STRONGER BY YOUR SIDE

www.ascendumgroup.com

ANNUAL REPORT **2016**

ASCENDUM

STRONGER BY YOUR SIDE.

2016 was a year of consolidation. The final step of a long-lasting strategy to unify the Group's communication in the 14 geographies in which we are present. Today, as never before, we affirm ourselves in the world with one voice and the same shared ambition. A fundamental change that makes us even stronger to overcome challenges and to maintain the service of excellence that has always distinguished us.

ANNUAL REPORT **2016**

ASCENDUM

ASCENDUM GROUP WORLDWIDE

With more than 1,400 employees, the Ascendum Group operates directly in Portugal, Spain, the United States, Turkey, Mexico and Central Europe.

USA

ASCENDUM
Georgia
North Carolina
North Dakota
South Carolina
Tennessee

MEXICO

ASCENDUM
Monterrey
San Luis Potosi
Guadalajara
Mexico
Veracruz
Villahermosa

PORTUGAL

ASCENDUM
Albergaria
Coimbra
Faro
Leiria
Lisboa
Porto
Viseu

SPAIN

ASCENDUM
Barcelona
Granada
Guadalajara
Madrid
Pontevedra
Valladolid

DEALERS
Bilbao
Burgos
Canárias
Mallorca
Murcia
Oviedo
Pamplona
Sevilha
Valencia
Vitoria
Zaragoza

CENTRAL EUROPE

ASCENDUM
Bratislava (Slovakia)
Bucharest (Romania)
Budapest (Hungary)
Prague (Czech Rep.)
Salzburg (Austria)
Zagreb (Croatia)

DEALERS
Ajdovscina (Slovenia)
Banja Luka (Bosnia Herzegovina)
Chisniau (Moldava)

TURKEY

ASCENDUM
Ankara
Bursa
Eskisehir
Istanbul

DEALERS
Antalya
Balikesir
Denizli
Dyarbakir
Erzurum
Gaziantep
Izmir
Içel
Kaysen
Mugla
Samsun
Trabzon

58 Years
of history

Family-run
Corporate Group

Multinational
based in Portugal

14 Countries
with operations

1,400
employees

More than 30 Brands
represented

35,000
working machines around the world

COMPANY INFORMATION

01.

ECONOMIC AND FINANCIAL INFORMATION

02.

FINANCIAL STATEMENTS AND ANNEX

03.

LEGAL CERTIFICATE OF CONSOLIDATED ACCOUNTS AND OPINION OF STATUTORY AUDITOR

04.

AROUND 1,400 PROFESSIONALS COMMITTED TO HELPING YOUR BUSINESS GROW.

STRONGER BY YOUR SIDE.

COMPANY INFORMATION

01.

ASCENDUM

1.1. MESSAGE FROM THE EXECUTIVE BOARD

Dear Shareholders,

As in the past, we would like to highlight the tremendous quality, talent, commitment and capacity to deliver of Ascendum's 1,400 employees, attributes that proved to be increasingly more important to ensure that the objectives set by the Executive Board for 2016 were met.

We would also like to take the opportunity to thank our shareholders and financial partners for the unwavering support and assistance they have shown over the years, and our more than 30,000 clients from across the Group's various geographic platforms for the preference they show and the trust they continuously placed in us.

All efforts made by the Ascendum team allowed all the geographic platforms in which we operate to positively contribute in terms of results for the first time in recent years, which is something to celebrate, especially in a highly unstable and challenging macroeconomic and geopolitical context – world economic growth below expectations with regard to Product, which actually registered less growth than in 2015, political uncertainty in Europe and in the USA, regional conflicts in the Middle East – a context which, with less dedicated and committed teams, could have led to a distinct outcome.

Regardless of the context in which Ascendum operated, 2016 was a year in which, without neglecting its already traditional commercial focus which was reflected in Ascendum getting closer to its 900 million euros turnover target (increase of 5% turnover, approximately 42 million Euros), Ascendum increased its efficiency levels in Working Capital Management by approximately 25%, reduced its debt by 14%, significantly improving its financial indicators – equity to assets ratio of 29% and Net Debt / EBITDA of 1.9x –, in spite of strong investment in growth through acquisitions made since 2010.

The past year has also been a year of reinforcing the already previous significant investment in human capital, with continued focus in the development of synergies in Ascendum human resources / teams, through initiatives that enhance employees from an individual perspective, enabling greater integration between the various geographical and operational teams, and ultimately greater efficiency and productivity of the company.

Regardless of the enriching multiculturalism inherent in the fact that we operate on 4 continents, initiatives such as the Ascendum Academy (e.g. Global Management Program), Sounding Boards and the CEOs/CFOs Meeting, have come to consolidate an *Ascendum Culture and Operational Processes* with very distinct common traits – results-oriented and commitment to the organization and all its stakeholders.

Thus, more than to reiterate our satisfaction at Ascendum having exceeded most of its key economic and financial indicators in 2016 — turnover, free cash flow, return on capital invested, working capital turnover, equity to assets ratio and Net Debt/EBITDA — we would like to highlight the continued recognition we receive from our stakeholders which everyone in the *Ascendum Family* should be proud.

João Manuel de Pinho Mieiro, Angela Maria Silva Vieira Lança de Morais, Ricardo José de Pinho Mieiro (President), Paulo Vieira do Nascimento Mieiro, Rui António Faustino.

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March 10, 2017
Ascendum Executive Board

1.2. CORPORATE BODIES AND GOVERNANCE STRUCTURE

The management of Ascendum is currently separated into executive and non-executive functions and is carried out by the following bodies:

ASCENDUM, S.A.

SHAREHOLDERS MEETING

BOARD OF DIRECTORS

EXECUTIVE BOARD

BOARD OF DIRECTORS:
Ernesto Gomes Vieira – Chairman
Angela Maria Silva Vieira Lança de Morais
Carlos José Gomes Vieira
João Manuel de Pinho Mieiro
José Manuel Bessa Leite de Faria
Paulo Jervell
Paulo Vieira do Nascimento Mieiro
Pedro Vieira do Nascimento Mieiro
Ricardo José de Pinho Mieiro
Rui António Faustino
Tomás Jervell

EXECUTIVE BOARD:
Ricardo José de Pinho Mieiro – President
Angela Maria Silva Vieira Lança de Morais
João Manuel de Pinho Mieiro
Paulo Vieira do Nascimento Mieiro
Rui António Faustino

GENERAL MEETING:
António Lobo Xavier – Chairman
Mariana Vilaça Fernandes – Vice-Chairman

STATUTORY AUDITOR:
PriceWaterHouseCoopers & Associados
– Sociedade de Revisores Oficiais de Contas, Limitada
Palácio Sottomayor, Rua Sousa Martins, n.º 1, 3.º andar – 1069-316 Lisboa
Represented by:
José Miguel Dantas Maio Marques (R.O.C.)
or by José Pereira Alves (R.O.C.)
Alternate Auditor:
António Joaquim Brochado Correia (R.O.C.)

From left to right: Pedro Mieiro, João Mieiro, Paulo Jervell, Carlos Vieira, Ricardo Mieiro, Ernesto G. Vieira, Angela Vieira, Tomás Jervell, Paulo Mieiro, José Leite de Faria, Rui António Faustino.

1.3. HIGHLIGHTS

1.3.1 MAIN EVENTS

During 2016, as in previous years, Ascendum operated in an extremely challenging context – geopolitical, macroeconomic and foreign currency – fact that did not prevent the company from exceeding its target of 860 million euros in turnover and improving its overall solvency ratios – Net Debt/EBITDA below 2.0x – and also reducing its debt by 14%, despite strong investment in growth as it is still financially digesting the acquisitions made since 2010.

In 2016, Ascendum continued the strategy of consolidating its current operations and strengthening its financial position, initiated in 2014, focusing its efforts on optimizing internal processes and on creating common management and communication tools capable of ensuring greater flexibility in its business in the different geographic platforms and fostering sharing of information and best practices.

2016 was also marked by an increased investment in the Ascendum brand at global level, with the development and implementation of a brand uniformity strategy together with a strong focus on the Group's digital engagement.

Accordingly, we highlight the following main events in 2016:

MAIN EVENTS 2016

01.

Operational and financial optimization and consolidation

02.

Reinforcement of Ascendum brand investment at a global level

A. FINANCIAL AND OPERATIONAL OPTIMIZATION AND CONSOLIDATION

In 2016, Ascendum continued to follow its business consolidation strategy in the different countries in which it operates, in order to deliver an increasingly efficient response to macroeconomic and sector volatility. Thus, in 2016 the Group focused its efforts on adapting the operational and financial structure of each one of the companies to the markets in which they operate and continued to standardize business and management processes and to develop business information and knowledge sharing systems, to boost internal synergies.

In parallel, Ascendum sought to (i) optimize working capital cycle management and (ii) optimize the management of available funds, reducing the generalized cost of debt, supporting geographic platforms to optimize the management of local financial debt, and balancing the liquidity needs of each geographic platform with the cycle and maturity of its business.

In turn, and concurrently with the strategy implemented in recent years, the Group continued the consolidation of its financial situation, in terms of profitability and debt indicators, after a period of strong investment between 2010 and 2013, with the acquisition of the operations in Turkey and Central Europe, entry into the Mexican market and the acquisition of Air-Rail.

Moreover, the Group endeavored to mitigate exchange rate risk resulting, essentially, from the devaluation of the Turkish lira (17% against the Euro) and the kwanza (24% against the euro), markets in which the Group carries out transactions for the purchase and sale of machines in currencies other than the functional currency.

These efforts are reflected in Ascendum's situation in 2016 from the point of view of results, operational efficiency and financial robustness:

	2014	2015	2016
TURNOVER (M€)	679	821	862
EBITDA (M€)	62	69	73
ASSETS TURNOVER (TURNOVER / ASSETS)	1.2x	1.6x	1.6x
WORKING CAPITAL TURNOVER (TURNOVER / WORKING CAPITAL)	4.0x	4.7x	5.9x
NET DEBT / EBITDA	2.9x	2.4x	1.9x
EQUITY / NET DEBT	0.8x	0.9x	1.1x
EQUITY / ASSETS (1)	26%	30%	29%

(1) Ratio between Equity with non-controlling interests, excluding the FX negative impact on net income (not considering the correspondent tax impact), and total net Assets as of December, 31st.

B. INCREASED INVESTMENT IN THE ASCENDUM BRAND AT GLOBAL LEVEL

Rebranding

One name, one color

In 2016, Ascendum continued the work it started in 2015 with regard to the stabilization of the communication and Group's image. Having reinforced its means of internal communication and sharing in 2015, together with the integration and engagement of employees in Group values and culture, 2016 was key to the development and consolidation of the Ascendum brand.

During the year, the Group focused its efforts on developing and implementing a brand uniformity strategy, investing in a new single, cross-cutting and differentiated line of communication. The goal of operating under a single brand includes making Ascendum stronger and more recognizable to its stakeholders, positioning it as a trusted brand and *value creator*.

Accordingly, the alignment between the brand's identity and image was the main focus throughout the year. Knowing how customers and employees perceive and assimilate all the components of the Ascendum brand and outlining how they should be developed and communicated by the Group.

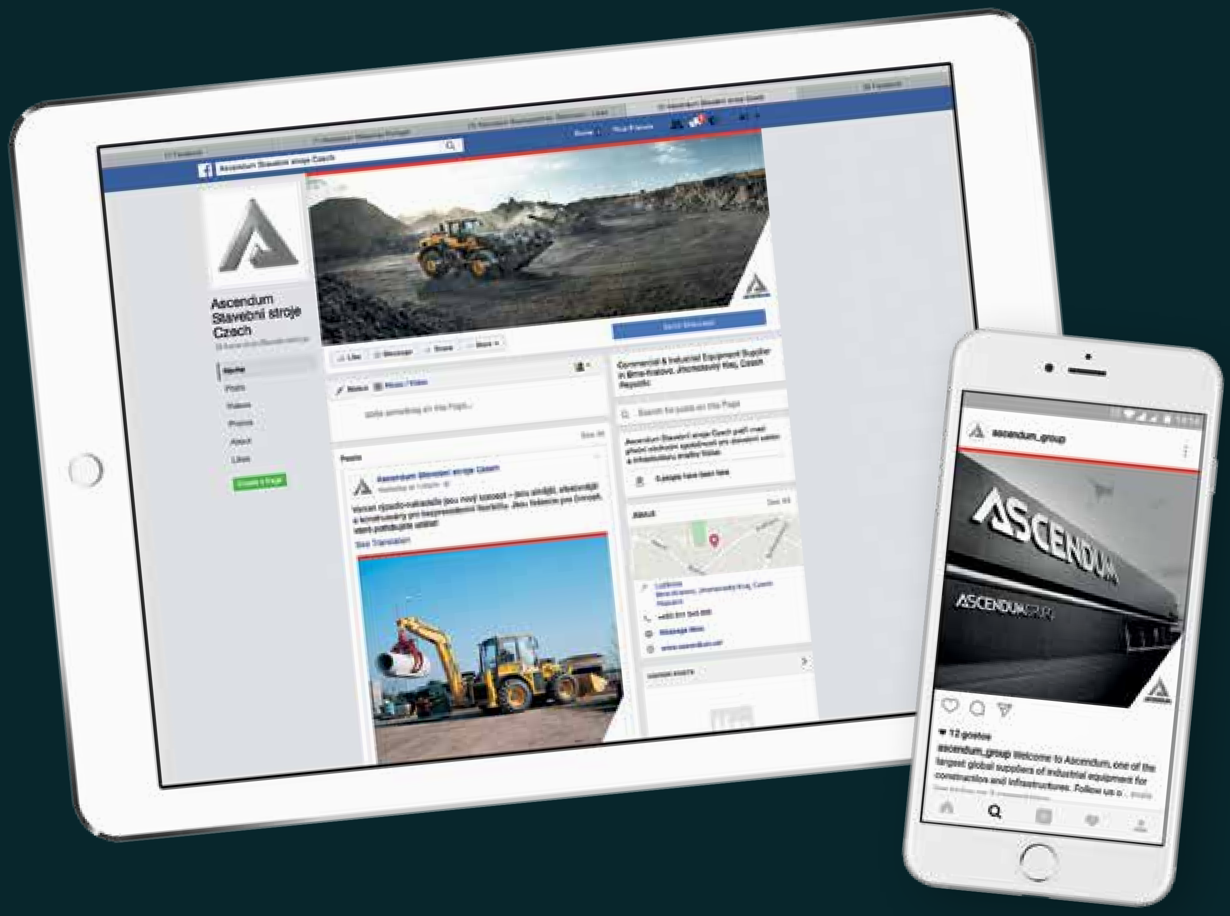
To ensure that the Ascendum brand works, the Group has clearly and consistently defined a strong identity for its brand, while also developing a communication strategy capable of sustaining this effort. Communication was and is, therefore, at the heart of the design and conveyance of the Ascendum brand's identity.

KEY HIGHLIGHTS OF THE REBRANDING STRATEGY CARRIED OUT OVER THE COURSE OF 2016

- Communicating the brand under a single identity: **Ascendum**;
- Language, image and common positioning, regardless of the geographic platform, business area or service provided;
- Chroma alignment, regardless of the markets.

Adopting the new brand involved an investment in updating logos, stationary, merchandising, advertising, facades and signage and various other marketing supports that promote the Group's new integrated image and that will strengthen the Ascendum brand clearly and simply across all areas, services, businesses and geographic platforms.

In parallel, Volmaquinaria and ASC USA, the Group companies operating in Spain and in the United States, changed their name to Ascendum Machinery, S.L. and Ascendum Machinery, Inc., respectively.



SOCIAL NETWORKS
The Group's Facebook page Geographies and Instagram page

Social Media

In parallel, 2016 was also marked by the definition of the Group's digital engagement strategy. New Facebook, Instagram and LinkedIn pages were created for the Group and for each geographic platform, and, during 2017, new websites will be put online in line with the Group's new integrated image.

Ascendum began its journey in the "digital age" and now looks at social networks as tools, which will be fueled and shared in a dynamic and responsible manner, in order to maximize its benefits, in terms of reputation, business and engagement with the Group stakeholders.

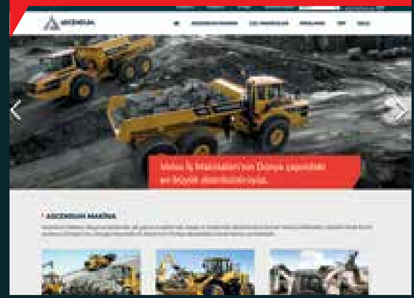
In the first half of 2017, Ascendum will be present in all relevant social networks and its digital presence will be fully aligned under the "new" Ascendum brand.

As a result of the strategy implemented in recent years, Ascendum has strengthened its image among the institutional and Business-to-Business segments and, in 2016, received the following awards:

INTERNATIONALIZATION PRIZE IN THE LARGE COMPANIES CATEGORY
of the Export and Internationalization Awards organized by Novo Banco and Jornal de Negócios, in partnership with IGNIOS.

TOP 5 IN THE INTERNATIONALIZATION RANKING OF PORTUGUESE COMPANIES
developed by INDEG-IUL ISCTE Executive Education, in collaboration with the Strategy and International Business Unit of Fundação Dom Cabral (FDC) and with the institutional support of AICEP Portugal Global.

TURKISH SITE RECEIVED TWO INTERNATIONAL AWARDS
Interactive Media Awards and Horizon Interactive Awards.



And, from an operational perspective, the excellence attested by the awarding of prizes allowed to substantiate a strengthening of the Ascendum brand:

EXCAVATOR SALES COMPETITION AWARD
an initiative by Volvo CE held during the first half of the year to motivate distributors in the Western EMEA region to increase their sales of large excavators (over 14 tons) and to increase market share. The competition involved four groups of countries and Ascendum won in the two in which it was represented by teams from Portugal and Central Europe.

SECOND PLACE AMONG THE "LEADING COMPANIES IN AUSTRIA"
an award presented by three renowned independent entities (KSV 1870, a company from the financial sector, PriceWaterHouseCoopers and the Technical Supervision Association TÜV), in which several business criteria are assessed.

VOLVO CE DEALER THAT RECEIVED MORE AWARDS IN THE UNITED STATES AT THE "DEALER AWARDS"
(i) 1st place in the categories "Leader in Overall Sales Volume", "Highest Over The Counter Parts Fill Rate" and "Highest Retail Finance Volume with Volvo Financial Services", (ii) 2nd place in the categories "Highest Retail Finance Participation", "Highest Technical Competency" and "Customer Support Circle of Excellence" and (iii) 3rd place in the category "Best Service Response Time".

ASCENDUM PORTUGAL REACHED THE EMEA VISTA FINALS – VOLVO INTERNATIONAL SERVICE TRAINING AWARD

TEAMS FROM PORTUGAL, TURKEY, ROMANIA AND AUSTRIA IN THE EMEA VOLVO CE MASTERS FINALS.
Austria conquered the 3rd, and the USA ranked in 2nd in the North America Regional Final.

