouillas | - | - |
| SPER - Sociedade Portuguesa para a Construção e Exploração Rodoviária, S.A. | 20,332,373 | 20,332,373 |
| Rotas do Algarve Litoral, S.A. | 13,473,348 | 13,473,348 |
| Other – Public debt securities | 57,578,234 | 54,993,624 |
| Other – FCT | 46,215 | 37,519 |
| **TOTAL** | **91,430,170** | **88,836,864** |

# 11. INVENTORIES

## 11.1. Accounting policies adopted in the measurement of inventories and cost formula used

Inventories are valued by cost or net realisable value, if this is lower. Cost includes purchase costs, conversion costs and other costs incurred in bringing the inventories to their present condition. The purchase costs comprise the purchase price, import duties and other taxes, transport expenses, handling, trade discounts, rebates and other similar items. The conversion costs include expenses directly related to units of production, such as direct labour. They also include a systematic allocation of fixed and variable production overheads that are incurred in finished goods. The allocation of fixed production overheads is based on the normal capacity of the production facilities.

The Group values its inventories by the weighted average cost formula, which assumes that the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period.

## 11.2. Total carrying amount of inventories and carrying amount in appropriate classifications

The carrying amount of inventories is the following:

| INVENTORIES | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Raw, subsidiary and consumable materials | 12,993,023 | 13,796,562 |
| Goods | 9,646 | 9,646 |
| Finished and semi-finished products | 592,998 | 610,970 |
| Products and work in progress | - | - |
| | 13,595,667 | 14,417,178 |
| Impairment losses | (873,109) | (873,109) |
| **TOTAL** | **12,722,558** | **13,544,069** |

## 11.3. Amount of inventories recognised as expense during the period

The amount of inventories recognised as expense during the period was the following:

| | GOODS | | RAW, SUBSIDIARY AND CONSUMABLE MATERIALS | |
|---|---|---|---|---|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| Initial inventory | 9,646 | 27,806 | 12,923,453 | 11,700,540 |
| Impairment losses in stocks | - | - | - | - |
| Purchases | - | - | 38,210,742 | 29,146,330 |
| Inventories adjustments and reclassification | - | (18,160) | 324,043 | (554,325) |
| Ending inventory | (9,646) | (9,646) | (12,119,914) | (12,923,453) |
| **EXPENSES IN THE PERIOD** | **-** | **-** | **39,338,324** | **27,369,092** |

| | FINISHED AND SEMI-FINISHED PRODUCTS | | PRODUCTS AND WORK IN PROGRESS | |
|---|---|---|---|---|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| Initial inventory | 610,970 | 682,774 | - | - |
| Inventories adjustments and reclassification | (104,984) | (175,682) | - | - |
| Accumulated impairment losses | - | - | - | - |
| Ending inventory | (592,998) | (610,970) | - | - |
| **VARIATION OF INVENTORIES IN PRODUCTION** | **(87,012)** | **(103,879)** | **-** | **-** |

### 11.4. Amount of impairment losses in inventories recognised in the income for the period

The value of impairment losses recognised in the income for the period was the following:

| IMPAIRMENT LOSSES IN INVENTORIES | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Goods | - | - |
| Raw, subsidiary and consumable materials | - | 25,307 |
| Finished and semi-finished products | - | - |
| Products and work in progress | - | - |
| **TOTAL** | **-** | **25,307** |

| REVERSAL OF IMPAIRMENT IN INVENTORIES | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Goods | - | - |
| Raw, subsidiary and consumable materials | - | - |
| Finished and semi-finished products | - | - |
| Products and work in progress | - | - |
| **TOTAL** | **-** | **-** |
| IMPACT IN THE PERIOD | - | 25,307 |

### 11.5. Movement during the period of impairment losses in inventories

| | RAW, SUBSIDIARY AND CONSUMABLE MATERIALS |
|---|---|
| ACCUMULATED IMPAIRMENT LOSSES ON 31.12.2018 | 873,109 |
| Increases | - |
| Reversal | - |
| Utilisations | - |
| Exchange variations | - |
| **ACCUMULATED IMPAIRMENT LOSSES ON 31.12.2019** | **873,109** |

| | RAW, SUBSIDIARY AND CONSUMABLE MATERIALS |
|---|---|
| ACCUMULATED IMPAIRMENT LOSSES ON 31.12.2017 | 847,802 |
| Increases | 25,307 |
| Reversal | - |
| Utilisations | - |
| Exchange variations | - |
| **ACCUMULATED IMPAIRMENT LOSSES ON 31.12.2018** | **873,109** |

## 12. CONSTRUCTION CONTRACTS

### 12.1. Amount of contract revenue recognised as revenue in the period

The revenue of each construction contract includes the initial amount of revenue agreed, as well as variations in works, claims and incentive payments to the extent that it is probable that will result in revenue and are capable of being reliably measured. As at 31 December 2019 and 2018, the amount of revenue recognised as revenue in the period was the following:

| WORK/CONTRACT | REVENUE IN THE PERIOD 2019 | REVENUE IN THE PERIOD 2018 |
|---|---|---|
| Construction contracts | 146,731,668 | 117,542,868 |
| **TOTAL** | **146,731,668** | **117,542,868** |

### 12.2. Methods used to determine the contract revenue recognised in the period

The recognition of revenue in the period is made according to the percentage of completion method. Under this method, revenue is matched with the contract costs incurred when reaching the stage of completion. Contract revenue is recognised as revenue in the income statement in the accounting periods in which the work is performed. In the cases the outcome of the contracts cannot be estimated reliably, revenue shall be recognised only to the extent of contract costs incurred that it is probable to be recoverable.