ASCENDUM COIMBRA ELECTED 2016 DEALER OF THE YEAR IN VOLVO TRUCKS

ASCENDUM VISEU AWARDED VOLVO ACTION SERVICE FOR ROADSIDE ASSISTANCE

1.3.2 MAIN ECONOMIC, FINANCIAL AND OPERATIONAL INDICATORS

MAIN ECONOMIC, FINANCIAL AND OPERATIONAL INDICATORS Figures expressed in thousands of Euros	2016	2015	Δ (16/15)
Turnover	862,402	820,501	5.1%
EBITDA (1)	73,198	69,385	5.5%
EBIT (2)	43,325	37,831	14.5%
Net Income with non-controlling interests	17,590	16,136	9.0%
Equity with non-controlling interests	152,448	156,316	-2.5%
Net Debt (3)	142,713	166,216	-14.1%
Net Debt / EBITDA (3)	1.9x	2.4x	-0.4x
Equity / Net Debt(3)	1.1x	0.9x	0.1x
Equity / Assets(4)	29%	30%	-1.1 pp
Number of employees	**1,409**	**1,442**	**-2.3%**

(1) Earnings before interests, other financial expenses, taxes, depreciations, impairments and amortizations.
(2) Earnings before interests, other financial expenses and taxes.
(3) Net Debt corresponds to the interest bearing financial liabilities deducted from cash and bank deposits, the investment in Angolan Treasury Bonds and the market value of the financial participations held by Ascendum in BPI and BCP.
(4) Ratio between Equity with non-controlling interests, excluding the FX negative impact on net income (not considering the correspondent tax impact), and total net Assets as of December, 31st.

In economic, financial and operational terms, the context in 2016 was still challenging and somewhat volatile:

Macroeconomic context of consolidation, although still below potential and with a risk of slowdown:

- In 2016, the global economy recorded a slowdown compared to the previous year (in 2015 the world economy grew 3.2%, while during 2016 growth was 3.1%) and fell short of the 2015 estimated growth of 3.6% for 2016;
- The emerging economies again presented higher growth rates than those of advanced economies, recording an accelerated year-on-year growth (4.0% growth in 2015 and 4.2% in 2016) but still below expectations (2015 expected growth rate for 2016 was 4.5%);
- In terms of the economies in which Ascendum operates, the dominant trend was consolidation of economic growth, albeit below expectations in some cases – in the USA, in 2016, GDP grew 1.6% compared to an estimate of 2.8%; in Mexico, in 2016, GDP grew 2.1% when the estimates suggested growth of 2.8%; whereas with regard to Turkey, in 2016, GDP increased 3.3%, above the previous estimate of 2.9%; and in the euro area, in 2016, GDP increased 1.7% when estimates indicated a growth of 1.6%;
- Appreciation of the US dollar against the euro – EUR/USD 1.089 as at December 31st, 2015 to EUR/USD 1.054 as at December 31st, 2016, contributing to a marginal increase of the assets in the North American operation (a 0.2% increase of total US dollar-denominated assets of Ascendum's North American operation in 2016 led to an increase of 4% when translated into Euros);
- Devaluation of the Turkish lira against the euro – the 17% devaluation recorded in Turkish lira in 2016 (EUR/TRY 3.177 as at December 31st, 2015 to EUR/TRY 3.707 as at December 31st, 2016), heavily penalized the operation and the Ascendum Group's profitability (overall impact of around 4.6 million euros).

Consolidation of the growth, observed in 2014 and 2015, of the construction equipment markets[1] in which the Group operates, was still below levels recorded in peak year:

- In line with the consolidation of economic growth, 2016 was marked by the stabilization of growth in most of the markets in which Ascendum operates, with the exception of the Mexican market, which decreased 4% compared to 2015;
- In 2016, Ascendum's addressable market (Portugal, Spain, USA, Turkey, Mexico and Central Europe), accounted for roughly 74% of the Group's market in 2007 (peak year), which shows there is potential for growth over the next few years.

Optimization and efficiency measures adopted by Ascendum, as well as a focus on knowledge sharing and on investment in human resources, were positively reflected in 2016, with progression recorded in terms of the Group's volumes and profitability:

- As in 2015, in Portugal, Ascendum focused its efforts on optimizing its operational structure and adapting its portfolio of products and services to meet customer needs;
- In the Spanish market, the Group conducted its business with a particular focus on improving profitability, diversifying its portfolio (replacing discontinued Volvo products, investing in the mining segment, among others), developing a new business concept for the used machine segment, bolstering the after-sales segment (product/brand portfolio, human resources structure, etc.) and adapting/restructuring existing branches (San Fernando and Barcelona);
- In the USA, Ascendum focused its efforts on investing in and reorganizing its human resources structure, by strengthening its corporate center, creating new positions (Key Account Manager and Asset Manager) to support the business areas – sales and rental – deemed key and having the potential for increased profitability, and a new department dedicated to Product Care, as well as launching several training projects, among which we highlight a program devoted exclusively to Regional Managers;
- The Group's strategy in the Turkish market included consolidation of the core business and improving the quality of customer service, by implementing processes that increased response efficiency;
- In Mexico, despite the still challenging macroeconomic context and market, the Group, as in previous years, focused on improving internal processes and on its ongoing commitment to the training of its employees, achieving break-even in 2016;
- In 2016, Ascendum's priority in Central Europe, as in 2015, was to implement a new ERP system (SAP), a challenge underlying the migration plan defined following the inclusion of the nine countries into the Group. In parallel, efforts were also made to improve the After-Sales department.

Accordingly, despite a still challenging macroeconomic and sectorial context, the efforts made by Ascendum contributed to a positive performance in 2016:

- Operational performance – in 2016, the Group achieved a turnover of 862 million euros (5.1% increase compared to 2015), EBITDA of approximately 73 million euros (5.5% growth compared to 2015) and a net income of 17.6 million euros (9.0% increase compared to 2015);
- Financial strength – as a result of the effort to consolidate operations, optimize the working capital cycle and adapt the liquidity needs of each geographic platform to the cycle and maturity of its business, Ascendum presented an improvement in the levels of financial strength, which resulted in a reduction in Net Debt/EBITDA from 2.4x to 1.9x, reinforcing the Group's financial robustness, despite investment efforts made in recent years as part of its internationalization strategy.

[1] The analysis conducted excludes unit sales of backhoe loaders and motorgraders – Discounted products by Volvo CE in 2014.

1.4. HOW ASCENDUM IS ORGANIZED

1.4.1 VISION

To be one of the world's largest suppliers of equipment and integrated solutions for construction, industry, infrastructures, cars and trucks.

WHAT DOES THIS MEAN?

"One of the world's largest suppliers"

- Ascendum operates in 14 countries: Portugal, Spain, USA, Turkey, Mexico, Austria, Hungary, Czech Republic, Slovakia, Romania, Croatia, Slovenia, Bosnia Herzegovina and Moldova.
- It represents approximately 30 brands of construction, industrial, infrastructure, transport and logistics equipment and is the world's largest distributor of Volvo Construction Equipment (Volvo CE). In Portugal, the Group also sells cars and trucks.
- Ascendum's organizational structure enables it to address the needs of customers and projects anywhere in the world, through its "Follow the Costumer" Service.

"Equipment and integrated solutions"

- Ascendum's core business is the sale of machines, equipment and parts, but it also provides technical assistance, after-sales services and solutions for the entire equipment value chain, including finance, logistics, technical training and maintenance.
- The services it provides also extend to equipment rentals as an alternative designed to meet the needs of short and medium-term projects.
- The ability and flexibility to structure solutions tailored to customers' needs and to offer "turnkey" solutions are Ascendum's unique value proposition and the key to its competitiveness.

"Construction, industry and infrastructure"

- The equipment we supply support the work of hundreds of companies in the three activity sectors, in particular mining and manufacturing, construction and public works, recycling and environment, forestry, agriculture, ports, airports, railways, logistics and transport.
- Ascendum's customers include construction companies, quarries, mines, the paper, marble, glass and wood industries, industrial waste, waste and biomass operators, domestic and international freight carriers, port terminals, town halls, armed forces and many other public and private entities.
- In each area of specialization, Ascendum establishes partnerships with benchmark equipment manufacturers to ensure quality, robustness, experience and reliability.

"Cars and trucks"

- Concerning cars and trucks, Ascendum commercializes new and used vehicles.
- Associated to the car business area, Ascendum offers a host of integrated solutions and after-sales services which enable you to combine a tailor-made solution to the strictest requirements of each of the represented brands.
- The trucks business area also provides a range of services that aims to fulfill customers' needs such as the Follow the Customer service and the Volvo Action Service (24-hour assistance).

1.4.2 VALUES

Ascendum's corporate values reflect who we are and how we operate. They reflect our culture and identity, as well as our attitude and performance. To be part of Ascendum team implies being committed to this three values:

WE ARE AMBITIOUS

WE ARE OPEN MINDED TO INNOVATION
—
WE ARE RESULTS-ORIENTED
—
WE HAVE INITIATIVE AND WE MAKE IT HAPPEN

- We face the world with ambition by foreseeing obstacles and opportunities. We like to look forward and set the bar high in everything we do, taking risks and searching for new ideas and businesses that challenge and allow us to keep growing. We ensure the results that guarantee our sustainability.

WE INSPIRE TRUST

WE WORK TOGETHER AND CELEBRATE TOGETHER
—
WE SHARE OUR KNOWLEDGE
—
WE HAVE KNOW-HOW AND TECHNICAL STRENGTH

- We develop each person's talent so that we can have solid and specialized teams that deliver with credibility. We work as a team with discipline and know-how, overcoming the adversities and expectations. We celebrate each conquest by being proud of everything we do and believe in.

WE ARE CLIENT CENTRIC

WE ARE CLOSE TO OUR CLIENTS
—
WE ARE COMMITTED
—
WE CHALLENGE AND ARE CHALLENGED BY OUR CLIENTS

- We build close and trusting relationships with our clients, challenging and adding value, because we want to go further together. We put our knowledge and experience at their service, contributing for their success.

1.4.3 ASCENDUM CHARACTERIZATION AND STRATEGY

1.4.3.1 CHARACTERIZATION

Established in 1959, Ascendum is an international benchmark in the Automotive sector, supplying Construction Equipment, Cars, Trucks and Parts, as well as providing technical assistance, complemented by equipment rental and logistics. Ascendum's business lines also include equipment for ports, airports and railways, agricultural machinery, and multi-brand parts for industrial applications. Ascendum currently has around 1,409 employees and is one of the largest distributors of Volvo Construction Equipment in the world, operating directly in markets such as Portugal, Spain, USA, Turkey, Mexico and in nine countries in Central Europe — Austria, Czech Republic, Hungary, Slovakia, Romania, Croatia, Slovenia, Bosnia and Herzegovina and Moldova.

In parallel, Ascendum has developed a "follow the customer" solution to support its customers and thereby expand its presence to the African Continent, Eastern Europe and South America. Given its presence throughout the automotive sector value chain, Ascendum has an extensive portfolio of high-quality products/brands for application in industries as diverse as construction and public works, mining, logistics, agriculture, recycling, etc.

Ascendum's excellent performance in the markets in which it operates has placed it in a prominent position among VCE dealers and it is now recognized as one of the largest and best dealers worldwide. At the same time, the Group has repeatedly achieved better performances — leading to increased recognition, turnover and market share — than Volvo CE itself as a dealer in the markets in which it is established.

1.4.3.2 PRODUCT PORTFOLIO

Ascendum operates with various brands in its different business areas (construction, industrial and infrastructure equipment, agricultural equipment, trucks and cars), with the following matrix:

PORTUGAL

Construction Equipment
- Import: VOLVO, Sennebogen, Sandvik, Ponsse, Yale, Terex, Mora
- Retail: VOLVO, Sennebogen, Sandvik, Ponsse, Yale, Terex, Mora
- Rental: VOLVO
- Aftermarket: Multi brand
- Remarketing: Multi brand

Trucks
- Retail: VOLVO, Mitsubishi

Cars
- Retail: VOLVO, Mitsubishi

Infrastructure Equipment
- Import: Air-Rail
- Retail: Air-Rail
- Rental: Air-Rail

Agriculture Equipment
- Import: Kioti
- Retail: Kioti

SPAIN

Construction Equipment
- Import: VOLVO, Terex Fuchs, Sandvik, Lannen, A-Ward, Genesis, Terex Trucks, Terex Construction, Genie
- Retail: VOLVO, Terex Fuchs, Sandvik, Lannen, A-Ward, Genesis, Terex Trucks, Terex Construction, Genie
- Rental: VOLVO, Terex Fuchs, Sandvik, Lannen, A-Ward, Genesis, Terex Trucks, Terex Construction, Genie
- Aftermarket: VOLVO, Terex Fuchs, Sandvik, Lannen, A-Ward, Genesis, Terex Trucks, Terex Construction, Genie
- Remarketing: Multi brand

Infrastructure Equipment
- Import: Air-Rail, Zephir
- Retail: Air-Rail, Zephir
- Rental: Air-Rail, Zephir
- Aftermarket: Air-Rail, Zephir

USA

Construction Equipment
- Retail: VOLVO, Sennebogen, Doosan, Sandvik, Carlson Paving, Stewart Amos, Volvo Penta
- Rental: VOLVO, Sennebogen, Doosan, Sandvik, Carlson Paving, Stewart Amos, Volvo Penta
- Aftermarket: VOLVO, Sennebogen, Doosan, Sandvik, Carlson Paving, Stewart Amos, Volvo Penta
- Remarketing: VOLVO, Sennebogen, Doosan, Sandvik, Carlson Paving, Stewart Amos, Volvo Penta

TURKEY

Construction Equipment
- Import: VOLVO, Sandvik, Terex, SDLG, Terex Trucks, Sany
- Retail: VOLVO, Sandvik, Terex, SDLG, Terex Trucks, Sany
- Rental: VOLVO, Sandvik, Terex, SDLG, Terex Trucks
- Aftermarket: VOLVO, Sandvik, Terex, SDLG, Terex Trucks, Sany
- Remarketing: VOLVO, Terex, SDLG, Terex Trucks

Agriculture Equipment
- Import: AGCO
- Aftermarket: AGCO
- Remarketing: AGCO

MEXICO

Construction Equipment
- Import: VOLVO, Sandvik, Sennebogen, SDLG
- Retail: VOLVO, Sandvik, Sennebogen, SDLG
- Rental: VOLVO, Sennebogen, SDLG
- Aftermarket: VOLVO, Sandvik, Sennebogen
- Remarketing: VOLVO, SDLG

CENTRAL EUROPE

Construction Equipment
- Import: VOLVO, Sennebogen, Atlas Copco, Rammer, Venieri, Sandvik
- Retail: VOLVO, Sennebogen, Atlas Copco, Rammer, Venieri
- Rental: VOLVO
- Aftermarket: VOLVO, Sennebogen, Atlas Copco, Rammer, Venieri, Sandvik
- Remarketing: VOLVO, Sennebogen

Ascendum operates in the following countries of Central Europe: Austria, Czech Republic, Romania, Hungary, Croatia, Slovakia, Slovenia, Bosnia and Herzegovina and Moldova

1.4.3.3 STRATEGY

Ascendum's strategy is based on two key pillars of growth — firstly, to consolidate and expand the construction and industrial equipment, trucks and cars business segment in order to maintain its leadership in the markets in which it operates; secondly, to diversify its activity by participating in new business lines and creating a more extensive product portfolio:

1. CONSOLIDATION AND EXPANSION OF BUSINESS (CIE, CARS AND TRUCKS)

- Optimize current business;
- Launch business in other geographical platforms / emerging markets;
- Expand the core product portfolio to other brands.

2. DIVERSIFICATION OF THE BUSINESS BY PARTICIPATING IN NEW BUSINESS/A BROADER PRODUCT PORTFOLIO

- Expand the product portfolio through the inclusion of infra-structure and agriculture equipments;
- Strengthen the presence in the logistics equipment segment;
- Boost the after sales multi-brand business;
- Expand the service to include "turnkey" customers.

During these past seven years (2010-2016), important steps have been taken to achieve these objectives, namely:

2010

1. Acquisition of the Volvo CE import and distribution operations in Turkey;
2. Acquisition of two new financial investments in Spanish companies — Air-Rail and Zephir — operating in the airports, ports and railways equipment sector.

2011

1. Reorganization of the Group in two aspects:
   - i. Reorganization of equity holdings, and
   - ii. Adoption of a new governance model;
2. Establishing the role of the Ascendum Corporate Center;
3. Launch of the ports, railways and airports infrastructure equipment operation in Portugal and Turkey.

2012

1. Consolidation of the reorganization process started in 2011;
2. Start of the Volvo Construction Equipment industrial machinery and equipment distribution operation in Mexico.

2013

1. Acquisition of the Volvo Construction Equipment operation in Central Europe;
2. Acquisition of the Volvo Construction Equipment and industrial machinery and equipment distribution operation from the independent dealer in North Dakota;
3. Development of a partnership in the Turkish agricultural sector.

2014

1. Operational optimization in Mexico: improvement of internal processes, focus on training, improved facilities to enhance comfort, brand image and confidence;
2. Reorganization of the operation in Central Europe: adoption of a new governance model and Group efficiency metrics;
3. Expansion of product portfolio:
   - i. Start of generators operation in Portugal, through Ascendum Energy;
   - ii. Representation of new core product brands: SDLG, among others.

2015

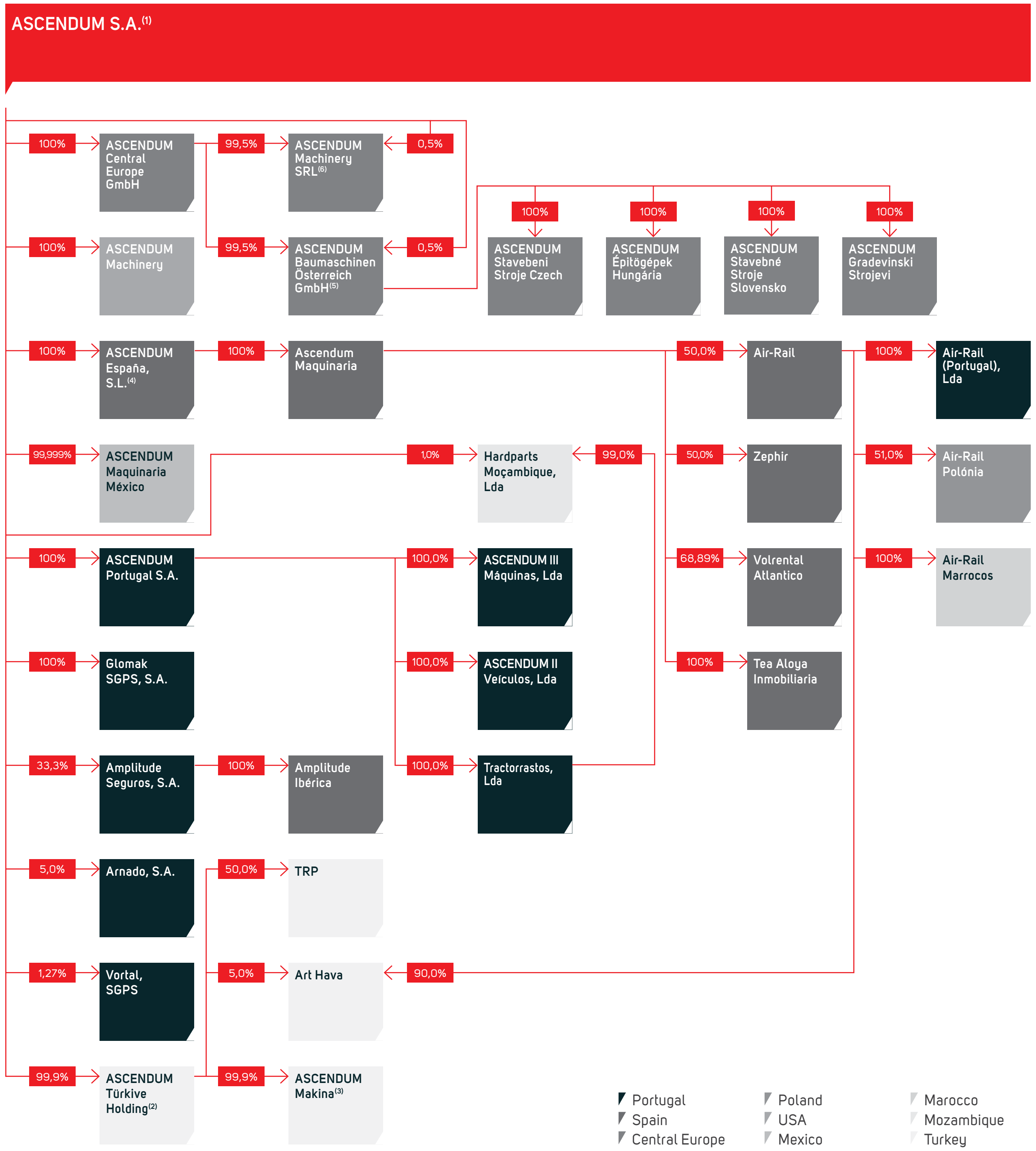
1. Business optimization: focus on improving internal processes to ensure more cohesive support for decision taking;
2. Reinforcement of internal communication: launch of My Ascendum, the Group's intranet platform, aiming at maximizing communication and efficiency between Ascendum's different geographic platforms and promoting Group culture;
3. Development of human resources: investment in training, with emphasis on the launch of the e-learning platform, an integral part of the Ascendum Academy;
4. Expansion of the product portfolio: representation of new core product brands: Terex Fuchs, Genesis, Rammer, among others.

2016

1. Business optimization: focus on improving internal processes to ensure more cohesive support for decision taking;
2. Reinforcement of the investment in the Ascendum brand at a global level;
3. Kick-off of the development of the Group's digital engagement strategy;
4. Business diversification:
   - i. Start of the import of Kioto agricultural equipment to Portugal (direct sales to dealers only),
   - ii. Generac solutions for lighting systems, generators, transfer and aspiration pumps in Spain,
   - iii. Stewart-Amos mechanical sweepers in the United States, among others;
5. Expanding the product portfolio: representation of new core product brands such as Volvo Penta (United States), SDLG (Mexico), Terex (Portugal, Spain and Turkey) and Terex Trucks (Turkey and Spain), Genie (Spain), among others.

1.4.4 ASCENDUM ORGANIZATION

1.4.4.1 ASCENDUM ORGANIZATIONAL CHART



(1) Ascendum, S.A. holds a minor participation in BCP Bank;
(2) Company with 4 shareholders: Ascendum, S.A., Ascendum Portugal, Tractorrastos and Ascendum III – Máquinas;
(3) Company with 5 shareholders: Ascendum Türkiye Holding, Ascendum, S.A., Ascendum Portugal, Tractorrastos and Ascendum III – Máquinas;
(4) Ascendum España, S.L. held, as of December 31st, a participation of 0.8% in Banco Português de Investimento (BPI). In 2017, total shares were sold, within CaixaBank takeover of BPI;
(5) Develops operations in Bosnia-Herzegovina and Slovenia through the sub dealer Balavto;
(6) Develops operations in Moldavia.

1.4.4.2 BUSINESS ORGANIZATIONAL CHART

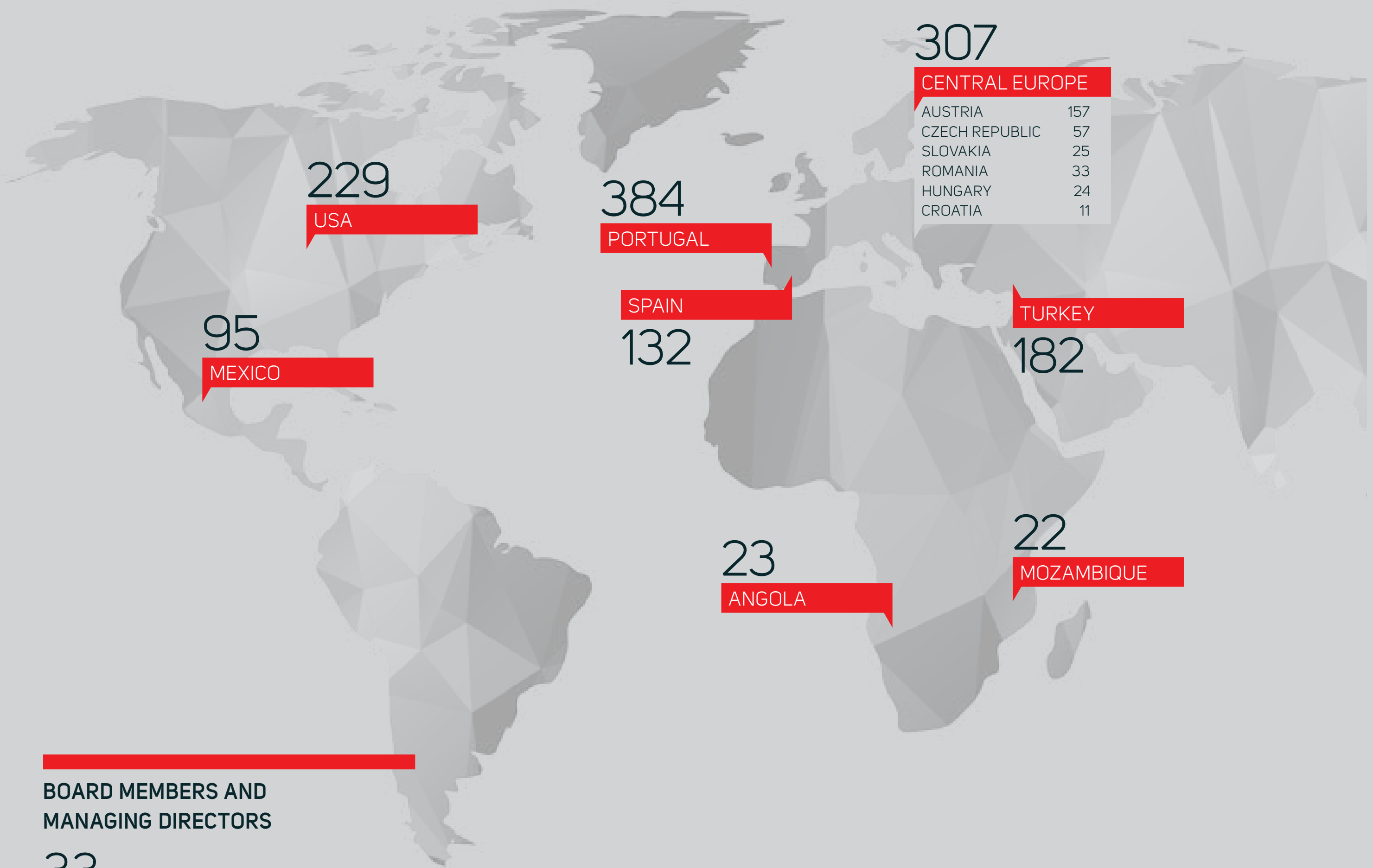
In parallel, from an organizational perspective, the Group has developed a management model based on a geographic platform concept, which aims at maximizing synergies between the various businesses:

PORTUGAL	SPAIN	USA	TURKEY	MEXICO	CENTRAL EUROPE
CONSTRUCTION AND INDUSTRIAL EQUIPMENT Ascendum Máquinas	**CONSTRUCTION AND INDUSTRIAL EQUIPMENT** Ascendum Maquinaria	**CONSTRUCTION AND INDUSTRIAL EQUIPMENT** Ascendum Machinery	**CONSTRUCTION AND INDUSTRIAL EQUIPMENT** Ascendum Makina	**CONSTRUCTION AND INDUSTRIAL EQUIPMENT** Ascendum Maquinaria México	**CONSTRUCTION AND INDUSTRIAL EQUIPMENT** Ascendum Baumaschinen, Ascendum Machinery, Ascendum Stavebeni stroje, Ascendum Építőgépek, Ascendum Stavebné Stroje, Ascendum Gradevinski
RENT Ascendum Máquinas	**RENT** Ascendum Maquinaria	**RENT** Ascendum Machinery	**AGRICULTURE EQUIPMENT** Ascendum Makina		
AFTERMARKET Tractorrastos	**INFRASTRUCTURE EQUIPMENT** Air-Rail 50%		**AFTERMARKET** TRP		**RENT** Ascendum Baumaschinen, Ascendum Stavebeni stroje
VEHICLES (trucks and cars) Ascendum Veículos			**INFRASTRUCTURE EQUIPMENT** Art Hava 50%		
INFRASTRUCTURE EQUIPMENT Air-Rail 50%					
AGRICULTURE EQUIPMENT Ascendum Máquinas					

1.4.5 HUMAN RESOURCES

In 2016 HR Corporate consolidated the implementation of corporate HR policies, enabling a better alignment of the overall Ascendum structure.

The following table shows the distribution of employees by geographic region as at December 31st, 2016, totaling 1,409 (1,442 in 2015):



BOARD MEMBERS AND MANAGING DIRECTORS

33

TOTAL

1,409

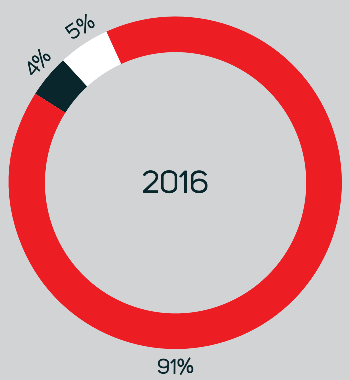
As with its proportional importance in financial terms, the construction equipment business area maintained its predominance in Ascendum's operations, representing 91% of Group employees.

In terms of gender, Ascendum's human resources are essentially composed of male employees (84%), and, with regard to qualifications, 39% completed basic or secondary education, 35% completed complementary or technical education and 26% have, at least, an undergraduate degree.

With respect to the distribution of employees by function, the After-Sales area is the most significant, with 62% of employees. It is followed by the Sales and Marketing Department with 18%, Accounting and Finance with 10% and Human Resources with 1%.

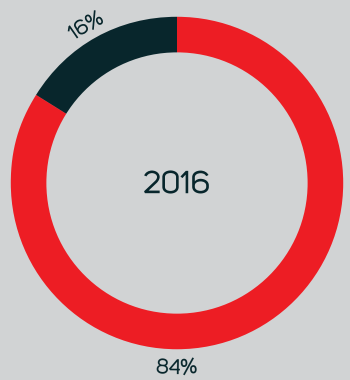
In terms of distribution by management line, the Group has 33 Board Members and Managing Directors, 50 Directors and 150 Managers, with the remaining employees distributed among the 4th and 5th lines.

TOTAL EMPLOYEES PER BUSINESS AREA (%)



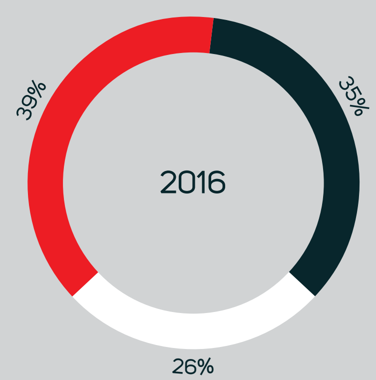
- Construction and Infrastructure Equipment
- Cars
- Trucks

TOTAL EMPLOYEES BY GENDER (%)



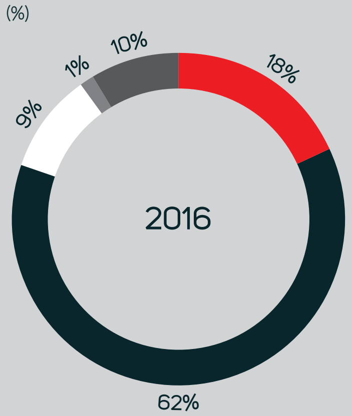
- Male
- Female

TOTAL EMPLOYEES BY LEVEL OF EDUCATION (%)



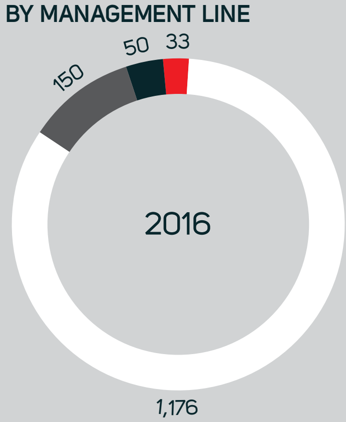
- Basic or Secondary Education
- Complementary or Technical Education
- Higher Education

TOTAL EMPLOYEES BY FUNCTION (%)



- Sales and Marketing
- After-Sales
- Accounting and Finance
- Human Resources
- Other

DISTRIBUTION OF EMPLOYEES BY MANAGEMENT LINE



- Board Members and Managing Directors
- Directors
- Managers
- Other Employees

Considering the continuous commitment to training, the plan implemented in 2016 in each of the geographic platforms was more than 34,000 hours of training, with an average of 25 hours/year per employee. This is mainly due to the qualifications required of Ascendum employees concerning to the services provided to the end customers, which demand specific and in-depth knowledge of the features and operation of products.

In 2016, Ascendum Academy, the Group's global training center, aimed to develop knowledge management across the Group, cutting across the different areas with the following objectives:

- To improve and foster internal knowledge management;
- To promote the development of business-critical skills;
- To develop the necessary leadership skills for senior positions;
- To promote innovation and the sharing of Best Practices;
- To improve the integration and engagement of new employees with the Group's values.

One of the Ascendum Academy initiatives that took place during 2016 in all geographic platforms, was a coaching in individual skills development program for the second lines of the Group with the support of the consulting firm Korn Ferry/ Hay Group.

Ascendum also maintained its partnership with Católica-Lisbon School of Business & Economics, holding the third module of the 1st edition of a three-part course tailored to the realities and needs of Ascendum's management – General Management Program – bringing directors from all of the Group's geographic platforms together in Lisbon. In 2016, the second edition of this management program was also held, continuing this training of excellence.

During this year our intranet – My Ascendum consolidated its success due to its relevant and updated contents and resources. Furthermore, Yammer revealed its potential as a powerful tool of internal communication, with an increasing number of members that stated their feeling of belonging to the Ascendum team. This has been acknowledged in the Climate Survey, where 80% of the employees said they felt proud to work for Ascendum Group.

1.4.6 MAIN CONSOLIDATED INDICATORS

KEY PERFORMANCE INDICATORS Figures expressed in thousands of Euros	2016	2015	Δ (16/15)
Turnover	862,402	820,501	5.1%
EBITDA (1)	73,198	69,385	5.5%
EBIT (2)	43,325	37,831	14.5%
Net Income with non-controlling interests	17,590	16,136	9.0%
Net Income margin	2.0%	2.0%	0.1 pp
Total Assets	542,592	525,374	3.3%
Net Debt (3)	142,713	166,216	-14.1%
Equity with non-controlling interests	152,448	156,316	-2.5%
Invested Capital (4)	295,161	322,531	-8.5%
Return on Equity (5)	12%	10%	1.2 pp
Equity / Assets (6)	29%	30%	-1.1 pp
Return on Capital (7)	15%	12%	2.9 pp
Number of employees	1,409	1,442	-2.3%

(1) Earnings before interests, other financial expenses, taxes, depreciations, impairments and amortizations
(2) Earnings before interests, other financial expenses and taxes
(3) Net Debt corresponds to the interest bearing financial liabilities deducted from cash and bank deposits, the investment in Angolan Treasury Bonds and the market value of the financial participations held by Ascendum in BPI and BCP
(4) Equity with non-controlling interests and net debt
(5) Ratio between net income with non-controlling interests and equity with non-controlling interests
(6) Ratio between Equity with non-controlling interests, excluding the FX negative impact on net income (not considering the correspondent tax impact), and total net Assets as of December, 31st.
(7) Ratio between EBIT and invested capital as of December, 31st

In terms of performance, the improvement of the economic climate and the recovery of the markets[2] in which the Group operates (with the exception of the Mexican market), contributed to a positive performance that resulted in a turnover of 862 million euros (5.1% growth compared to 2015), an EBITDA of 73 million euros (5.5% increase compared to 2015) and a net income of 18 million euros (9.0% increase compared to 2015). The exclusion of the negative impact of exchange rate differences, resulting essentially from the devaluation of the Turkish lira, would result in an increase of the Group's net income (without the corresponding fiscal impact) of 24.5% compared to 2015 (in a like-for-like perspective, which implies excluding the exchange rate effect from the net income of 2015), which would be of around 24 million euros.

Additionally, in 2016, Ascendum presented an improvement in financial soundness levels, namely with regard to a reduction of the Net Debt to EBITDA ratio from 2.4x to 1.9x.

Ascendum's positive performance throughout 2016 is the result of not only all the efforts made in the past few years related to structure optimization and consequent improvement of efficiency levels, but also of the consolidation of its position in the markets in which it operates, particularly in the more recent Central European markets. As a result of the success of its growth strategy, as well as its sharing of best practices in all the countries in which it operates, the Group has achieved a remarkable track record of trust and value creation which is reflected, year after year, in positive economic and financial performance.

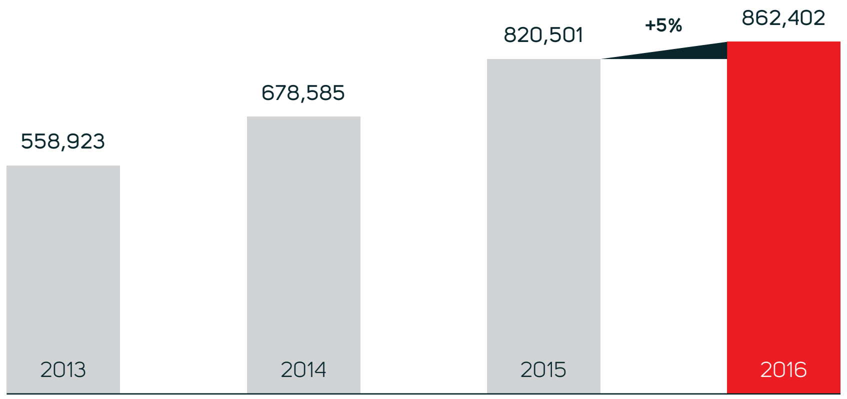
[2] The analysis conducted excludes unit sales of backhoe loaders and motorgraders – Discontinued products by Volvo CE in 2014.

Turnover

In 2016, Ascendum's turnover increased 5% compared to 2015, to approximately 862 million euros, mainly as a result of the contribution of revenue from the operations in the USA, Mexico, Portugal and Turkey.