### 12.3. Methods used to determine the stage of completion of ongoing contracts

In order to determine the stage of completion of a contract, it is used the method that most reliably measures the work performed. Depending on the nature of the contract, the method used to determine the stage of completion can vary as follows:

- The proportion that contract costs incurred for work performed to date bear to the estimated total contract costs;
- Survey of the work performed;
- Completion of a physical proportion of the work performed.

### 12.4. Information related to the ongoing construction contracts

| 2019 | EXPENSES INCURRED | RECOGNISED INCOME | ADVANCES RECEIVED | RETENTION |
|---|---|---|---|---|
| Ongoing contracts | 216,561,305 | 272,750,419 | 8,037,550 | 599,285 |
| **TOTAL** | **216,561,305** | **272,750,419** | **8,037,550** | **599,285** |

| 2018 | EXPENSES INCURRED | RECOGNISED INCOME | ADVANCES RECEIVED | RETENTION |
|---|---|---|---|---|
| Ongoing contracts | 313,185,360 | 391,948,557 | 3,848,926 | 911,108 |
| **TOTAL** | **313,185,360** | **391,948,557** | **3,848,926** | **911,108** |

## 13. REVENUE

### 13.1. Accounting policies adopted for the recognition of revenue, including the methods adopted to determine the stage of completion of transactions involving the provision of services

The Group recognises revenue according to the following criteria:

**A. Sales** – are recognised in the income statement when the risks and benefits inherent to the ownership have been transferred to the buyer, when there is not a continued management involvement to a degree usually associated with ownership, when the amount of revenue can be reasonably measured, when it is probable that the economic benefits associated with the transaction will flow to the entity, and when the expenses incurred or to be incurred with the transaction can be reliably measured.

**B. Provision of services** – are recognised in the income statement with reference to the stage of completion of the provision of services at the balance sheet date.

**C. Interest** – is recognised using the effective interest method.

**D. Dividends** – are recognised from the moment in which is established the shareholder's right of receiving the payment.

### 13.2. Amount of each significant category of revenue recognised during the period, including the revenue from:

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Sales of goods | 1,662,673 | 1,573,288 |
| Provision of services | 153,112,360 | 123,001,200 |
| Interest | 2,693,455 | 2,656,666 |
| Dividends | 118,586 | 800,907 |
| TOTAL | 157,587,074 | 128,032,061 |

# 14. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

### 14.1. Provisions

The Group recognises a provision when, cumulatively, there is a present obligation as a result of a past event; it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

During the period ending on 31 December 2019, the movements relating to provisions occurred were the following:

| PROVISIONS | OPENING BALANCE | INCREASES | OTHER MOVEMENTS | REVERSAL | EXCHANGE VARIATION | CLOSING BALANCE |
|---|---|---|---|---|---|---|
| Guarantees to clients | 2,675,638 | 637,274 | 1,987 | (291,987) | - | 3,022,912 |
| Provisions of construction contracts | - | - | - | - | - | - |
| Ongoing court proceedings | - | - | - | - | - | - |
| Other provisions | 180,748 | 5,127 | - | (153,372) | 85 | 32,588 |
| TOTAL | 2,856,386 | 642,401 | 1,987 | (445,359) | 85 | 3,055,500 |

During the period ending on 31 December 2018, the movements relating to provisions occurred were the following:

| PROVISIONS | OPENING BALANCE | INCREASES | OTHER MOVEMENTS | REVERSAL | EXCHANGE VARIATION | CLOSING BALANCE |
|---|---|---|---|---|---|---|
| Guarantees to clients | 2,554,941 | 453,088 | (3,714) | (328,677) | - | 2,675,638 |
| Provisions of construction contracts | 2,672 | - | (147) | (2,525) | - | - |
| Ongoing court proceedings | 166,650 | - | (166,650) | - | - | - |
| Other provisions | 40,107 | 172,466 | - | (31,897) | 72 | 180,748 |
| TOTAL | 2,764,370 | 625,554 | (170,511) | (363,099) | 72 | 2,856,386 |

### 14.2. Proceedings in litigation

Following the several ongoing proceedings in litigation, the Group is convinced that the risk of losing these proceedings is unlikely and their outcome will not affect the material form of its financial position, being this belief sustained by our internal legal office, as well as by legal and tax advisers.

### 14.3. Guarantees provided

As at 31 December 2019, the Group had assumed responsibilities for the guarantees provided in the amount of 80,779,467 euros (as at 31 December 2018, the amount was 56,374,504 euros).

The bank guarantees were essentially provided for the purpose of tenders, as a good performance guarantee of works and finance.

### 14.4. Management of financial risks

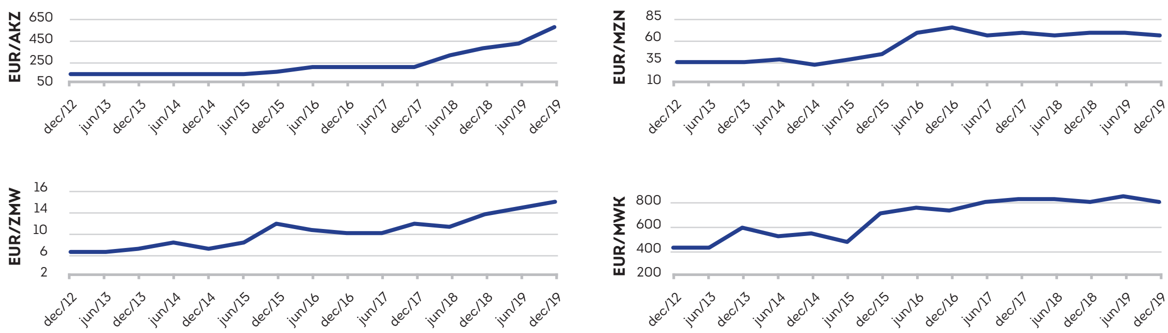
**A. General principles**

The activity of Conduril is exposed to several financial risks, such as exchange rate risk, interest rate risk, credit risk and liquidity risk. These risks are the result of the uncertainty inherent to the financial markets, which is reflected in the capacity to estimate future cash flows and returns. The risk management policy of Conduril is a continuous process in constant development, applied to the implementation of its strategy, trying to minimise possible adverse effects arising from these uncertainties, typical of financial markets.