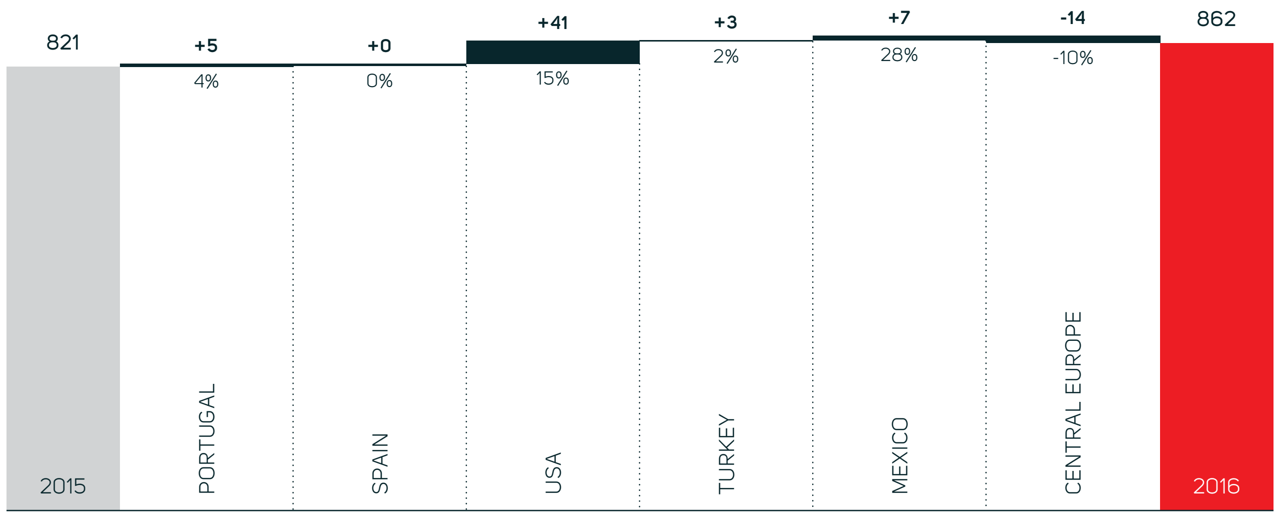
TURNOVER EVOLUTION

Thousand Euros



CONTRIBUTION FOR THE TURNOVER GROWTH

Million euros / % growth when compared to 2015

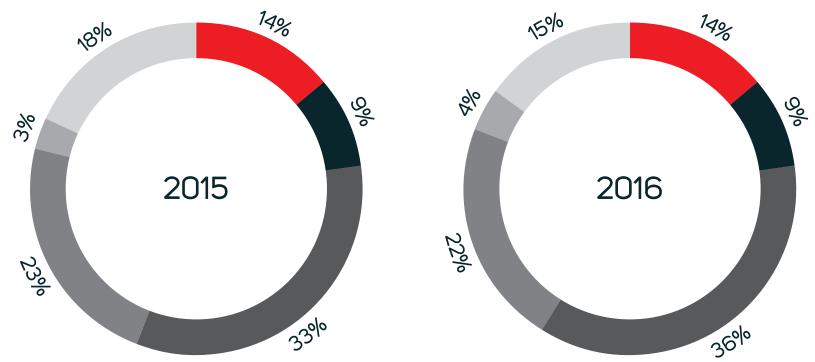


The relative importance of foreign markets (Spain, USA, Turkey, Mexico and Central Europe) on the Group's consolidated turnover stood at 86% in 2016, remaining equivalent to the importance of foreign markets in 2015.

TURNOVER (%)

821 million euros

862 million euros



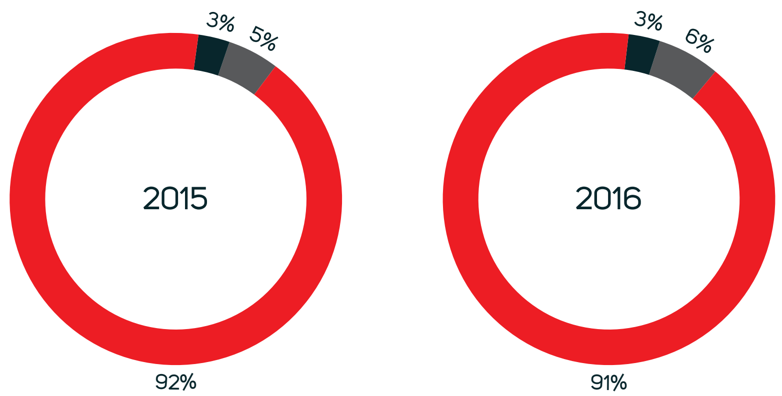
Portugal
Spain
USA
Turkey
Mexico
Central Europe

In terms of business areas, the construction and industrial equipment segment slightly decreased its importance compared to 2015 (despite a 5% absolute increase compared to the previous year), representing, at the end of 2016, 91% of the Group's turnover, while the vehicles business area increased its relative importance to 6% compared to 2015 (a 23% absolute increase compared to the previous year). The infrastructure equipment segment maintained its importance in the Group's turnover, standing at 3% (10% decrease in absolute terms compared to the previous year).

TURNOVER (%)

821 million euros

862 million euros



Construction and Industrial Equipment
Infrastructure Equipment
Vehicles

EBITDA

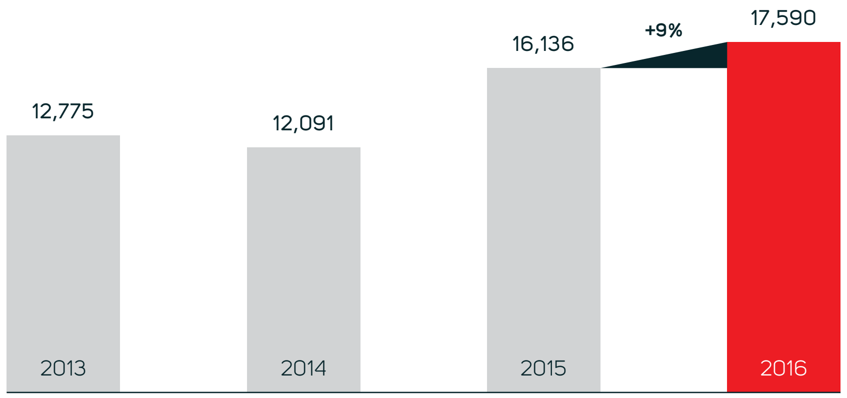
In 2016, Ascendum's EBITDA totaled 73.2 million euros, equivalent to 8.5% of the Group's consolidated turnover, representing a 5.5% increase compared to 2015. Despite the negative impact of operational exchange rate differences of around 1.0 million euros (recurring EBITDA, i.e. excluding the negative impact of operational exchange rate differences, would be 74.2 million euros, equivalent to an EBITDA margin of 8.6%), the efforts made by the Group in order to increase operational efficiency in most geographic platforms, by improving processes, adjusting operational structures to market realities and investing in human resources, resulted in an improvement in the Group's performance.

Net Income

In 2016, the Group's net income totaled 17.6 million euros (increase of almost 9.0% compared to 2015), equivalent to 2% of the consolidated turnover, having the Group's focus on optimizing the management of available financial resources contributed greatly to this result, thus reducing the general cost of debt, coupled with an increase in the operational efficiency of the various geographic platforms. Excluding the negative impact of exchange rate differences (operational and financial) of approximately 6.7 million euros (compared to -3.4 million recorded in 2015), the Group's net income (without the corresponding tax impact) would be 24.3 million euros (24.5% increase compared to the net income of 2015, excluding exchange rate differences).

NET INCOME EVOLUTION

Thousand euros

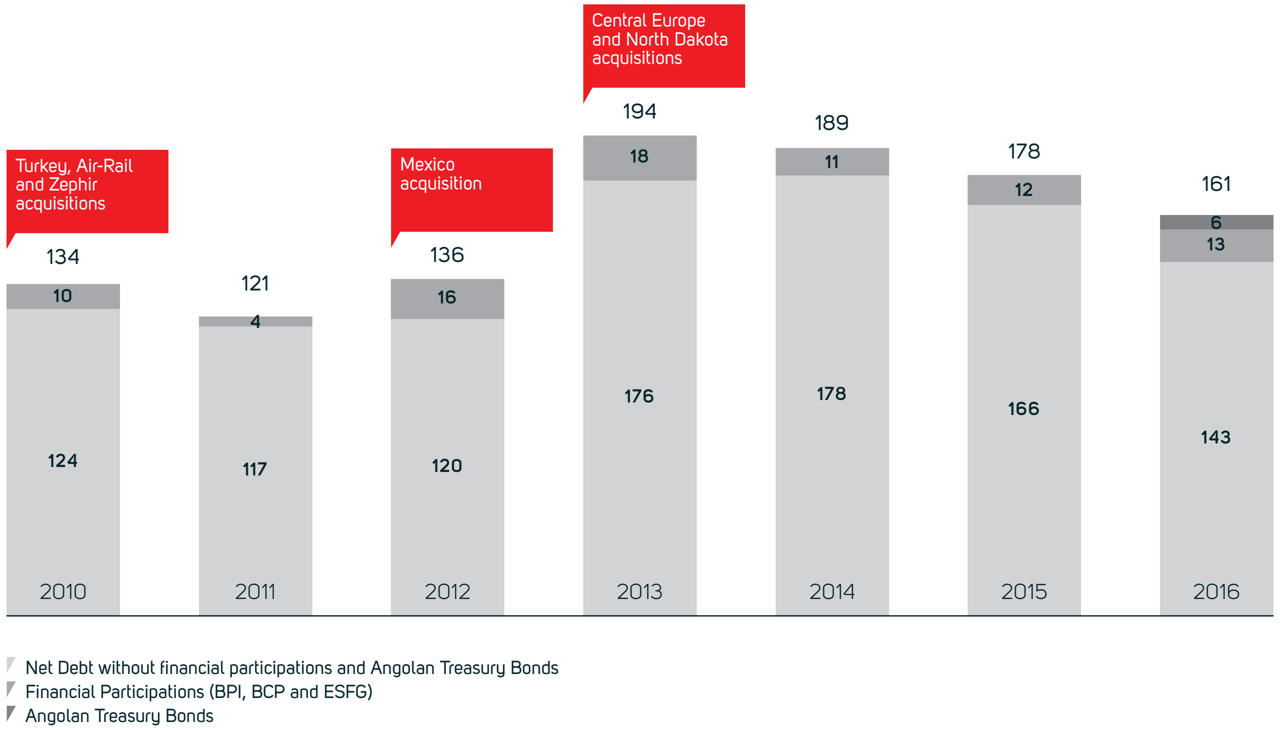


Consolidated Net Debt

As at December 31st, 2016, consolidated Net Debt totaled 143 million euros compared to 166 million euros in 2015.

NET DEBT EVOLUTION

Million euros



In turn, consolidated Gross Debt totaled 174 million euros, of which 47.3% represents medium and long-term debt (equivalent to 83 million euros) and 52.7% short-term debt (equivalent to 92 million euros).

At year end, the Net Debt/EBITDA ratio (including the value of the investment in Angolan Treasury Bonds and the shares Ascendum holds in BPI and BCP) was 1.9x, while Net Debt / Equity ratio (including the value of the investment in Angolan Treasury Bonds and the shares Ascendum holds in BPI and BCP) stood at around 1.1x.

In 2016, the Group's efforts to optimize financial debt management, balancing the liquidity needs of each geographic platform with the cycle and maturity of its business, as well as focusing, as in 2015, on the consolidation of its position in the markets in which it operates and the optimization of the working capital cycle, enabled it to generate cash flow and, consequently, reduce gross debt in around 19 million euros, due mainly to the contribution of the cash flow generated by the United States, Central Europe, Mexico and Turkey.

Net Assets and Equity

In 2016, Ascendum's net assets totaled 543 million euros, representing a reduction in asset turnover ratio from 64% in 2015 to 63% in 2016, as a result of all the efforts made in recent years to improve efficiency levels.

In absolute terms, the increase of approximately 17 million euros compared to 2015 was verified mainly in the following items:

- **Inventories (+14 million) –** all geographic platforms (except Portugal) recorded an increase with regard to inventory levels as a result of increased activity, which, due to efforts made by the Group in order to optimize the working capital cycle, led to an increase in the working capital turnover ratio from 4.7x in 2015 to 5,9x in 2016.

- **Trade Receivables (+3 million euros) –** with regard to trade receivables, the decreases recorded in Spain, Portugal and Central Europe (2 million euros) were offset by the increase in Turkey, Mexico and the USA (6 million euros). It is important, however, to highlight the improvement in the average days of sales outstanding ratio which was reduced by 1 day overall in the Ascendum Group.

In turn, equity (with non-controlling interest) totaled 152 million euros in 2016, representing a decrease of 2.5% compared to 2015, equivalent to 3.9 million euros, due mainly to the negative exchange effect resulting from the conversion of the financial statements of the companies with functional currencies other than the euro (1.4 million euros) and the negative impact of the financial participations in the Group's Equity (2.6 million euros compared to the previous year).

WORKING CLOSELY
WITH YOU ACROSS
14 COUNTRIES AND
3 CONTINENTS.

**STRONGER
BY YOUR
SIDE.**

ECONOMIC AND FINANCIAL INFORMATION

02.

ASCENDUM

2.1. MACROECONOMIC CONTEXT

2.1.1 GLOBAL ECONOMY

2016 again recorded solid economic growth, consolidating the trajectory initiated in previous years. The recovery of the prices of raw materials – particularly oil – began a general trend of gains in financial markets briefly interrupted between June and July by the results of the Brexit referendum. The second half of the year saw significant gains in stock markets following Donald Trump's victory in the U.S. presidential elections, especially in the financial, industrial, materials and health care sectors. In 2016, the global economy once again showed a slightly slower growth rate than in 2015, with the real growth rate of the Gross Domestic Product (GDP) estimated at around 3.1% compared to 3.2% in 2015. The emerging economies again recorded a higher growth rate than that of advanced economies and an acceleration compared to the growth rate of the preceding year (an increase of 0.2 p.p. from 4.0% to 4.2% in 2016). The positive effect of the increase in commodity prices is also reflected in long-term growth expectations, with an average expected rate of 4.7% between 2016 and 2020 and continuing above the growth rates projected for advanced economies (1.7% on average between 2016 and 2020). 2016 also saw a slowdown in the growth of the euro area economies, which recorded a growth of 1.7% (compared to 2.0% in 2015). The predictable increases in the U.S. Federal Reserve's base rate and the increasing inflation rate, driven by the recovery of the prices of raw materials, should be levers for a reduction of the high degree of expansionism of the monetary policies of the Central Banks of advanced economies. The continued geopolitical tensions in the Middle East and the Pacific with regard to territorial disputes in the Pacific Ocean between China and several South-east Asian countries will continue to be factors that could potentially limit global economic growth in the medium-term.

MACROECONOMIC INDICATORS	WORLD	CHINA	JAPAN	EURO ZONE	PORTUGAL	SPAIN	USA	TURKEY	MEXICO	AUSTRIA	CZECH REP.	HUNGARY	ROMANIA
Total population													
2016E (millions of people)	7,318	1,379	127	339	10	46	324	79	122	9	11	10	20
CAGR (16E-20E)	n.a	0.4%	-0.4%	n.a	0.1%	-0.1%	0.7%	1.0%	1.0%	0.7%	0.2%	-0.2%	-0.2%
Gross Domestic Product													
2016E – nominal (B USD)	75,213	11,392	4,730	11,991	206	1,252	18,562	736	1,064	387	194	117	187
Real growth rate (15-16E)	3.1%	6.6%	0.5%	1.7%	1.0%	3.1%	1.6%	3.3%	2.1%	1.4%	2.5%	2.0%	5.0%
CAGR (11-16E)	3.3%	7.3%	0.8%	0.7%	-0.4%	0.6%	2.1%	3.3%	2.4%	0.7%	1.7%	1.7%	3.2%
CAGR (16E-20E)	3.6%	6.0%	0.5%	1.5%	1.1%	1.9%	2.0%	3.2%	2.7%	1.2%	2.4%	2.3%	3.4%
Other Indicators (2016E)													
Inflation	2.9%	2.1%	-0.2%	0.3%	0.7%	-0.3%	1.2%	8.4%	2.8%	0.9%	0.6%	0.4%	-1.5%
GFCF – real growth rate (15-16E)	n.a	n.a	0.7%	3.3%	-1.4%	4.2%	1.0%	-1.1%	1.3%	3.1%	-2.8%	-8.2%	6.3%
Unemployment rate	n.a	4.1%	3.2%	10.0%	11.2%	19.4%	4.9%	10.2%	4.1%	6.2%	4.1%	6.0%	6.4%
Gross Public Debt (% of GDP)	n.a	46.3%	250.4%	91.7%	128.4%	100.1%	108.2%	31.7%	56.0%	84.9%	39.8%	75.3%	39.7%
CIT (or equivalent)	24%	25%	31%	n.a	21%	25%	40%	20%	30%	25%	19%	19%	16%
VAT (or equivalent)	16%	17%	8%	n.a	23%	21%	n.a	18%	16%	20%	21%	27%	20%
Central Bank Ref. Rate 31-Dec	n.a	4.35%	0.10%	0.00%	0.00%	0.00%	0.75%	8.00%	5.75%	0.00%	0.05%	0.90%	1.75%

Sources: World Bank. IMF (Economic Outlook – October 2016). AMECO. KPMG and Central Banks (respective reference interest rates).

With regard to the macroeconomic scenario in the euro area, 2016 recorded a slowdown in economic growth which began in previous years. Consumption in the public and private sectors drove growth, aided by increased purchasing power resulting from a more dynamic labor market and by the easing of restrictions imposed by budgetary policies. The good performance of the investment, measured by gross fixed capital formation which grew for the third consecutive year since 2006, is a good sign for the sustainability of the growth trajectory of the euro area economy in the years to come. The positive effect of increased investment, resulting in job creation and increased productivity, should be felt throughout 2017, adding robustness to the recovery of the labor market. The job creation recorded in 2016 should continue in 2017, bringing the unemployment rate to its lowest level since 2009. The consolidation of economic growth, combined with greater momentum in the labor market and the recovery of energy prices in international markets, will most likely be reflected in an increasingly higher inflation rate leading to additional pressure on the European Central Bank to standardize its monetary policy more quickly. With regard to international trade, the decline both in exports and imports in 2016, compared to the growth rates of 2015, is explained, on the one hand, by the appreciation of the euro against most of the currencies of its trading partners (making exports less competitive) and, on the other, the recovery of energy prices which puts inflationary pressure on imports. The contribution of net external demand on GDP growth in the euro area in 2017 should be limited and possibly negative, given the expectation of an increase in imports in relation to the exports of the single currency bloc.

In accordance with the outlook for economic growth, domestic demand should continue to be underpinned by the high expectations of consumers and by expansionary monetary and fiscal policies (despite the foreseeable start in the reduction of stimulus by the respective Central Banks), as well as the still low impact the increase of energy prices is having on inflation. Economic growth in the euro area should continue its positive trend of recent years despite the single currency bloc still being exposed to various risks, including (i) political instability in several countries, with presidential elections in France, federal elections in Germany and general elections in the Netherlands, and uncertainty on the final terms of Brexit; (ii) the still high levels of unemployment in peripheral countries; (iii) balance sheet adjustments needed in the private sector, particularly the banking system and (iv) further reduction in the gross public debt of various countries in the euro area.

As for the United States, economic activity should have slowed in 2016 compared to the growth recorded in 2015. According to the International Monetary Fund (World Economic Outlook, October 2016), the lower rate of expansion (1.6%, 1 percentage point below GDP growth rate in 2015) is primarily due to a slowdown in private and public consumption. The higher savings rate in the private sector during 2016, consistent with that observed in years in which presidential elections were held, mitigated the positive impact on private consumption, which resulted of a greater momentum in the labor market (level of employment generated and wage increases). Also, the slowdown in investment, measured by gross fixed capital formation, and particularly in the construction industry, was an indicator of the uncertainty experienced before the presidential elections in November, which saw Donald Trump elected. Looking ahead, the political stability achieved with the Republican Party maintaining control of Congress (House of Representatives and Senate) and the victory in presidential elections, may result in a cycle of investment, both public and private, that could sustain the economic growth of the past few years. Wages should increase as a result of a strong labor market, given that the economy continues to show near full employment levels, and consequently a consolidation of purchasing power. The appreciation of the dollar against major currencies, based on the expectations of strong economic growth and on an increasingly less expansionary policy, will be a factor in supporting an increase in imports and which limits the contribution of net external demand to economic expansion in 2017.

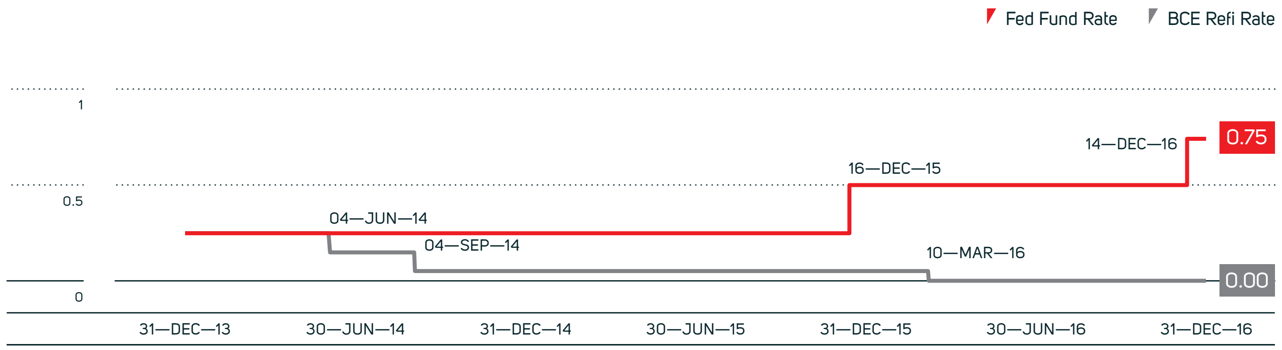
On the other hand, 2017 will also feel the effects of exchange rate pressure on the currencies of emerging countries and the consequent high levels of capital outflows (investors seek higher rates of return and with less associated risk in the countries of origin).

In advanced economies, the Central Banks are starting to normalize monetary policies, albeit in different degrees. The European Central Bank (ECB) has reduced its interest rate for the main refinancing operations to 0.0% (from the previous 0.05%) but did not commit to continue the program for the acquisition of financial assets after 2017. The end of Quantitative Easing will signal the start of the normalization of monetary policy by the ECB, which will have to accompany the evolution of the policy of other Central Banks under penalty of causing exchange rate imbalances and leading to capital flows to currencies with more attractive interest rates. Additionally, and with the increase of the inflation rate due to economic recovery in the euro area and with energy prices on the rise, the Governing Council of the ECB should continue to reassess its monetary policy so that the inflation rate reaches below, but close to, 2%.

The U.S. Federal Reserve, in turn, took another step toward the normalization of its monetary policy. After the increase in December 2015, the Federal Reserve increased its base rate by a further 25 basis points to 0.75% in December 2016. Moreover, and in the context of an increasingly stronger labor market – with the lowest unemployment rate in almost a decade and with inflationary pressure due to the increases on wages – the Federal Open Market Committee (FOMC) expects further increases in the base rate in 2017. The Bank of England in turn, and following the statements made by its governor after the Brexit referendum, left both the interest rate and the stimulus program for the economy unchanged to counteract the negative effects that a possible capital outflow could have on investment made in the British economy.

EVOLUTION OF ECB AND US FEDERAL RESERVE REFERENCE INTEREST RATES

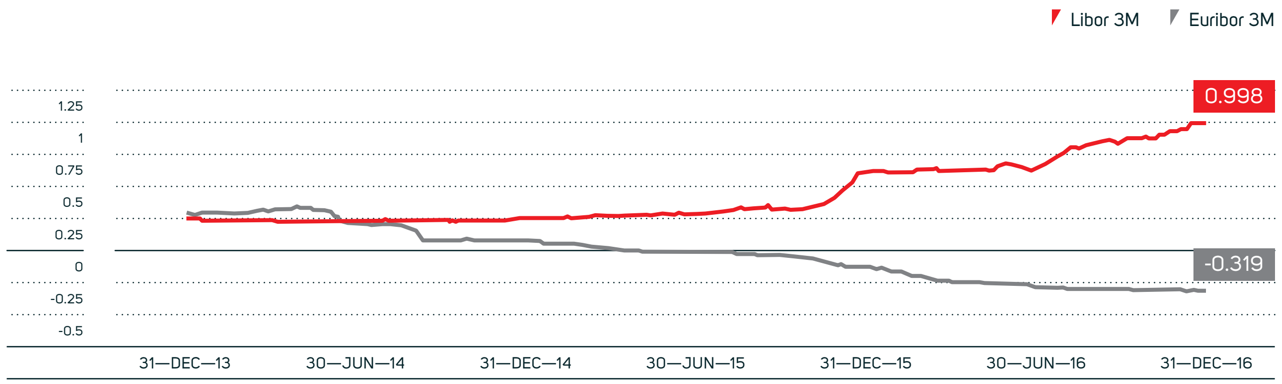
(%)



Source: Bloomberg

EVOLUTION OF EURIBOR 3M AND LIBOR 3M INTEREST RATES

(%)



Source: Bloomberg

EURIBOR 3M	2014	2015	2016
Maximum	0.347	0.076	-0.131
Average	0.209	-0.020	-0.264
Minimum	0.078	-0.133	-0.319
Close	0.078	-0.131	-0.319

LIBOR 3M	2014	2015	2016
Maximum	0.257	0.613	0.998
Average	0.234	0.316	0.744
Minimum	0.223	0.251	0.612
Close	0.256	0.613	0.998

With regard to the evolution of the foreign exchange market in 2016, the overall trend was the appreciation of the euro against the currencies of emerging markets, as can be seen in the markets in which Ascendum operates:

EXCHANGE RATES (YEAR-END)	2015	2016	Δ (16/15)
EUR/USD	1.089	1.054	-3.2%
EUR/TRL	3.177	3.707	16.7%
EUR/MXN	18.915	21.772	15.1%
EUR/CZK	27.023	27.021	0.0%
EUR/HUF	315.980	309.830	-1.9%
EUR/RON	4.524	4.539	0.3%

2.1.2 PORTUGAL

In 2016, the Portuguese economy once again had a positive growth rate, albeit observing a slowdown compared to the previous year. According to IMF estimates, GDP rose by 1.0% (0.5 percentage point below the rate recorded in 2015). The increase in private and public consumption contributed to economic growth, with the public consumption increasing for the second consecutive year (for the first time since 2009), although the growth of these two items recorded a decline compared to the previous year. On the other hand, the decrease in GDP growth rate is also explained by the reduction of investment, with gross fixed capital formation reduced by 1.4% (negative variation of 5.9 p.p. compared to the 4.5% growth rate in 2015), severely affected by a 5.2% reduction in investment in the construction sector (negative variation of 9.3 p.p. compared to the growth in 2015). As for international trade, the narrowing of the gap between imports and exports resulted primarily from a greater decline in imports (3.0% growth in 2016, -4.8 p.p. compared to the growth rate of 2015) compared to that seen in exports (2.9% growth in 2016, -3.4 p.p. than the previous year's rate).

Outlook for 2017 is favorable, with the expectation that the resumption of the investment, albeit limited, can sustain the economic growth that began in 2014. Purchasing power is expected to increase thanks to a halt in wage cuts in the public sector and the ease of the tax burden on wages, started in 2016 and supported by improvements in the labor market, which could also have positive effects on private consumption, albeit limited by the expected increase in the import of goods and services. The excessive exposure of the financial sector to bad debt and to sectors with reduced productive investment potential will once again lead to constraints in access to credit by companies in tradable sectors or those with greater growth potential. The maintenance of the investment, measured by gross fixed capital formation, at reduced levels compared to historical values may contribute to economic growth outlooks that are below the potential growth rates, as well as reduce the potential long-term output.

In terms of price trends, the inflation rate in 2016 should be 0.7%, slightly above inflation in 2015, reflecting the context of the still low energy prices (compared to previous years) in international markets.

With regards to the evolution of employment levels in Portugal, 2016 once again recorded a reduction in unemployment. The unemployment rate fell for the third consecutive year (reduction of 1.2 p.p., after falling 1.5 p.p. in 2015), having the increased confidence of employers and a slight increase in employment in the Central Government and the public Business Sector contributed to this reduction.

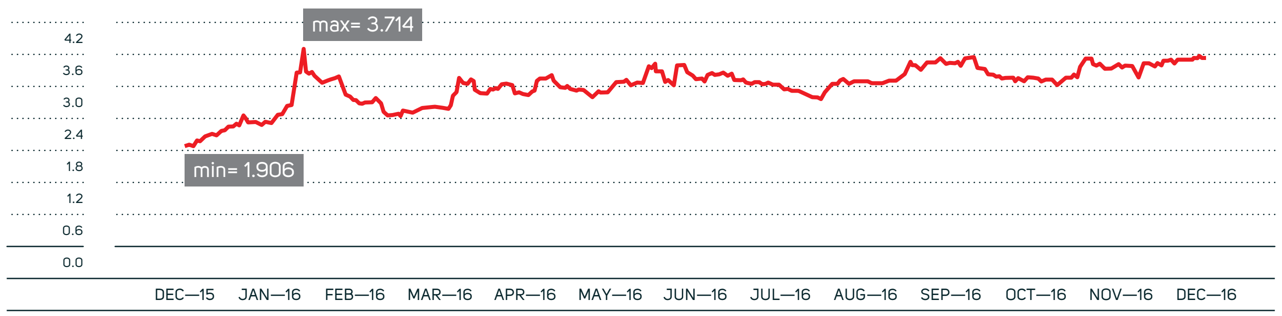
In relation to the Portuguese economy's indebtedness, once again we highlight the reduction in private sector debt in 2016 (reduction of the debt of non-financial companies from 148.4% of GDP in 2015 to 143.0% in 2016 and of households from 80.7% to 77.6%), as well as the reduction in gross public debt from 0.6 p.p. to 128.4%. It should be noted that the strong downward trajectory of private debt in recent years is beginning to be accompanied by a reduction in the Portuguese State's gross debt. This is the first time that public debt has decreased as a percentage of GDP in consecutive years since 2000.

PORTUGAL – REAL GROWTH RATES (%)	2011	2012	2013	2014	2015	2016E
GDP	-1.8%	-4.0%	-1.1%	0.9%	1.5%	1.0%
Private consumption	-3.6%	-5.5%	-1.2%	2.3%	2.6%	1.8%
Public consumption	-3.8%	-3.3%	-2.0%	-0.5%	0.8%	0.6%
Gross Fixed Capital Formation	-12.5%	-16.6%	-5.1%	2.3%	4.5%	-1.4%
GFCF – Construction	-10.3%	-20.0%	-12.1%	-3.7%	4.1%	-5.2%
Exports	8.5%	-2.9%	12.1%	5.4%	6.3%	2.9%
Imports	-5.9%	-12.0%	7.2%	8.4%	7.9%	3.0%
Inflation (HICP)	3.6%	2.8%	0.4%	-0.2%	0.5%	0.7%
Unemployment rate (% active pop.)	12.7%	15.5%	16.2%	13.9%	12.4%	11.2%
Gross Public Debt (% of GDP)	111.4%	126.2%	129.0%	130.2%	129.0%	128.4%

Source: IMF (Economic Outlook – October 2016), AMECO (February 2017).

Despite the consolidation of growth observed in recent years, the spread (the difference between yields) of Portugal's 10-year government bonds compared to German public debt recorded an upward trend during 2016. The existence of a minority government, underpinned only by parliamentary agreements, helps to explain the perceived higher risk of Portugal's public debt by the financial markets.

SPREAD OF 10-YEAR SOVEREIGN BOND YIELDS VS GERMANY
(%)



Source: Investing.com

RATINGS 2016		
MOODY'S	S&P	FITCH
Ba1	BB+	BB+

Source: Moody's, S&P, Fitch websites

2.1.3 SPAIN

2016 once again recorded strong economic growth, consolidating the growth rates recorded in the previous two years. According to IMF estimates, Spanish GDP grew at a rate of 3.1%, due to good performance in private consumption (3.2% growth, 0.3 p.p. above the growth rate recorded in 2015) and to investment measured by gross fixed capital formation, which grew 4.2% compared to 2015. In spite of a slowdown compared to the previous year, gross fixed capital formation in the construction sector grew 2.5% in 2016. However, investment in the sector remains at levels recorded in the late 1990s, therefore existing high growth potential in the coming years with the consolidation of the economy. Net external demand also contributed positively to GDP growth, with the gap between imports and exports narrowing significantly. Exports grew 5.9% in 2016 (0.5 p.p. above the growth in 2015), while imports slowed compared to the previous year, with an average rate of 6.1% (-1.3 p.p. compared to the growth rate in 2015).

Regarding the outlook for 2017, the forming of government – albeit with minority support in Parliament – should bring some additional political stability, with positive consequences for the expectations of economic consolidation. Economic investment, with a contribution from the construction sector (although investment in the sector only reaches levels recorded in 1998), and private consumption will be the main drivers to continue the trend of economic growth, which started in 2014. The latter should be supported by a gradual improvement in the labor market, which has entered into an expansion cycle after several years of stagnation. Additionally, and with the expected recovery of prices measured by the inflation rate, the medium-term expectations of employers should be positive and result in greater investment and hiring that were being put off.

In terms of price trends, the inflation rate in 2016 is once again expected to be negative, -0.3%, corresponding to the third consecutive year of deflation, due mainly to the beginnings of a recovery in private and public consumption compared to the declines of previous years and also hindered by the high rate of unemployment.

With regard to the evolution of employment levels in Spain, a decrease in the unemployment rate was once again recorded (reduction of 2.7 p.p. in 2016, after falling 2.4 p.p. in 2015), having the recovery of productive activity and the positive impact of the 2012 Labor Reform contributed to the reduction. However, it is important to note the high percentage of long-term unemployed persons (approximately 50% of the total of unemployed persons).

As for public finances, public debt did not accompany the positive trend of economic activity observed in 2015, recording a slight increase in gross public debt (as a percentage of GDP) of 0.8 p.p. from 2015 to 2016 and exceeding the barrier of 100% of GDP, to 100.1%.

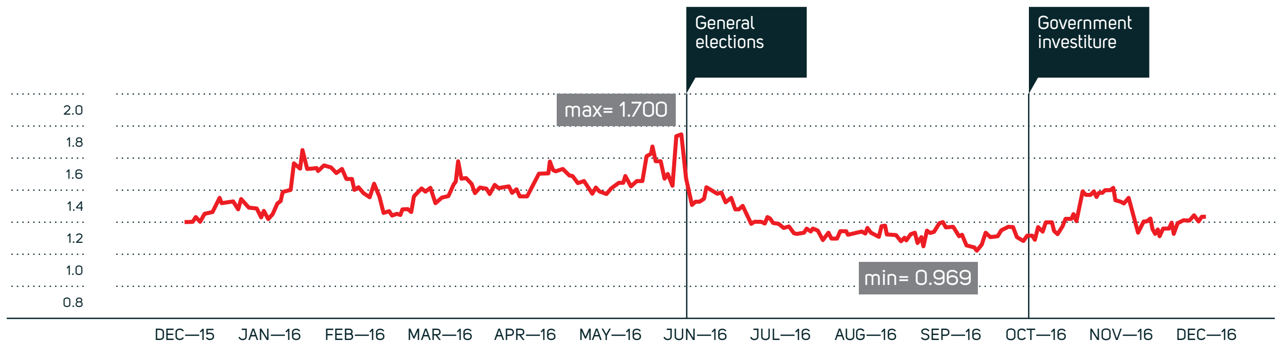
SPAIN – REAL GROWTH RATES (%)	2011	2012	2013	2014	2015	2016E
GDP	-1.0%	-2.6%	-1.7%	1.4%	3.2%	3.1%
Private consumption	-2.4%	-3.5%	-3.1%	1.6%	2.9%	3.2%
Public consumption	-0.3%	-4.7%	-2.1%	-0.3%	2.0%	0.9%
Gross Fixed Capital Formation	-6.9%	-8.6%	-3.4%	3.8%	6.0%	4.2%
GFCF – Construction	-11.7%	-12.3%	-8.6%	1.2%	4.9%	2.5%
Exports	7.4%	1.1%	4.3%	5.1%	5.4%	5.9%
Imports	-0.8%	-6.2%	-0.3%	6.4%	7.5%	6.1%
Inflation (HICP)	3.2%	2.4%	1.4%	-0.1%	-0.5%	-0.3%
Unemployment rate (% active pop.)	21.4%	24.8%	26.1%	24.4%	22.1%	19.4%
Gross Public Debt (% of GDP)	69.5%	85.4%	93.7%	99.3%	99.3%	100.1%

Source: IMF (Economic Outlook – October 2016). AMECO (February 2017).

The uncertainty regarding the possibility of forming a government led to an increase in the risk premium on Spain's 10-year government bonds, measured by the spread (the difference between yields) compared to German public debt, which has only been lowered once since the general elections held in June. These elections, the second in 6 months, resulted in increased support for the two main parties (PP and PSOE), effectively pushing aside a possible alliance between the left-wing parties. Thus, in light of PSOE's abstention, PP was able to form a new government, given that it was already a caretaker government. The main global rating agencies did not change their ratings with regard to Spanish public debt in 2016, all of them considering Spain's sovereign debt investment grade.

SPREAD OF 10-YEAR SOVEREIGN BOND YIELDS VS GERMANY

(%)



Source: Bloomberg

RATINGS 2016

MOODY'S	S&P	FITCH
Baa2	BBB+	BBB+

Source: Moody's, S&P, Fitch websites

2.1.4 USA

According to IMF estimates, the American economy once again recorded a positive growth rate in 2016, although noting a slowdown in light of strong expansion in 2015. GDP grew 1.6%, which represents a decrease of 1 percentage point compared to growth in the previous year. The 2.6% increase in private consumption (albeit 0.6 p.p. below the growth rate of 2015) contributed, in large part, to economic growth, due mainly to the strong labor market, which again showed strong momentum resulting in job creation and wage increases. Public consumption increased again, recording a growth rate of 0.8%, the first time the country has seen two years of consecutive growth since 2009. Gross fixed capital formation also saw positive performance, despite suffering a decline compared to the previous year, with a growth of 1.0%, with emphasis on the positive contribution of the construction sector where investment grew by 2.4% compared to 2015. As for international trade, the continued appreciation of the US dollar has not had a negative impact on net external demand, given the decrease in imports of 2.4 p.p., i.e., from a growth of 4.6% in 2015 to a growth rate of 2.2% in 2016, and a slight increase in exports which recorded a growth rate of 0.3% (0.2 p.p. above the growth rate of 2015).