**B. Exchange rate risk**

Since the activity of Conduril is mainly located in Africa (Angola, Mozambique, Zambia, Malawi and Gabon), the Company is exposed to the exchange rate risk of the currencies in use in those countries. In order to address this risk, the contracts are celebrated in USD/EUR, whenever possible. The evolution of the kwanza, metical, Zambian kwacha and Malawi kwacha currencies against the euro impact the financial statements, and the financial instruments used to hedge these currencies are limited or non-existent.

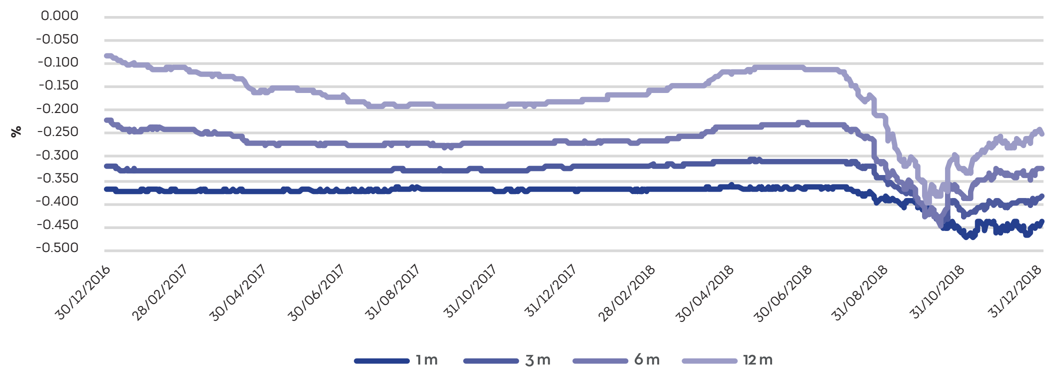
**Evolution of the exchange rate**




**C. Interest rate risk**

The interest rate risk essentially results from the indebtedness indexed to variable rates. During 2019, aware of the perspectives regarding the interest rate evolution, we contracted some financing indexed to its coverage. We are permanently monitoring this issue, in order to be able to take, in good time, the necessary measures to reduce the impact of this variable on our financing.

**Evolution of the Euribor rate**




**D. Credit risk**

The exposure of Conduril to credit risk is mainly related to the accounts receivable resulting from the operating activities: sales debts and services provided to clients. The management of this risk aims to guarantee the recovery of the credits in the established deadlines, without affecting the financial balance of the Group. This risk is regularly monitored. The management of these risks aims to:

**i.** evaluate the client in accordance with internal procedures that imply detailed analyses of the entities and the amounts involved. For this evaluation, we also resort to information entities and credit risk profiles available in the market;

**ii.** limit the credit granted to clients, considering the deadline for receipt of each client;

**iii.** monitor the evolution of the level of credit granted;

**iv.** perform an impairment analysis of the amounts to receive on a regular basis.

**E. Liquidity risk**

Liquidity risk is defined as the risk of lack of ability to settle or fulfil its obligations on the stipulated deadline and at a reasonable price. An essential instrument for liquidity risk management is the annual and global liquidity plan, prepared based on the liquidity plans of each establishment. These plans are updated every month. The existence of liquidity implies the definition of parameters for the management of that liquidity, which allow to maximise the return obtained and minimise the costs of opportunity related to holding that liquidity safely and efficiently.

The risk management in Conduril aims at:

- Liquidity – guarantee the permanent and efficient access to enough funds to deal with current payments in the respective due dates;
- Safety – minimise the probability of default in terms of refund of any application of funds; and
- Financial efficiency – guarantee to minimise the cost of opportunity of the surplus liquidity holding at short term.

Conduril's policy is to reconcile the due dates of assets and liabilities, managing their maturities in a balanced way.

Managing its exposure to liquidity risk, Conduril's policy is to ensure the hiring of credit instruments of different natures and in amounts adjusted to the specificities of its needs, guaranteeing comfortable levels of liquidity. It is also a Company rule to contract those facilities without providing any guarantee.

# 15. THE EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

## 15.1. Exchange differences recognised in profit/loss

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Exchange losses | | |
| - Other expenses | 12,850,335 | 9,674,480 |
| **TOTAL** | **12,850,335** | **9,674,480** |
| Exchange gains | | |
| - Other income | 4,433,646 | 4,326,804 |
| **TOTAL** | **4,433,646** | **4,326,804** |

## 15.2. Net exchange differences classified in a separate component of equity

| | EXCHANGE DIFFERENCES IN EQUITY |
|---|---|
| Balance as at 31.12.2018 | (18,989,245) |
| Exchange losses | (6,814,920) |
| Exchange gains | - |
| **Balance as at 31.12.2019** | **(25,804,165)** |

| | EXCHANGE DIFFERENCES IN EQUITY |
|---|---|
| Balance as at 31.12.2017 | (7,602,999) |
| Exchange losses | (11,386,246) |
| Exchange gains | - |
| **Balance as at 31.12.2018** | **(18,989,245)** |

# 16. EVENTS AFTER THE BALANCE SHEET DATE

## 16.1. Disclosure updating about the conditions at the balance sheet date

Between the balance sheet date and the issuance of the consolidated financial statements, no information on the conditions that existed at the balance sheet date were received, so no adjustments in amounts recognised in the present financial statements were made.