The outlook for 2017 states that the North American economy may continue the positive performance recorded in recent years. Domestic demand will once again drive the economy, supported by the strong labor market leading to large-scale job creation and wage increases. Despite the retraction of the Federal Reserve's expansionary monetary policy (through increases in the base rate and ending programs for the purchase of financial assets) and the implementation of an expansionary fiscal policy by the new Trump Administration, which should be reflected in large public infrastructure projects, a crowding-out effect is not expected nor abrupt restrictions to credit on the business sector, given the size of the credit market and the desire to invest in US dollar-denominated assets. Even so, investment in the corporate sector may decrease compared to previous years, particularly in the housing construction market (generally more dependent on the evolution of the interest rate).

In terms of price trends, the inflation rate in 2016 should be 1.2%, thus representing an increase of 1.1 p.p. compared to the previous year. This revival of inflation results mainly from the positive performance of the labor market and inflationary pressure on wages and the recovery, albeit tentative, of raw material and energy prices.

With regard to the evolution of employment levels in the U.S., there was a 0.4 p.p. reduction in the unemployment rate to 4.9% in 2016, the lowest unemployment rate in the past 9 years. In recent years, the average of jobs generated has recorded a growing trend (187 thousand jobs per month in 2016), with the unemployment rate closer to full employment levels.

In terms of the economy's indebtedness, the level of public debt did not accompany the positive trend of economic activity seen in 2016, recording a significant increase in gross public debt (as a percentage of GDP) of 3.1 p.p. to 108.2%. However, the levels of indebtedness of the private sector and of families especially have shown a downward trajectory over the past few years.

USA – REAL GROWTH RATES (%)	2011	2012	2013	2014	2015	2016E
GDP	1.6%	2.2%	1.7%	2.4%	2.6%	1.6%
Private consumption	2.3%	1.5%	1.5%	2.9%	3.2%	2.6%
Public consumption	-2.7%	-0.9%	-2.4%	-0.7%	1.6%	0.8%
Gross Fixed Capital Formation	3.7%	6.3%	3.0%	4.2%	3.7%	1.0%
GFCF – Construction	-1.1%	6.9%	3.5%	5.1%	4.2%	2.4%
Exports	6.9%	3.4%	3.5%	4.3%	0.1%	0.3%
Imports	5.5%	2.2%	1.1%	4.4%	4.6%	2.2%
Inflation (HICP)	3.1%	2.1%	1.5%	1.6%	0.1%	1.2%
Unemployment rate (% active pop.)	8.9%	8.1%	7.4%	6.2%	5.3%	4.9%
Gross Public Debt (% of GDP)	99.0%	102.5%	104.6%	104.6%	105.2%	108.2%

Source: IMF (Economic Outlook – October 2016). AMECO (February 2017).

Based on the macroeconomic indicators observed in 2016, the financing conditions of the North American economy have improved despite a rise of almost 20 basis points in the yield of 10-year government bonds, as the US dollar-denominated interest rates (LIBOR) increased by an average of 35 to 50 basis points during 2016. This decrease in the implicit risk of the U.S.'s 10-year government debt reflects the consolidation of growth recorded in recent years, with visible impact on job creation, and correlates with the ratings maintained by the main global agencies, with only S&P not assigning the highest rating to U.S. public debt.

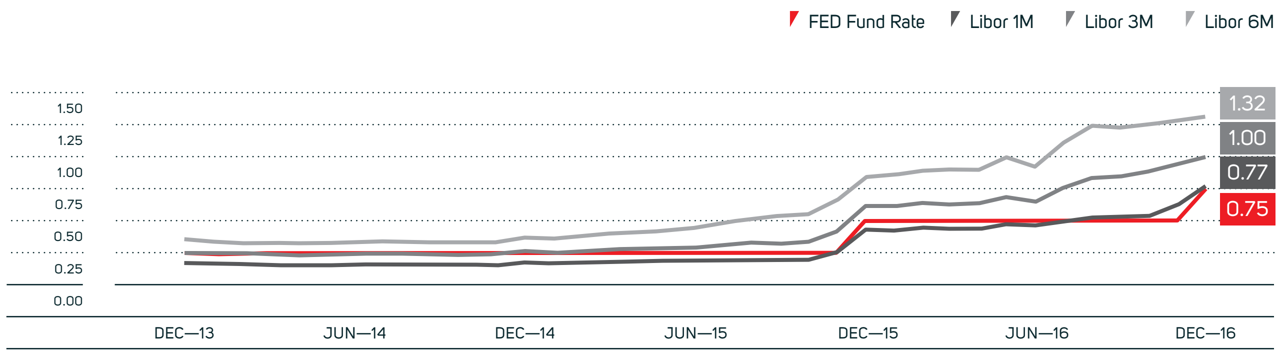
RATINGS 2016

MOODY'S	S&P	FITCH
Aaa	AA+	AAA

Source: Moody's, S&P, Fitch websites

With regard to monetary policy, the Federal Reserve once again increased its base rate in December from 0.25 basis points to 0.75%. This increase, similar to that made at the end of 2015, confirms the normalization of the monetary policy that began in 2014, when stimulus was pulled back and the monthly purchase of assets decreased. The LIBOR interest rates showed a strong upward trend throughout the year as the increase in the base rate became increasingly more likely, indicating that investors anticipate new increases in the base rate in 2017.

EVOLUTION OF FED REFERENCE INTEREST RATE AND LIBOR RATES (1M, 3M AND 6M) (%)



Source: Bloomberg

2.1.5 TURKEY

According to IMF estimates, the Turkish economy recorded a GDP growth of 3.3% in 2016 (representing a decline of 0.7 p.p. compared to the growth rate observed in 2015), having the significant increase in public consumption of 12.0% and private consumption of 4.3% contributed positively and offsetting the negative impact of the reduction of investment (measured by gross fixed capital formation). The decrease of 1.1% of overall investment does not reflect, however, the strong contribution from the construction sector to investment, after a 7.8% increase in investment in the sector in 2016. On the other hand, the fall in exports of 0.1% (representing, however, an improvement compared to the decrease in 2015) increased the negative effect on economic growth by a 0.8% increase in imports (increase of 0.6 p.p. compared to the growth rate of 2015).

In 2016, Turkey's economic activity was affected by the failed coup of July 15, as well as by a number of factors that have affected the economy in recent years. The constraints placed on the economy with the implementation of a state of emergency in the months following the attempted coup led to a drop in overall investment in the economy. On the other hand, Turkey's Central Bank was unable to contain the strong depreciation of the Turkish lira against the major currencies and high inflation, in spite of monetary policy being less expansive than in previous years, which included an increase in the benchmark interest rate to 8.0%. Moreover, the geopolitical tensions in the Middle East began to deteriorate, when military clashes increased in Syria following Russian forces being sent in to support the Syrian Government and the possible breach of the nuclear agreement reached between Iran and the United States by the new North American Administration.

As for the outlook for 2017, the Turkish economy is expected to grow, driven by the positive performance of internal and external demand compared to 2016. However, the political instability experienced in the aftermath of the failed coup d'état of 2016 should still have a negative impact on investment. The constitutional referendum scheduled for April 2017 may bring with it a strengthening of presidential powers, which, if approved, may help reduce obstacles to the implementation of structural reforms. On the other hand, a change to a presidential system which sees the President's powers bolstered may increase the fears of investors regarding the future stability of the country, negatively affecting the country's long-term economic prospects.

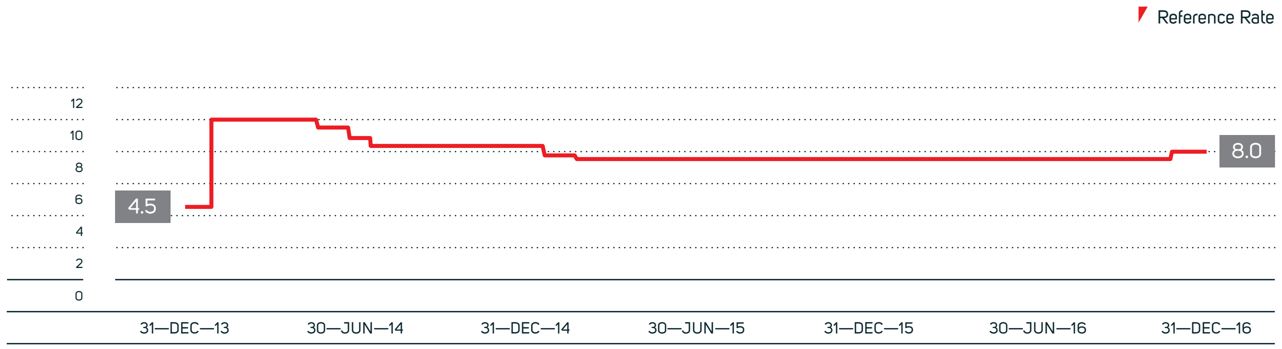
In terms of price trends, the inflation rate once again exceeded 8%, recording an increase above the rate of the previous year. The increase in prices levels in 2016 of 8.4% represents a variation of 0.7 p.p. above the rate of 2015. With regard to the evolution of employment levels in Turkey, there was a slight reduction of 0.1 p.p. in the unemployment rate to 10.2%. As for public finances, Turkish public debt was reduced by 1.2 p.p. in 2016, from 32.9% to 31.7% of GDP, accompanied by a positive trend in economic growth.

TURKEY – REAL GROWTH RATES (%)	2011	2012	2013	2014	2015	2016E
GDP	8.8%	2.1%	4.2%	3.0%	4.0%	3.3%
Private consumption	7.7%	-0.5%	5.1%	1.4%	4.8%	4.3%
Public consumption	4.7%	6.1%	6.5%	4.7%	6.7%	12.0%
Gross Fixed Capital Formation	18.0%	-2.7%	4.4%	-1.3%	4.0%	-1.1%
GFCF – Construction	1.1%	-0.3%	-1.3%	9.4%	8.3%	7.8%
Exports	6.2%	12.7%	0.9%	4.6%	-2.8%	-0.1%
Imports	11.3%	1.3%	8.5%	-0.5%	0.2%	0.8%
Inflation (HICP)	6.5%	8.9%	7.5%	8.9%	7.7%	8.4%
Unemployment rate (% active pop.)	9.1%	8.4%	9.0%	9.9%	10.3%	10.2%
Gross Public Debt (% of GDP)	39.1%	36.2%	36.1%	33.5%	32.9%	31.7%

Source: IMF (Economic Outlook – October 2016), AMECO (February 2017).

EVOLUTION OF CENTRAL BANK OF TURKEY REFERENCE INTEREST RATE

(%)



Source: Global-rates.com

Regarding the rating assigned to Turkey's sovereign debt, both Moody's and S&P decided to downgrade the level of their classification in 2016. Only Fitch maintained its investment grade rating.

RATINGS 2016

MOODY'S	S&P	FITCH
Baa3	BB+	BBB-

Source: Moody's, S&P, Fitch websites

CHANGES

MOODY'S	Change date	S&P	Change date	FITCH	Change date
Ba1	23/09/16	BB	20/07/16	—	—

Source: Moody's, S&P, Fitch websites

2.1.6 MEXICO

In 2016, the Mexican economy expanded, with GDP rising 2.1% according to IMF estimates (albeit representing a slowdown of 0.2 p.p. compared to the growth rate recorded in 2015). The downturn in economic growth can be explained in large part by the stagnation of public consumption (2.4 p.p. below the previous year's growth rate) and lower investment, measured by gross fixed capital formation (growth of 1.3% in 2016, 2.6 p.p. below the growth rate recorded in 2015). International trade, despite contributing positively to the country's economic growth, was also a factor in the economic slowdown, with exports increasing only 3.2% (5.8 p.p. reduction in the growth rate of 2015), above import growth (1.4%, 3.6 p.p. below the rate of 2015).

The outlook for 2017 is unclear as it is difficult to quantify the impact that the new Trump Administration could have on the Mexican economy. If, on the one hand, the potential renegotiation of the terms of NAFTA (trade agreement between the United States, Canada and Mexico) can damage the long-term prospects of the Mexican economy, the strong economic growth expected for the United States should reflect positively on Mexico's economy. Further considering a hypothetical deterioration in the competitiveness of Mexican exports to the United States (through the imposition of heavier customs duties or prohibition of imports), the volume effect could offset the decrease in the price effect: Mexico is the U.S.'s third largest trading partner and imports from the United States are expected to grow significantly in the coming years leveraging the increase in purchasing power that the strong labor market supports. On the other hand, an ambitious infrastructure plan was an integral part of President Trump's election campaign. The increase in low-skilled labor usually associated with these plans could mean an increase in the disposable income of Mexican immigrants, who usually send significant remittances home to Mexico. The capital flow from the United States, and additionally in strong currency, will (potentially) have a positive impact on the Mexican economy.

In terms of price trends, the inflation rate in 2016 was 2.8%, which is close to the Central Bank's target rate (3%) and is largely in line with the inflation rate recorded in 2015.

With regard to the evolution of employment levels in Mexico, there was a reduction of 0.3 p.p. in the unemployment rate to 4.1%, which corresponds to the lowest unemployment rate in the past eight years.

As for the economy's indebtedness, gross public debt (as a percentage of GDP) increased 2.0 p.p. from 54.0% in 2015 to 56.0% in 2016.

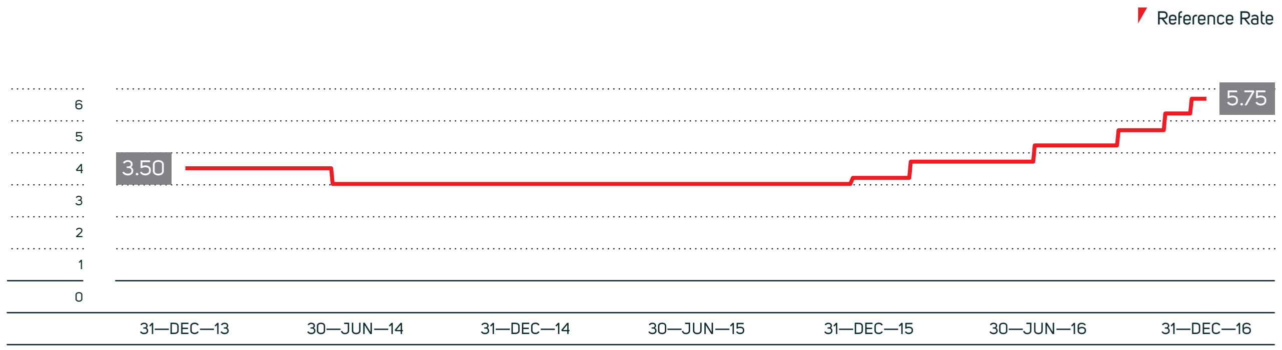
MEXICO – REAL GROWTH RATES (%)	2011	2012	2013	2014	2015	2016E
GDP	4.0%	4.0%	1.4%	2.2%	2.5%	2.1%
Private consumption	4.8%	4.9%	2.2%	1.8%	3.1%	2.7%
Public consumption	2.4%	3.5%	1.0%	2.4%	2.4%	0.0%
Gross Fixed Capital Formation	7.8%	4.8%	-1.6%	2.9%	3.9%	1.3%
GFCF – Construction	3.0%	2.0%	-4.5%	1.4%	6.6%	1.3%
Exports	8.2%	5.8%	2.4%	7.0%	9.0%	3.2%
Imports	8.1%	5.5%	2.6%	6.0%	5.0%	1.4%
Inflation (HICP)	3.4%	4.1%	3.8%	4.0%	2.7%	2.8%
Unemployment rate (% active pop.)	5.2%	4.9%	4.9%	4.8%	4.4%	4.1%
Gross Public Debt (% of GDP)	43.2%	43.2%	46.4%	49.5%	54.0%	56.0%

Source: IMF (Economic Outlook – October 2016). AMECO (February 2017).

Regarding monetary policy, the Central Bank of Mexico increased the interest rate several times in 2016. The base rate, which was at 3.25%, stood at 5.75% in December 2016. The decision is related to a preventive measure of raising interest rates compared to the expected change in the base rate of the United States Federal Reserve (which occurred in December, albeit on a smaller scale than the global increase in the base rate of the Central Bank of Mexico) and to the need to stop the movement of capital to North American financial assets by increasing the profitability of Mexican pesos-denominated assets.

EVOLUTION OF CENTRAL BANK OF MEXICO REFERENCE INTEREST RATE

(%)



Fonte: Global-rates.com

In terms of the rating assigned to the sovereign debt of Mexico, the main global rating agencies maintained their classification in 2016, all of them considering Mexican sovereign debt investment grade.

RATINGS 2016

MOODY'S	S&P	FITCH
A3	BBB+	BBB+

Source: Moody's, S&P, Fitch websites

2.1.7 AUSTRIA

The Austrian economy returned to growth in 2016, consolidating the expansion observed in previous years and accelerating to the highest rate of the past 5 years. The GDP increased 1.4% according to IMF estimates (0.5 p.p. above the growth rate recorded in 2015). The revival of private consumption contributed, in large part, to this accelerated economic growth, reversing the trend of decline or stagnation over the past 3 years, as did the investment measured by gross fixed capital formation (with an increase of 2.4 p.p. compared to the growth rate observed in 2015), although penalized by a significant drop in investment in the construction sector. The increase in investment in the sector in 2015 appears to have been an isolated event, having fallen again in 2016. In terms of international trade, net external demand hampered economic growth slightly given the greater increase in imports (2.8%, 1.0 p.p. above the growth recorded in 2015) compared to exports (2.6%, also 1.0 p.p. above the growth rate in 2015).

The trajectory of GDP growth is expected to continue during 2017, sustained by the consolidation of investment and consumption, both in the public and private sectors. Despite the momentum shown in 2016 and positive prospects of major trading partners in the euro area, the rise in the unemployment rate in 2016 may indicate possible over-employment observed in previous years and an expected correction in the near future of unemployment levels, which will have consequences in the medium-term in the evolution of private consumption.

In terms of price trends, the inflation rate was in line with the rate recorded in 2015, with a slight increase of 0.1 p.p. to 0.9% in 2016, as result of a positive contribution from import prices and the so-called 'imported inflation'.

In relation to the unemployment levels in Austria, 2016 recorded an increase in the unemployment rate of 0.5 percentage point compared to 2015 to 6.2%. However, it should be noted that Austria continues to have one of the lowest unemployment rates in the European Union.

With regard to public finances, Austrian public debt fell from 86.2% in 2015 to 84.9% in 2016, reversing the increase of previous years following the restructuring of a financial institution. The implementation of consolidation measures contributed to a reduction in public debt in the economy, as did the positive economic performance in 2016.