# 17. ENVIRONMENTAL ISSUES

## 17.1. Description of the measurement bases adopted, as well as the methods used in the calculation of value adjustments

From its activity, the Group has a legal or contractual responsibility to prevent, reduce or repair environmental damage. To fulfil this obligation, the Group incurred in expenses that amounted to 97,227 euros (in 2018, they amounted to 71,850 euros) during the period ending on 31 December 2019.

To measure the environmental expenses incurred, the Group recognises the expenses effectively made in the period.

## 17.2. Environmental expenses allocated to profit/loss

All environmental expenses should be considered in profit/loss if they were expenses incurred in that period, i.e., if they do not aim to prevent future damage or provide future benefits.

Therefore, environmental expenses allocated to profit/loss refer to past or present activities, or restoration of environmental conditions in the state in which they were before contamination.

| | AMOUNT ALLOCATED TO PROFIT/LOSS |
|---|---|
| Waste treatment | 97,227 |
| **TOTAL** | **97,227** |

# 18. INCOME TAXES

## 18.1. Main components of tax expense and income

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Current tax and adjustments: | | |
| Current tax for the period | 9,511,635 | 9,496,794 |
| | 9,511,635 | 9,496,794 |
| Deferred taxes: | | |
| Deferred taxes related to temporary differences | (45,328) | 239,915 |
| | **(45,328)** | **239,915** |
| **INCOME TAXES EXPENSE** | **9,466,307** | **9,736,709** |

Current tax and deferred tax shall be charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

During the period ending on 31 December 2019 and 2018, no debits/credits were made directly to equity related to the deferred taxes.

### 18.2. Relation between tax expense/income and accounting profit

| RECONCILIATION OF THE EFFECTIVE TAX RATE | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Income before taxation | 11,931,640 | 12,783,806 |
| Income taxes expense | 9,466,307 | 9,736,709 |
| Effective tax rate | 79.34% | 76.14% |
| **Nominal tax rate (21% in Portugal and 30% in Angola, in 2018 and 2019)** | **3,476,144** | **4,733,451** |
| ADJUSTMENTS: | | |
| Income deriving from the application of the equity method | 158,405 | (109,367) |
| Differentiated rates of taxation | 565,026 | 1,750,830 |
| Expenses not accepted as tax cost | 3,537,842 | 2,997,314 |
| Provisions not accepted as expense | 7,833 | 33,675 |
| Reversal of untaxed provisions | - | - |
| Tax refund | - | - |
| Other untaxed income | (3,859,857) | (3,628,504) |
| Tax losses for the period | 3,063,930 | 4,773,223 |
| Tax loss deduction for the period | (286,121) | (609,341) |
| Untaxed exchange differences | 1,884,158 | (722,796) |
| International double taxation | - | - |
| Autonomous taxation | 477,293 | 244,663 |
| Deferred taxes from previous financial years | (45,328) | 239,916 |
| Others | 486,982 | 33,645 |
| | **5,990,163** | **5,003,258** |
| **INCOME TAXES EXPENSE** | **9,466,307** | **9,736,709** |

With reference to the period ending on 31 December 2019 and 2018, in accordance with article 54-A of the Portuguese IRC Code, the Company opted for the non-inclusion of the taxable profit allocated to the Angola branch.

### 18.3. Deferred taxes

As at 31 December 2019, deferred tax assets and liabilities are the following:

| DEFERRED TAX ASSETS | OPENING BALANCE | OTHER VARIATIONS | INCREASES | REVERSAL | CLOSING BALANCE |
|---|---|---|---|---|---|
| Warranty of works | 62,597 | 540 | 3,067 | (337) | 65,867 |
| Provisions not accepted | - | - | - | - | - |
| Tax losses | - | - | 88,998 | - | 88,998 |
| Others | 601 | - | 71,415 | (601) | 71,415 |
| **TOTAL** | **63,198** | **540** | **163,480** | **(938)** | **226,280** |

| DEFERRED TAX LIABILITIES | OPENING BALANCE | OTHER VARIATIONS | INCREASES | REVERSAL | CLOSING BALANCE |
|---|---|---|---|---|---|
| Revaluation surpluses | 940,758 | - | - | (43,776) | 896,982 |
| Taxable income | - | - | 88,998 | - | 88,998 |
| Depreciation not accepted | 416,170 | (56,083) | 1,180 | - | 361,267 |
| **TOTAL** | **1,356,928** | **(56,083)** | **90,178** | **(43,776)** | **1,347,247** |

As at 31 December 2018, deferred tax assets and liabilities are the following:

| DEFERRED TAX ASSETS | OPENING BALANCE | OTHER VARIATIONS | INCREASES | REVERSAL | CLOSING BALANCE |
|---|---|---|---|---|---|
| Warranty of works | 62,795 | (198) | - | - | 62,597 |
| Provisions not accepted | 235,262 | (82,971) | - | (152,291) | - |
| Tax losses | - | - | - | - | - |
| Others | 104,314 | (12,659) | - | (91,054) | 601 |
| **TOTAL** | **402,371** | **(95,828)** | **-** | **(243,345)** | **63,198** |

| DEFERRED TAX LIABILITIES | OPENING BALANCE | OTHER VARIATIONS | INCREASES | REVERSAL | CLOSING BALANCE |
|---|---|---|---|---|---|
| Revaluation surpluses | 984,947 | - | - | (44,189) | 940,758 |
| Depreciation not accepted | 254,139 | (31,020) | 193,051 | - | 416,170 |
| **TOTAL** | **1,239,086** | **(31,020)** | **193,051** | **(44,189)** | **1,356,928** |

# 19. FINANCIAL INSTRUMENTS

## 19.1. Measurement bases

It is the Group's policy recognise an asset, a financial liability and an equity instrument only when it becomes a part of the contractual provisions of the instrument.

The Group measures, at cost or amortised cost less impairment loss, the financial instruments that have a defined maturity, which the returns have a fixed amount, with a fixed interest rate during the instrument's life or of variable rate which is a typical market indexing for financing operations (for example, Euribor), or that includes a spread on that indexing, which does not contain a contractual clause that can result to its holder in a loss of nominal value and accrued interest (excluding the cases of credit risk).

The contracts to grant or take a loan in a net basis and the equity instruments that are not publicly negotiated and whose fair value cannot be obtained reliably, as well as contracts connected to those instruments that, if executed, result in the delivery of those instruments, are also measured at cost or amortised cost less impairment loss.

All financial instruments which are not measure at cost or amortised cost less any impairment loss are measured at fair value.

The Group does not include the transaction costs in the initial measurement of financial asset or liability, which is measured at the fair value as part of profit/loss.

As long as the Group holds a financial instrument, the measurement policy will not be affected.

## 19.2. Financial assets and liabilities

Financial assets with recognition of impairment:

| | 31.12.2019 | | 31.12.2018 | |
|---|---|---|---|---|
| | CARRYING AMOUNT | ACCUMULATED IMPAIRMENT | CARRYING AMOUNT | ACCUMULATED IMPAIRMENT |
| Trade accounts receivable | 101,265,037 | - | 99,452,174 | - |
| Clients with guarantees | 4,122,995 | - | 3,117,604 | - |
| Doubtful debtors | 2,965,209 | (2,965,209) | 3,547,092 | (3,547,092) |
| **TOTAL** | **108,353,241** | **(2,965,209)** | **106,116,870** | **(3,547,092)** |

## 19.3. Financing obtained

As at 31 December 2019 and 2018, the item "Financing obtained" is the following:

| FINANCING OBTAINED | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Escrow accounts | 8,767,902 | 4,618,249 |
| Bank loans | 27,246,701 | 24,497,516 |
| Commercial paper | 20,800,000 | 13,000,000 |
| Finance leases | 6,174,910 | 2,605,987 |
| Factoring | 774,442 | 2,742,525 |
| Contracted bank overdrafts | 2,951,534 | 86,688 |
| **TOTAL** | **66,715,489** | **47,550,965** |

### 19.4. Total of interest income and expense for financial assets and liabilities

To calculate the amortised cost of a financial asset or a financial liability and allocate the interest income or interest expense during the period, the effective interest method was used. According to this method, the total of interest income for financial assets and the total of interest expenses for financial liabilities are the following:

**A. Interest income for financial assets:**

| FINANCIAL ASSETS | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Bank deposits | 2,693,237 | 2,656,321 |
| Others | 218 | 345 |
| TOTAL | 2,693,455 | 2,656,666 |

**B. Interest expenses for financial liabilities:**

| FINANCIAL LIABILITIES | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Financing | 3,312,612 | 5,798,691 |
| Finance leases | 38,651 | 18,313 |
| Others | 66,622 | 3,251 |
| TOTAL | 3,417,885 | 5,820,255 |

### 19.5. Impairment losses in financial assets

For financial assets, which are not measured at fair value through the profit/loss and regarding which impairment is verified, the Group evaluated the respective impairment. From this evaluation, the Group was able to acquire objective evidence that the financial assets, shown in the following table, present impairment losses for the period:

| | | 31.12.2019 |
|---|---|---|
| FINANCIAL ASSETS | IMPAIRMENT LOSSES | REVERSALS |
| Clients | 65,457 | (112,113) |
| Other accounts receivable | - | - |
| Other financial assets | - | - |
| TOTAL | 65,457 | (112,113) |

| | | 31.12.2018 |
|---|---|---|
| FINANCIAL ASSETS | IMPAIRMENT LOSSES | REVERSALS |
| Clients | - | (271,143) |
| Other accounts receivable | - | - |
| Other financial assets | - | - |
| TOTAL | - | (271,143) |

### 19.6. Amount of share capital

As at 31 December 2019, the Company had a share capital of 10,000,000 euros, fully subscribed and paid-in.

### 19.7. Shares representing share capital

As at 31 December 2019, the share capital was composed of 2,000,000 shares, with a nominal value of 5 euros each.

# 20. EMPLOYEE BENEFITS

## 20.1. Post-employment benefits

As at 31 December 2019, there were 123 employees enjoying post-employment benefits regarding benefit plans defined. On 31 December 2019, the operations related to the period are the following:

| PENSION COSTS | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Cost of current services | 291,648 | 315,991 |
| Interest cost | 326,036 | 307,037 |
| Actuarial gains and losses | - | - |
| Return on assets | - | (239,715) |
| Other variations | - | - |
| **TOTAL** | **617,684** | **383,313** |

On 31 December 2019, there is a deficit of the amount of past responsibilities regarding the value of the existing fund in the amount of 2,257,382 euros (2018: 627,762 euros). The increase in responsibilities is related to the impact of the changes of some assumptions, namely interest rate and growth rate of wages. This amount is registered in the item "Creditors by accrued expenses". The responsibilities with assets in the solvency scenario are fully financed.

In what concerns the accrued amounts of actuarial gains and losses, these are registered in the equity item "Adjustments/Other changes in equity", in the amount of 2,518,271 euros (2018: 1,065,500 euros).