AUSTRIA – REAL GROWTH RATES (%)	2011	2012	2013	2014	2015	2016E
GDP	2.8%	0.8%	0.3%	0.4%	0.9%	1.4%
Private consumption	1.3%	0.5%	-0.1%	-0.3%	0.0%	1.3%
Public consumption	0.0%	0.2%	0.7%	0.8%	2.1%	1.2%
Gross Fixed Capital Formation	6.7%	1.4%	2.2%	-0.9%	0.7%	3.1%
GFCF – Construction	-10.3%	-20.0%	-12.1%	-3.7%	4.1%	-5.2%
Exports	6.0%	1.7%	0.8%	2.1%	1.6%	2.6%
Imports	6.2%	1.1%	0.0%	1.3%	1.9%	2.8%
Inflation (HICP)	3.5%	2.6%	2.1%	1.5%	0.8%	0.9%
Unemployment rate (% active pop.)	4.6%	4.9%	5.4%	5.6%	5.7%	6.2%
Gross Public Debt (% of GDP)	82.2%	81.6%	80.8%	84.3%	86.2%	84.9%

Source: IMF (Economic Outlook – October 2016), AMECO (February 2017).

In relation to the rating assigned to Austria's sovereign debt, Moody's announced a downgrade of its rating in 2016. All of the main global rating agencies continue to assign an investment grade rating to Austrian sovereign debt.

RATINGS 2016

MOODY'S	S&P	FITCH
Aaa	AA+	AA+

Source: Moody's, S&P, Fitch websites

CHANGES

MOODY'S	Change date	S&P	Change date	FITCH	Change date
Aa1	24/06/16	—	—	—	—

Source: Moody's, S&P, Fitch websites

2.1.8 CZECH REPUBLIC

2016 recorded the third consecutive year of economic growth, with Czech Republic's GDP increasing 2.5% according to IMF estimates (albeit representing a slowdown in the growth rate recorded in 2015, with a decrease of 2.1 p.p.). The increase in private and public consumption of 2.6% and 2.8%, respectively, contributed in large part to economic growth. In contrast, the investment made by companies, public administration and families decreased 2.8% in 2016, penalized by a sharp fall in the construction sector for gross fixed capital formation (-8.5%, representing a negative variation of almost 20 p.p. compared to the growth rate of 2015). Trends in international trade also contributed to the economy growth, given the positive performance of the trade balance. Although both exports and imports have slowed compared to 2015, the 6.7% increase in exports offset the 6.1% increase in imports.

Regarding the outlook for 2017, Czech Republic is expected to continue expanding the economic activity observed since 2014, with investment being a key factor for economic growth in the coming years and underpinned by the expected positive evolution of private and public consumption. The consolidation of domestic demand and the positive performance of the labor market may cause inflationary pressures, forcing an adjustment to monetary policy with less accommodating measures in the medium-term.

In terms of price trends, the inflation rate in 2016 should stand at 0.6%, an increase of 0.3 p.p. from the previous year, bolstered by an increase in domestic demand supported by wage increases in recent years.

In relation to employment levels in Czech Republic, once again and for the third consecutive year, the unemployment rate fell 0.9 p.p. to 4.1% (lowest rate in the past twenty years).

With regard to public finances, public debt again accompanied the positive trend of economic activity observed in 2016, recording a reduction in public debt (as a percentage of GDP) of 0.5 p.p., from 40.3% in 2015 to 39.8% in 2016.

CZECH REP. – REAL GROWTH RATES (%)	2011	2012	2013	2014	2015	2016E
GDP	2.0%	-0.8%	-0.5%	2.7%	4.5%	2.5%
Private consumption	0.3%	-1.2%	0.5%	1.8%	3.0%	2.6%
Public consumption	-2.2%	-2.0%	2.5%	1.1%	2.0%	2.8%
Gross Fixed Capital Formation	0.9%	-3.1%	-2.5%	3.9%	9.0%	-2.8%
GFCF – Construction	-4.1%	-2.9%	-4.9%	1.0%	11.2%	-8.5%
Exports	9.2%	4.3%	0.2%	8.7%	7.7%	6.7%
Imports	6.7%	2.7%	0.1%	10.1%	8.2%	6.1%
Inflation (HICP)	1.9%	3.3%	1.4%	0.4%	0.3%	0.6%
Unemployment rate (% active pop.)	6.7%	7.0%	7.0%	6.1%	5.0%	4.1%
Gross Public Debt (% of GDP)	39.8%	44.5%	44.9%	42.2%	40.3%	39.8%

Source: IMF (Economic Outlook – October 2016), AMECO (February 2017).

As for monetary policy, the Central Bank of the Czech Republic kept the interest rate for the main refinancing operations unchanged at 0.05%. However, if the projections for positive economic growth are confirmed in the comings years, the Central Bank can be expected to make adjustments to the monetary policy, namely by increasing the benchmark interest rate.

In terms of the rating assigned to Czech Republic's sovereign debt, the main global rating agencies maintained their classification in 2016, all of them considering the Czech sovereign debt investment grade.

RATINGS 2016

MOODY'S	S&P	FITCH
A1	AA-	A+

Source: Moody's, S&P, Fitch websites

2.1.9 ROMANIA

According to IMF estimates, Romania saw a strong increase of GDP in 2016, with a growth of 5.0% (1.2 p.p. above the growth in 2015), having the remarkable 9.0% increase in private consumption (3.9 p.p. above the increase in 2015) and the revival of public consumption, which increased 5.3% (after having virtually stagnated in 2015), contributed positively to the economy's growth. Gross fixed capital formation also contributed to the upward trend with a 6.3% increase, albeit slowed compared to the previous year (1.8 p.p. below the strong growth in 2015), as a result of the slowdown in the construction sector, which recorded a growth of 3.4% (recording a drop of 4.4 p.p. compared to the growth rate recorded in 2015). These factors offset the negative performance of the Romanian trade balance, with the imports increasing again 9.1% (in line with the growth observed in 2015) and exports decreasing, having grown only 5.2% (-0.3 p.p. compared to 2015).

With regard to the outlook for 2017, the decrease in the scope of the expansionary fiscal policies followed in recent years could negatively impact short-term growth, but improve medium- and long-term prospects with regard to the stability of the budgetary policy to be followed by future governments. In turn, the expected consolidation of investment should equip the Romanian economy with increased competitiveness and enable greater contribution of exports to future economic growth.

In terms of price trends, the inflation rate in 2016 should be -1.5%, continuing the deflation scenario confirmed in 2015 and recording a decrease of 0.9 p.p. of the rate of 2015. Deflation resulted mainly from the low contribution of energy prices and low inflation on the value of imports, preventing the occurrence of 'imported inflation'.

Regarding the evolution of employment levels in Romania, there has been a reduction in the unemployment rate of 0.4 p.p. to 6.4% in 2016.

In terms of public finances, gross public debt (as a percentage of GDP) showed a slight increase of 0.4 p.p., i.e., from 39.3% in 2015 to 39.7% in 2016.

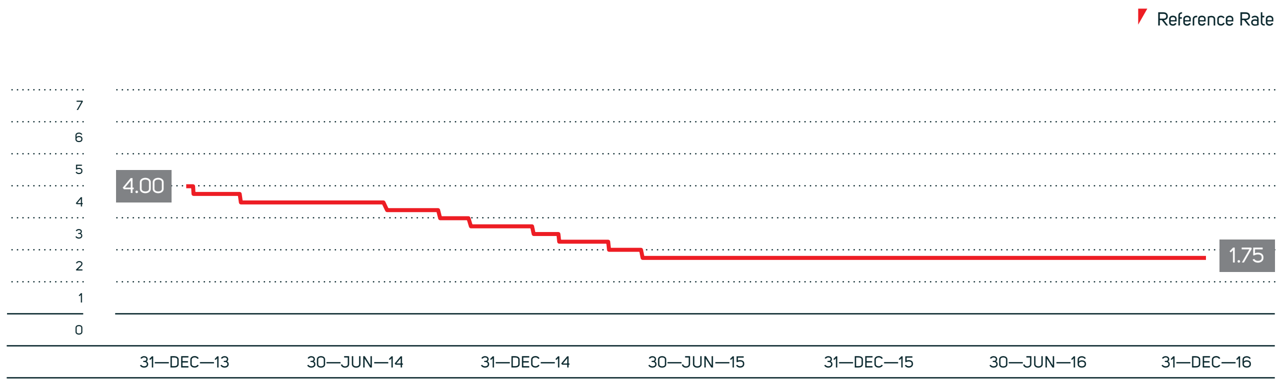
ROMANIA – REAL GROWTH RATES (%)	2011	2012	2013	2014	2015	2016E
GDP	1.1%	0.6%	3.5%	3.0%	3.8%	5.0%
Private consumption	0.8%	1.2%	0.7%	4.7%	5.1%	9.0%
Public consumption	0.6%	0.4%	-4.6%	0.8%	0.3%	5.3%
Gross Fixed Capital Formation	2.9%	0.1%	-5.4%	3.2%	8.1%	6.3%
GFCF – Construction	-4.3%	15.2%	-15.0%	10.1%	7.8%	3.4%
Exports	11.9%	1.0%	19.7%	8.6%	5.5%	5.2%
Imports	10.2%	-1.8%	8.8%	8.9%	9.1%	9.1%
Inflation (HICP)	5.8%	3.3%	4.0%	1.1%	-0.6%	-1.5%
Unemployment rate (% active pop.)	7.2%	6.8%	7.1%	6.8%	6.8%	6.4%
Gross Public Debt (% of GDP)	33.9%	37.6%	38.8%	40.5%	39.3%	39.7%

Source: IMF (Economic Outlook – October 2016), AMECO (February 2017).

Regarding monetary policy and after four cuts during 2015, the Central Bank of Romania decided to keep the interest rate for the main refinancing operations in 2016 at 1.75%.

EVOLUTION OF CENTRAL BANK OF ROMANIA REFERENCE INTEREST RATE

(%)



Source: Romanian Central Bank

As for the rating assigned to the sovereign debt of Romania, the main global rating agencies maintained their classification in 2016, all of them considering Romania investment grade.

RATINGS 2016

MOODY'S	S&P	FITCH
Baa3	BBB-	BBB-

Source: Moody's, S&P, Fitch websites

2.2. ASCENDUM PERFORMANCE IN 2016

Ascendum operates mainly in three major business areas – construction and industrial equipment, infrastructure equipment and vehicles (cars and trucks), with a direct presence in 14 countries:

ASCENDUM, S.A.

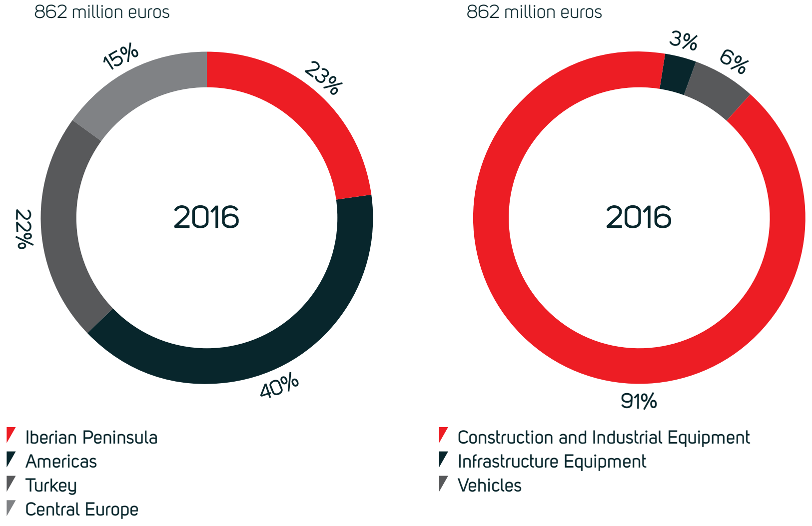
CONSTRUCTION AND INDUSTRIAL EQUIPMENT	INFRASTRUCTURE EQUIPMENT	VEHICLES (CARS AND TRUCKS)
Portugal, Spain, USA, Turkey, Mexico, Central Europe(*)	Portugal, Spain	Portugal

(*) Austria, Czech Republic, Romania, Hungary, Croatia, Slovakia, Slovenia, Moldova and Bosnia and Herzegovina.

In 2016, the Construction and Industrial Equipment segment, once again, positioned itself as the largest contributor to the Group's turnover, with a relative importance of 91%, and the Americas – USA and Mexico – stood out as the leading geographic platform in Ascendum operations (40%), followed by the Iberian Peninsula (23%), Turkey (22%) and Central Europe (15%).

BUSINESS AREA Unit: thousands of Euros	IBERIAN PENINSULA	AMERICAS	TURKEY	CENTRAL EUROPE	TOTAL
Construction and Industrial Equipment	123,480	342,691	188,604	133,753	788,528
Infrastructure Equipment	23,809	n.a.	n.a.	n.a.	23,809
Vehicles	50,066	n.a.	n.a.	n.a.	50,066
Total	**197,355**	**342,691**	**188,604**	**133,753**	**862,402**

TURNOVER (%)

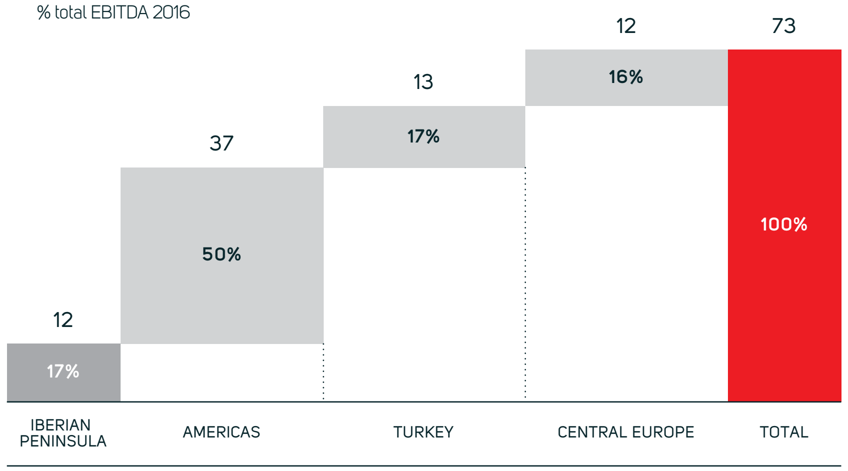


With regard to EBITDA, the Americas (USA and Mexico) are the main contributors to Ascendum's total EBITDA, with a relative importance of 50% of the Group's total EBITDA.

CONTRIBUTION OF EACH GEOGRAPHIC PLATFORM FOR ASCENDUM EBITDA

Million euros

% total EBITDA 2016



In parallel, the Construction and Industrial Equipment segment was, once again, the leading business area in Ascendum's operations (95%), followed by the Infrastructure Equipment Segment (4%).

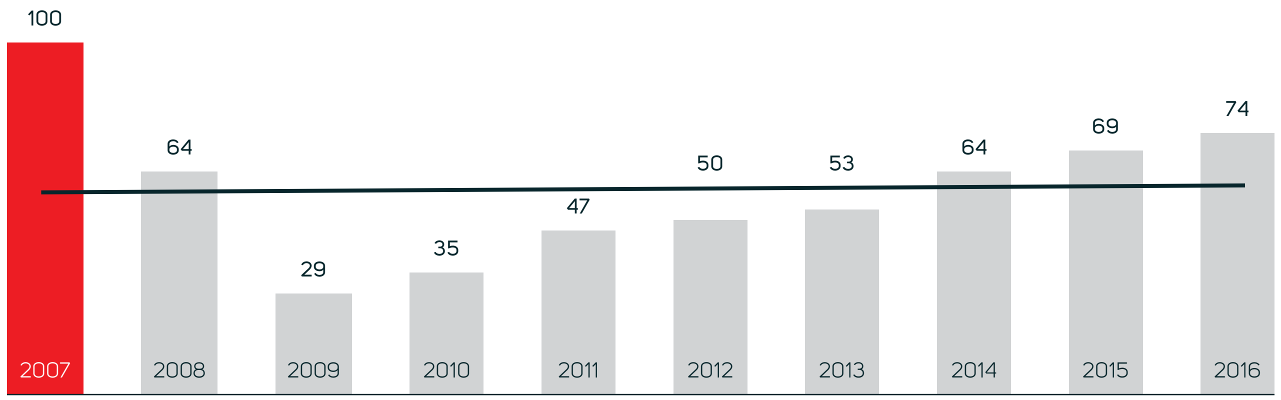
2.2.1 CONSTRUCTION AND INDUSTRIAL EQUIPMENT

The construction and industrial equipment markets in which Ascendum operates are recovering, albeit gradually, from the financial crisis felt worldwide. In 2016, the Group's addressable market[3] accounted for 74% of the levels recorded in 2007, and recorded a 7% growth of units sold, compared to 2015.

[3] The analysis conducted excludes unit sales of backhoe loaders and motorgraders – Discontinued products by Volvo CE in 2014.

ASCENDUM ADDRESSABLE MARKET INDEX EVOLUTION

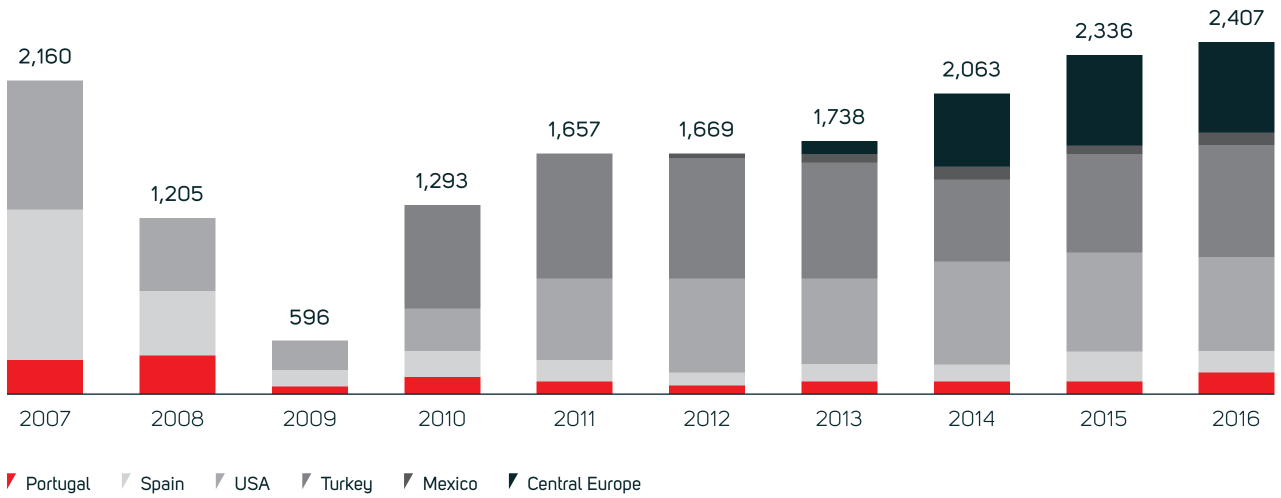
Historical peak year 2007 = 40,972 unidades (index 100 = 2007)



Note: the addressable market is based on the sum of parts of the new Volvo units sold in all geographies, regardless of the year of Ascendum entrance.

As a result, in 2016, Ascendum recorded a 56% decrease in the number of units sold[4] compared to 2007, in a like-for-like perspective, i.e., only taking into account the sales of the Iberian Peninsula and the USA.