Assumptions used in the actuarial study of 2019 and 2018:

| | ASSUMPTIONS 2019 | ASSUMPTIONS 2018 |
|---|---|---|
| Mortality table | TV 88/90 | TV 88/90 |
| Invalidity table | Swiss Re 2001 | Swiss Re 2001 |
| Normal retirement age | 66-70 years | 66-70 years |
| Number of pensions in the year | 13 | 13 |
| Rate of return of assets | swap curve as at 31/12/19 plus 2.25% p.p. | swap curve as at 31/12/2018 plus 2.25% p.p. |
| Growth rate of wages | 2.00% | 1.75% |
| Growth rate of pensions | 0.00% | 0.00% |
| Participants | 324 | 309 |
| Beneficiaries | 123 | 113 |

## 20.2. Social benefits

As at 31 December 2019, in the scope of the activity of the Conduril Academy (centre accredited by the bodies that are responsible for vocational training in the countries it operates in), there were 697 employees in Angola and Mozambique benefiting from the plans of expert knowledge, both in the technical and vocational area and in the literacy and schooling area, provided in the workplaces. The expenses related to this activity are fully financed by Conduril - Engenharia, S.A.. As at 31 December 2019, the operations/actions/programmes related to the period are as follows:

| EXPENSES WITH CONDURIL ACADEMY PROGRAMMES | 31.12.2019 |
|---|---|
| PAAE (Literacy and School Acceleration Programme) | 246,962 |
| Technical and vocational training | 172,873 |
| Human and cultural training | 24,696 |
| RVCCP (Process for Recognition, Validation and Certification of Professional Skills) | 49,393 |
| **TOTAL** | **493,924** |

| EXPENSES WITH CONDURIL ACADEMY PROGRAMMES | 31.12.2018 |
|---|---|
| PAAE (Literacy and School Acceleration Programme) | 258,543 |
| Technical and vocational training | 180,980 |
| Human and cultural training | 25,854 |
| RVCCP (Process for Recognition, Validation and Certification of Professional Skills) | 51,709 |
| TOTAL | 517,086 |

# 21. OTHER INFORMATION

## 21.1. State and other public bodies

The item "State and other public bodies" as at 31 December 2019 and 2018 is the following:

| ASSETS | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Personal Income Tax | 1,097 | 4,177 |
| Value Added Tax | 9,585,343 | 8,634,165 |
| Social Security Contributions | 10,124 | - |
| Business Income Tax | 3,192,145 | 3,442,611 |
| Other taxation | 2,873,489 | 2,784,753 |
| TOTAL | 15,662,198 | 14,865,706 |

| LIABILITIES | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Personal Income Tax | 606,310 | 464,789 |
| Value Added Tax | 9,125,738 | 7,685,584 |
| Social Security Contributions | 590,211 | 544,078 |
| Business Income Tax | 8,712,293 | 7,813,881 |
| Other taxation | 643,059 | 782,446 |
| TOTAL | 19,677,611 | 17,290,778 |

## 21.2. Turnover

The turnover as at 31 December 2019 and 2018 is distributed as follows:

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Internal market | 54,037,169 | 29,283,666 |
| External market | 100,737,864 | 95,290,822 |
| TOTAL | 154,775,033 | 124,574,488 |

## 21.3. External supplies and services

The item "External supplies and services" is the following, for the period ending on 31 December 2019 and 2018:

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Subcontracts | 30,278,250 | 24,033,251 |
| Specialised services | 4,293,097 | 847,168 |
| Materials | 1,067,856 | 1,264,955 |
| Energy and fluids | 3,159,609 | 3,718,127 |
| Travel, accommodation and transport | 3,850,461 | 3,808,153 |
| Rentals and leases | 4,993,567 | 4,648,906 |
| Communication | 366,959 | 372,262 |
| Insurances | 936,462 | 1,062,847 |
| Royalties | 13,081 | 18,195 |
| Legal and notary services | 17,630 | 38,181 |
| Representation expenses | 28,568 | 101,001 |
| Hygiene and comfort services | 288,295 | 277,167 |
| Other services | 1,850,636 | 3,237,091 |
| TOTAL | 51,144,471 | 43,427,304 |

### 21.4. Personnel expenses

The item "Personnel expenses" is the following, for the period ending on 31 December 2019 and 2018:

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Remunerations of the management bodies | 1,235,089 | 1,718,990 |
| Personnel remunerations | 29,451,301 | 25,634,651 |
| Compensations | 36,677 | 163,773 |
| Post-employment benefits (Note 20.1) | 617,684 | 383,313 |
| Social charges | 3,464,116 | 2,890,782 |
| Insurance schemes for accidents at work and occupational diseases | 1,065,717 | 760,886 |
| Social welfare expenses | 2,268,441 | 1,789,758 |
| Others | 643,594 | 781,866 |
| **TOTAL** | **38,782,619** | **34,124,019** |

### 21.5. Other income

The item "Other income" is the following, for the period ending on 31 December 2019 and 2018:

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Additional income | 1,385,588 | 1,432,546 |
| Cash discounts obtained | 71,482 | 200,855 |
| Exchange gains | 4,433,646 | 4,326,804 |
| Gains in inventories | 12935 | 11,310 |
| Income and gains in the remaining non-financial assets | 616,031 | 382,561 |
| Interest received | 2,693,455 | 2,656,666 |
| Dividends earned | 118,586 | 800,907 |
| Corrections related to previous periods | 203,491 | 622,517 |
| Benefits from contractual penalties | 386,344 | 7,964,594 |
| Others | 78,572 | 197,364 |
| **TOTAL** | **10,000,130** | **18,596,124** |

### 21.6. Other expenses

The item "Other expenses" is the following, for the period ending on 31 December 2019 and 2018:

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Taxes | 2,269,017 | 1,682,627 |
| Cash discounts given | 789,273 | 1,041,837 |
| Bad debts | - | 29,364 |
| Exchange losses | 12,850,335 | 9,674,480 |
| Fines and penalties | 249,473 | - |
| Losses in inventories | - | 801,086 |
| Expenses and losses in remaining non-financial investments | 16,987 | 63,595 |
| Expenses and losses in non-financial investments | - | 1,963 |
| Corrections related to previous periods | 128,668 | 534,070 |
| Others | 900,902 | 1,044,146 |
| **TOTAL** | **17,204,655** | **14,873,168** |

### 21.7. Financial profit and loss account

The financial profit and loss are the following:

| FINANCING EXPENSES AND LOSSES | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Interest paid | 3,351,263 | 5,817,004 |
| Other financing expenses and losses | 531,434 | 590,895 |
| TOTAL | 3,882,697 | 6,407,899 |

### 21.8. Deferrals

Deferred assets and deferred liabilities are the following:

| DEFERRED ASSETS | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Expenses to be recognised – insurances | 374,581 | 226,904 |
| Expenses to be recognised – other | 3,447 | 63 |
| Pension fund – surplus (Note 20.1) | - | - |
| Other deferrals | 294,222 | 135,580 |
| TOTAL | 672,250 | 362,547 |

| DEFERRED LIABILITIES | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Income to be recognised – NCRF 19 | 768,092 | 288,522 |
| Pension fund (Note 20.1) | - | - |
| Billing to be recognised | 381,078 | 317,526 |
| TOTAL | 1,149,170 | 606,048 |

### 21.9. Other accounts payable and receivable

The item "Other accounts receivable" is the following, for the period ending on 31 December 2019 and 2018:

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Trade creditors – debit balances | 642,092 | 877,518 |
| Contract retentions | 2,010,359 | 508,947 |
| Debtors by accrued income | 47,777,273 | 30,525,446 |
| Payments on account | 49,898 | 631,274 |
| Personnel | 424,727 | 42,685 |
| Other debtors | 17,242,870 | 19,955,686 |
| TOTAL | 68,147,219 | 52,541,556 |

The item "Other accounts payable" is the following, for the period ending on 31 December 2019 and 2018:

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Clients – credit balances | 53,367 | 37,349 |
| Personnel | 2,430,029 | 1,558,217 |
| Investment providers | 59,011 | 264,253 |
| Creditors by accrued expenses – remunerations | 1,863,665 | 1,520,260 |
| Creditors by accrued expenses – others | 4,527,528 | 5,443,926 |
| Other creditors | 2,795,013 | 1,447,942 |
| TOTAL | 11,728,614 | 10,271,947 |

### 21.10. Proposal of application of net income

In compliance with the legal and statutory provisions, in pursuance of the policy of fair return on the invested capital and the increase in its solvency, the Board of Directors proposes that the net income for the period, in the amount of 2,461,138 euros, is fully transferred to Free Reserves.

## 22. DISCLOSURES REQUIRED BY LEGISLATION

The Company has no overdue debts to the Portuguese State, in accordance with the Decree-law no. 534/80, of 7 November.

Compliant with the Decree-law no. 411/91, of 17 October, the Company paid its social security contributions within the time limits stipulated.

## 23. ADDITIONAL DISCLOSURES FOR THE ENTITIES REFERRED TO IN ARTICLE 2(1)(H) AND ARTICLE 9(4), OF THE DECREE-LAW NO. 158/2009, OF 13 JULY, AS AMENDED BY DECREE-LAW NO. 98/2015, OF 2 JUNE

### 23.1. Net turnover broken down by geographical markets

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Portugal | 56,740,835 | 32,103,138 |
| Angola | 54,330,413 | 51,543,022 |
| Mozambique | 14,219,926 | 11,009,040 |
| Morocco | 2,872,196 | - |
| Zambia | 20,727,294 | 21,406,554 |
| Malawi | 3,337,295 | 5,159,291 |
| Gabon | 2,547,074 | 3,353,443 |
| **TOTAL** | **154,775,033** | **124,574,488** |

### 23.2. Statutory Auditor fees

In 2019, the fees of the Statutory Auditor amounted to 31,500 euros.

The Management

The Chartered Accountant,


Portugal_Beira Baixa Railway Line between Covilhã-Guarda

# REPORT AND OPINION OF THE STATUTORY AUDIT BOARD

# STATUTORY AUDIT BOARD

## FINANCIAL YEAR OF 2019

Dear Shareholders:

In compliance with the legal provisions, the Statutory Audit Board submits its report and issues its opinion on the consolidated management report, consolidated balance sheet, consolidated accounts and proposal of application of net income, which were presented by the Board of Directors of Conduril - Engenharia, S.A., regarding the financial year ended on 31 December 2019.

## REPORT

In the performance of its duties, the Statutory Audit Board had regular meetings accompanying the social activity and the evolution of Conduril - Engenharia, S.A. business, watched and ensured the fulfilment of the law and the articles of association, and it was informed of the acts carried out by the Board of Directors, which has always clarified any situation when requested.

Also in the performance of its duties, the Board carried out a careful analysis of the consolidated management report presented by the Board of Directors, the consolidated balance sheet, the consolidated income statement, the consolidated cash flows and the changes in consolidated equity for the financial year ended on 31 December 2019, and its annexe with the explanatory notes. These documents are considered to be correct and offer a clear picture of the activity developed and the financial position.

Within the framework of its competence, the Board was informed of the works developed during the year by the Audit Firm, obtained from it the necessary information and clarifications, provided by its representative, required for the control of the official audit to the other financial statements, was informed of the conclusions and recommendations of the audit report sent to the Board of Directors, and proceeded to the analysis of the legal certification of consolidated accounts, whose contents deserve the agreement of the Board.

The Board, still in the framework of its competence, expresses its agreement regarding the accounting policies and the valuation criteria adopted.

As a result of the above, the Board considers that the consolidated management report, consolidated balance sheet, consolidated income statement, consolidated cash flows and changes in consolidated equity allow, in the whole, for a correct understanding of the consolidated financial situation of Conduril - Engenharia, S.A., on 31 December 2019, and the income statement for the financial year ended on that date, and, finally, it also considers that the legal and statutory provisions were respected.

As a conclusion, the Board also thanks, along with the Board of Directors, the Employees for their commitment and dedication.

Therefore, the Statutory Audit Board issues the

## OPINION

1. that the consolidated management report, consolidated balance sheet, consolidated accounts and its notes for the financial year ended on 31 December 2019 are approved;

2. that the proposal of application of net income included in the consolidated management report, in the terms presented by the Board of Directors is approved.

Ermesinde, 12 March 2020

THE STATUTORY AUDIT BOARD

Ademar Américo Soares Paiva, President

Maria de Lourdes Lopes Chaves

Júlio Gales Ferreira Pinto

Portugal_Guadiana International Bridge

# LEGAL CERTIFICATION OF CONSOLIDATED ACCOUNTS

# LEGAL CERTIFICATION OF ACCOUNTS

## REPORTING ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### Opinion

We have audited the consolidated financial statements of Conduril - Engenharia, S.A. (the Group), which comprise the consolidated balance sheet on 31 December 2019 (which reflects a total of 370,893,772 euros and total equity of 209,272,991 euros, including a net income of 2,461,138 euros), the consolidated profit and loss account by nature, the consolidated statement of changes in equity and the consolidated cash flow statement for the year ended on that date, and the notes attached to the consolidated financial statements, comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements attached present a true and proper view, in all material aspects, of the consolidated financial position of Conduril - Engenharia, S.A. on 31 December 2019 and its consolidated financial performance and cash flows for the year ended on that date, in accordance with the Accounting Standards and Financial Reporting adopted in Portugal through the Accounting Standardisation System.

### Grounds for the opinion

Our audit was performed in accordance with the International Standards on Auditing (ISAs) and further standards and technical and ethical guidelines of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are described in the section "Auditor's responsibilities on the audit of the consolidated financial statements" below. We are independent from the entities belonging to the Group under the law and we meet all other ethical requirements in accordance with the code of ethics of the Portuguese Institute of Statutory Auditors.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis to our opinion.

## Emphasis

As mentioned in Note 5 of the Notes to the Consolidated Financial Statements with reference to 31 December 2019, the Entity changed, during the 2019 period, the expected useful life of property, plant and equipment and intangible assets. For the purpose of a comparative analysis, this change originated a reduction of depreciations and amortisations for the period, in about 1,163,258 euros, with impact on the increase of the net income for the period and on the total value of assets.

Our opinion is not affected by this matter.

## Responsibilities of the management body and the supervisory body on the consolidated financial statements

The management body is responsible for:

- the preparation of the consolidated financial statements that present a true and proper view of the financial position, financial performance and cash flows of the Group, in accordance with the Accounting Standards and Financial Reporting adopted in Portugal through the Accounting Standardisation System;

- the preparation of the management report under the terms of the rules and regulations;

- the creation and maintenance of an internal control system, appropriate to enable the preparation of financial statements free of material misstatements due to fraud or errors;

- the adoption of accounting policies and criteria adequate to the circumstances; and

- the assessment of the Group's ability to maintain its continuity, disclosing, when applicable, the topics that could give rise to justifiable doubt about the continuity of the activities.

The supervisory body is responsible for supervising the process of preparation and disclosure of the financial information of the Group.

## Auditor's responsibilities on the audit of the consolidated financial statements

Our responsibility is to obtain a reasonable assurance if the consolidated financial statements, as a whole, are free of material misstatements due to fraud or errors and issue a report where our opinion is expressed. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit performed in accordance with the ISAs will always detect a material misstatement when it exists. The misstatements may derive from fraud or errors, and they are considered material if, alone or together, they might reasonably be expected to influence the economic decisions of the users taken based on those financial statements.

As part of an audit under the ISAs, we make professional judgements and we maintain professional scepticism during the audit, and we also:

- identify and assess the risks of material misstatements of the consolidated financial statements, due to fraud or errors; prepare and perform audit procedures that address those risks; and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher that the risk of not detecting a material misstatement due to errors, since fraud can involve collusion, falsification, intentional omissions, false statements or overlap of the internal control;

- obtain an understanding of the internal control relevant to the audit, with the aim of preparing audit procedures that are appropriate in the circumstances, but not to express an opinion about the efficiency of the internal control of the Group;

- evaluate the appropriateness of the accounting policies used and reasonableness of accounting estimates and respective disclosures made by the management body;

- concluded on the appropriation of use, by the management body, of the going concern assumption and, based on the audit evidence obtained, if there is any material uncertainty related to events or conditions that could give rise to justifiable doubt about the Group's ability to continue its activities. If we conclude that there is a material uncertainty, we should point out in our report the disclosures included in the financial statements or, if those disclosures are not appropriate, change our opinion. Our conclusions are based on the audit evidence obtained until the date of our report. However, events or future conditions may take the Group to discontinue its activities;

- evaluate the presentation, structure and global contents of the consolidated financial statements, including the disclosures, and if those financial statements represent the transactions and events underlying in order to achieve an appropriate presentation;

- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or the activities inside the Group to express an opinion on the consolidated financial statements. We are responsible for the guidance, supervision and performance of the Group's audit, and we are ultimately responsible for our audit opinion;

- communicate to the governance officers, among other subjects, the scope and planned schedule of the audit, and the relevant conclusions of the audit, including any significant gap of the internal control identified during the audit.

Our responsibility also includes the verification of compliance of the information in the management report with the consolidated financial statements.

## REPORTING ON OTHER LEGAL RULES AND REGULATIONS

**About the management report**

Compliant with article 451(3)(e) of the Portuguese Companies Act, we believe that the management report was prepared in accordance with the applicable rules and regulations in force, its information is in line with the financial statements audited and, based on the knowledge and evaluation on the Group, we did not identify material misstatements.

Porto, 11 March 2020

HORWATH & ASSOCIADOS, SROC, LDA.
Represented by Ana Raquel Borges L. Esperança Sismeiro (ROC 1126)

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