ASCENDUM UNITS SOLD



[4] The analysis conducted excludes unit sales of backhoe loaders and motorgraders – Discontinued products by Volvo CE in 2014.

In terms of market share[5], and in relation to the GPE, CSE and Road Machinery segments, Ascendum recorded a positive global performance in 2016, particularly in the GPE segment, in which it achieved a global market share of 17.3%:

2016	PORTUGAL (1)	SPAIN (2)	USA	TURKEY	MEXICO	CENTRAL EUROPE	TOTAL (3)
Total market	**681**	**1,411**	**17,038**	**5,664**	**1,439**	**4,175**	**30,408**
Ascendum units sold	**138**	**158**	**650**	**778**	**91**	**592**	**2,407**
GPE	99	125	536	686	72	429	1,947
CSE	39	29	39	70	14	155	346
Road Machinery	0	4	75	22	5	8	114
Market share	**20.3%**	**11.2%**	**3.8%**	**13.7%**	**6.3%**	**14.2%**	**7.9%**
GPE	36.9%	23.0%	14.1%	16.0%	9.8%	27.0%	17.3%
CSE	10.8%	4.2%	0.3%	8.5%	2.6%	6.9%	2.0%
Road Machinery	0.0%	2.3%	11.1%	3.9%	2.9%	2.4%	5.8%

Note: presented figures correspond, essentially. to new Volvo machines. Does not include backhoe loaders and motorgraders.
(1) Data related to Ascendum Máquinas
(2) Data related to Ascendum Maquinaria
(3) Average figures for the segments market share

2.2.1.1 PORTUGAL

In 2016, despite the favorable economic climate (the Portuguese economy once again recorded a positive growth rate), GDP growth rate compared to 2015 was severely affected by the reduction of 5.2% in investment in the construction sector (negative growth of 9.3 p.p. compared to the growth observed in 2015).

The available indicators relating to construction continue to indicate the absence of recovery of the sector. Data relating to cement consumption also remain in decline compared to the previous year, demonstrating that the recovery of the construction activity is not felt in all segments. Still, the very positive trend observed in the licensing of new buildings, both residential and non-residential, envisages a recovery, in the short-term, of the production level of the segment for the construction of new buildings.

The value of new credit operations for the purchase of houses, which reached 4.2 billion euros by the end of September and recorded a year-on-year growth of 51%, is also an indicator of the clear revival of this segment.

In turn, the figures reported by AICCOPN (Association of Civil Construction and Public Works Contractors) indicate a growth of 42% in public works, in relation to 2015, with approximately 1,756 million euros in public works tenders (the best since 2011) and 1,355 million euros in signed contracts (+12% in 2015). Although a growth of 12% was recorded compared to the previous year, procurement remains at historically low levels. At the same time, the difference between public works that were subject to a launch notice and procurement contracts concluded exceeded one billion euros in 2016.

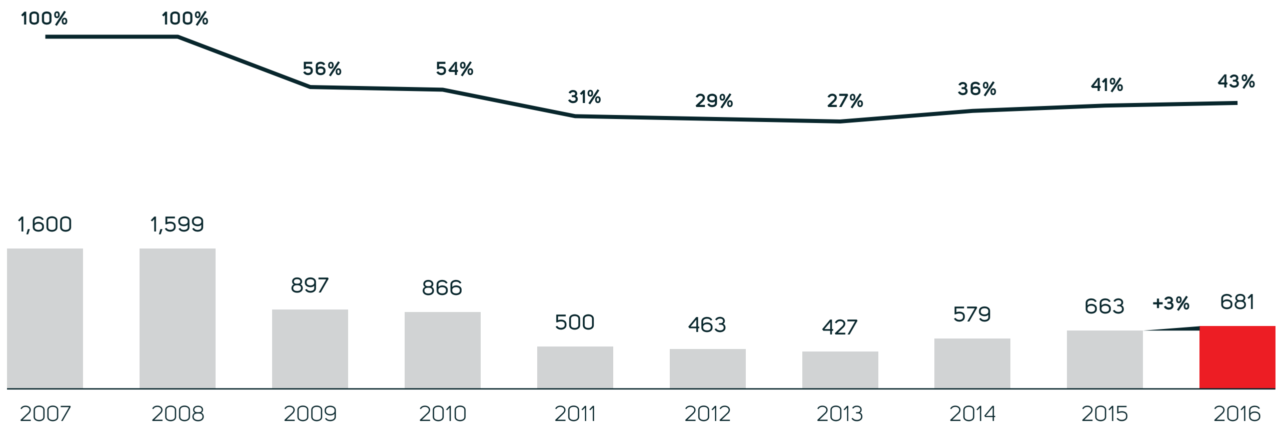
Thus, despite the still challenging context of the construction sector in Portugal, the appearance of positive signs that indicate a recovery in production in the short term is noteworthy.

In 2016, the domestic market[6] for construction equipment similar to the product portfolio marketed by Ascendum Máquinas recorded an increase of approximately 3% compared to 2015, representing 43% of the peak year (2007).

[5, 6] The analysis conducted excludes unit sales of backhoe loaders and motorgraders – Discontinued products by Volvo CE in 2014.

EVOLUTION OF THE PORTUGUESE MARKET WHERE ASCENDUM MÁQUINAS OPERATES

Units sold



Peak level index (2007 = 100%)

In Portugal, Ascendum operates in this sector through Ascendum Máquinas, a company that distributes and directly sells Volvo construction equipment and industrial machinery across the country to sectors ranging from construction and public works, to forestry, recycling, handling, etc. In parallel, Ascendum Máquinas also offers its customers rental services and after-sales assistance.

In 2016, given the still challenging sectorial and macroeconomic context, Ascendum Máquinas focused its efforts (i) on the optimization of its operational structure, (ii) on providing financial solutions to support commercial sales, thus contributing to the improvement of the value proposition offered to end customers in support of the Group's objectives and (iii) on business diversification, by starting to import and sell (to dealers only) Kioti agricultural equipment.

Thus, despite the decrease in the construction equipment market, the company's turnover increased by approximately 9% compared to 2015, totalling around 36.1 million euros in 2016.

In terms of business segments, the commercial business area (new and used machines) recorded a year-on-year increase of approximately 28.9%, ending the year with a turnover of 23.6 million euros (approximately 65% of the company's total turnover).

The After-Sales business area, in 2016, reported a turnover of 10.5 million euros, 17.3% below the sales recorded in 2015, thus contributing to 29% of Ascendum Máquinas' total turnover.

Rentals achieved a turnover of about 2.0 million euros, approximately 6% of Ascendum III Máquinas' total turnover in 2016.

The following table provides a summary of Ascendum Máquinas' turnover performance in 2016:

Million Euros	2015	2016	Δ (2016/2015)
New machines	15.5	21.2	37.1%
Used machines	2.9	2.4	-15.4%
After sales	12.6	10.5	-17.3%
Rental	2.3	2.0	-11.8%
Total Turnover	**33.2**	**36.1**	**8.5%**

2.2.1.2 SPAIN

In Spain, Ascendum operates through Ascendum Maquinaria, formerly Volmaquinaria, the company that imports and distributes Volvo Construction Equipment throughout Spain, and is directly present in Madrid, Guadalajara, Barcelona, Granada, Valladolid and Santiago de Compostela. Through a vast network of agents, Ascendum Maquinaria offers a wide range of products and services and is considered one of the highest quality companies in the country by its major customers.

As in the two previous years, there was a trend of consolidation of economic growth in 2016, despite a slight deceleration compared to 2015, and gross fixed capital formation in the construction sector recorded an increase of 2.5% in 2016. However, investment in the sector is still at the same levels as the late 1990s, and there is high potential for growth in the coming years on par with economic consolidation.

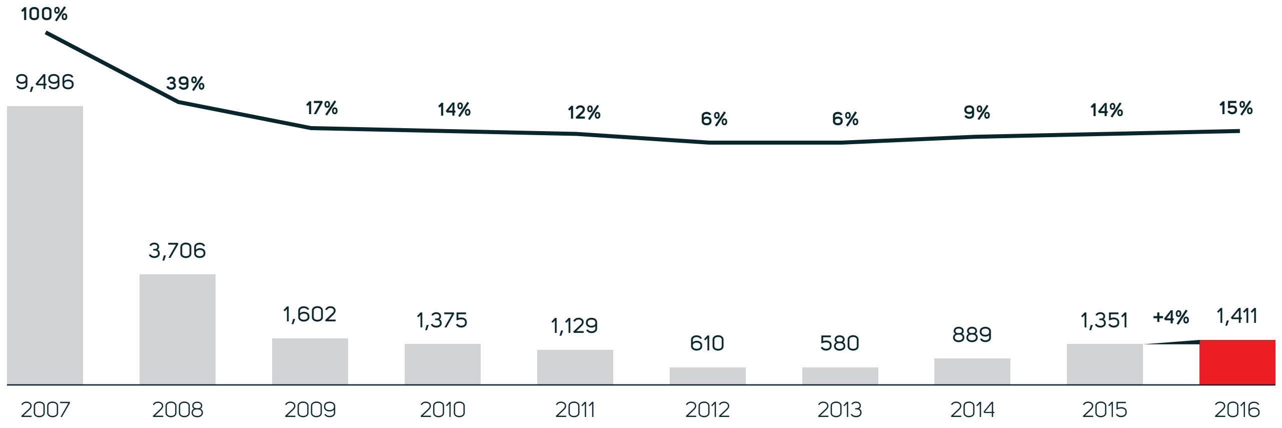
We highlight the year-on-year increase in residential construction of approximately 12%, and in non-residential construction of around 3.8%, which contributed to this recovery. In contrast, the public works sector declined 3.2% compared to 2015, as a result of the uncertainty regarding the possible forming of government and the need to reduce public deficit.

Thus, in 2016, we assisted to an increase in the demand for construction equipment similar to the product portfolio marketed by Ascendum Maquinaria[7] of 4% compared to the previous year. Even so, the market represented 15% of the peak year in 2007 (1,411 machines in 2016 vs 9,496 machines in 2007).

[7] The analysis conducted excludes unit sales of backhoe loaders and motorgraders – Discontinued products by Volvo CE in 2014.

EVOLUTION OF THE SPANISH MARKET WHERE ASCENDUM MAQUINARIA OPERATES

Units sold



Peak level index (2007 = 100%)

In 2016, Ascendum Maquinaria focused its efforts on the following lines of action:

1. Operational optimization: increasing sales by ensuring non-erosion of /increase in margins, optimization of the cost structure, sharing of best practices/knowledge among the various branches, namely in the after-sales business area, processes improvement and optimization of working capital management;

2. Diversification of portfolio: (i) replacing discontinued Volvo products, namely backhoe loaders, with new brands (for example, Terex), (ii) investing in the extractive industry and (iii) incorporating Generac solutions – lighting systems, generators, transfer and aspiration pumps;

3. Focus on the used segment: developing a new business concept with a specialized structure – monitoring market trend (increase in demand);

4. Focus on the after-sales segment: (i) expanding the product/service portfolio, (ii) reinforcement of the sales team and (iii) increasing the range of services provided (for example: repairing parts);

5. Suitability/restructuring of existing branches: Barcelona and San Fernando – in respect of their location and size;

6. Investment in human resources: Training plan for the sales and after-sales areas (as in 2015).

In terms of performance, Ascendum Maquinaria's turnover increased 8.7% compared to 2015, from 50.8 to 55.2 million euros:

Million Euros	2015	2016	Δ (2016/2015)
New machines	25.5	25.3	-1.0%
Used machines	5.7	11.1	94.0%
Rental	2.8	2.7	-2.5%
After sales	16.7	16.1	-3.9%
Total Turnover	**50.8**	**55.2**	**8.7%**

With regard to business areas, we highlight the strong turnover growth of the used machines segment of about 94% compared to 2015 (11.1 million euros in 2016 compared to 5.7 million in 2015), in contrast to the downturns recorded in other business areas, which consolidates, as in the previous year, the new market trend resulting from retail financing conditions.

2.2.1.3 USA

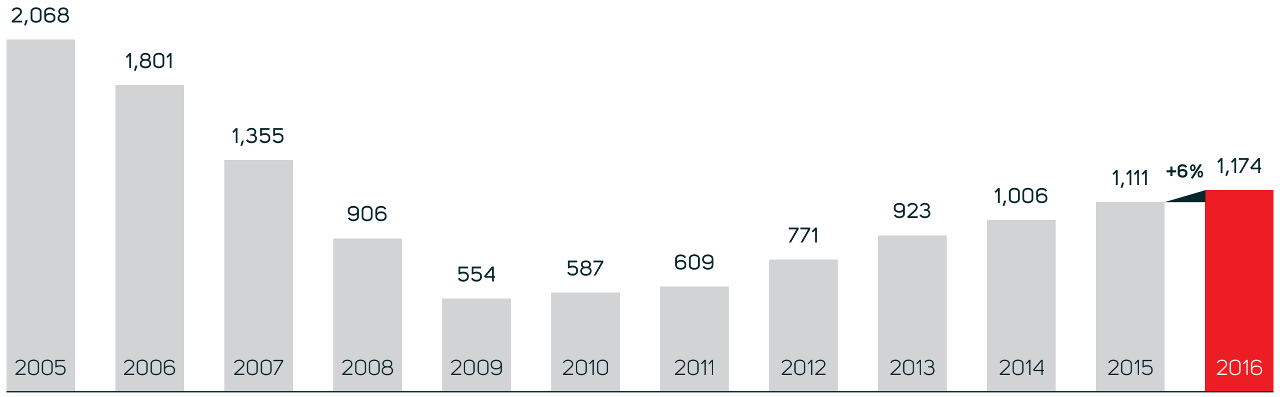
In the USA, Ascendum operates through Ascendum Machinery, Inc., formerly ASC Construction Equipment USA, Inc., a company established in 2004 after the Group acquired the assets of Saba Holding Company (a Volvo Group company), that then distributed Volvo construction equipment to an extensive part of the country, integrating the States of North Carolina, South Carolina, Alabama, Georgia, Tennessee and North Dakota.

With activity in business segments related to the sale, rental and after-sales service of Volvo Construction Equipment (among other brands), Ascendum Machinery has been recognized as the largest Volvo dealer in North America since 2005, having received, since then, several awards both in the financial and technical areas, at Volvo dealership meetings.

In 2016, the construction sector evolved favorably in the territories in which Ascendum is present, and the number of housing starts is expected to show a growth of 6% compared to the previous year, overcoming, for the third consecutive year, the threshold of one million new construction. Despite the recorded growth, the number of housing starts, in 2016, was only 57% of the value recorded in 2005 (peak year).

NUMBER OF HOUSING STARTS EVOLUTION

Units (thousands)

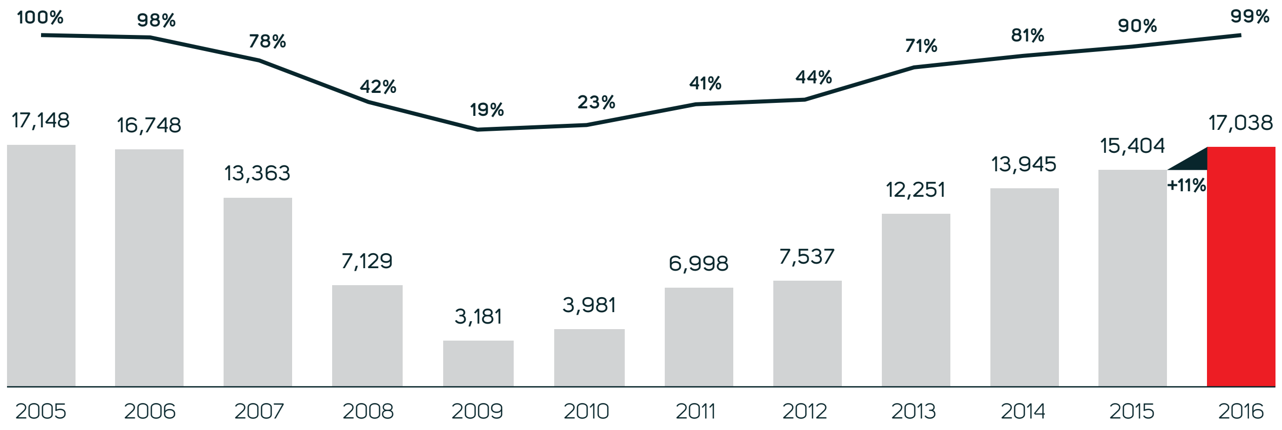


With regard to the territory in which Ascendum Machinery operates, the number of units sold[8] increased by approximately 11% in 2016 compared to 2015, and demand totaled approximately 17,038 units. Despite the recorded growth, the market is still a long way from the sales volume recorded between 2004 and 2007, with the number of units sold in 2016 accounting for, in a like-for-like perspective (excluding North Dakota), 88% of the value recorded in 2005 (peak year) (99% including North Dakota).

[8] The analysis conducted excludes unit sales of backhoe loaders and motorgraders – Discontinued products by Volvo CE in 2014.

EVOLUTION OF THE NORTH-AMERICAN MARKET WHERE ASCENDUM MACHINERY OPERATES

Units sold



Peak level index (2005 = 100%)

In 2016, in order to ensure that customer expectations/needs were more adequately met, as well as the sustainable growth of the company, Ascendum Machinery, as in 2015, reinforced and reorganized its human resources structure during 2016, focusing its efforts on the following lines of action:

- **Strengthening the corporate center** in order to ensure adequate support to critical areas of the company;
- Creating a new position – **Key Account Manager** – with the purpose of increasing the penetration rate with key customers;
- Hiring an **Asset Manager,** dedicated to rental fleet management, with the purpose of increasing the profitability of this business segment;
- Creating a new department dedicated to **Product Care,** with the purpose of (i) enhancing the customer warranty business segment and (ii) providing a new service to the end customer in fleet management (caretrack).
- In parallel, investment in **training** increased by about 6.5% compared to 2015, being the implementation of a program for the development of the regional general managers of particular note.

As result of the efforts listed above and the recovery of the market, Ascendum Machinery's turnover in 2016 recorded an increase of 14.4% compared to 2015, totaling approximately 343.3 million US dollars (310.2 million euros):

Million US Dollars	2015	2016	Δ (2016/2015)
New and used machines	229.9	269.0	17.0%
Rental	22.1	22.7	2.4%
After sales	48.0	51.6	7.6%
Total Turnover	**300.0**	**343.3**	**14.4%**

Sales of new machines recorded a year-on-year increase of approximately 2,3%, as a result of the closing of large package sales deals, especially in the Articulated Dumper segment. In turn, the sales of used machines increased by approximately 70% compared to 2015, as a result of a higher number of incentives available to customers in order to drive sales in this segment.

With regard to the after-sales and rental segment, year-on-year turnover increased approximately 8% and 2%, respectively.

2.2.1.4 TURKEY

On June 30, 2010, Ascendum acquired the import and distribution of Volvo CE for the whole territory of Turkey from two Volvo Construction Equipment A.B subsidiaries (VTC Holding Holland N.V. and Volvo Automotive Holding B.V). In 2013, the Turkish company diversified its product portfolio by establishing a partnership in the agricultural sector.

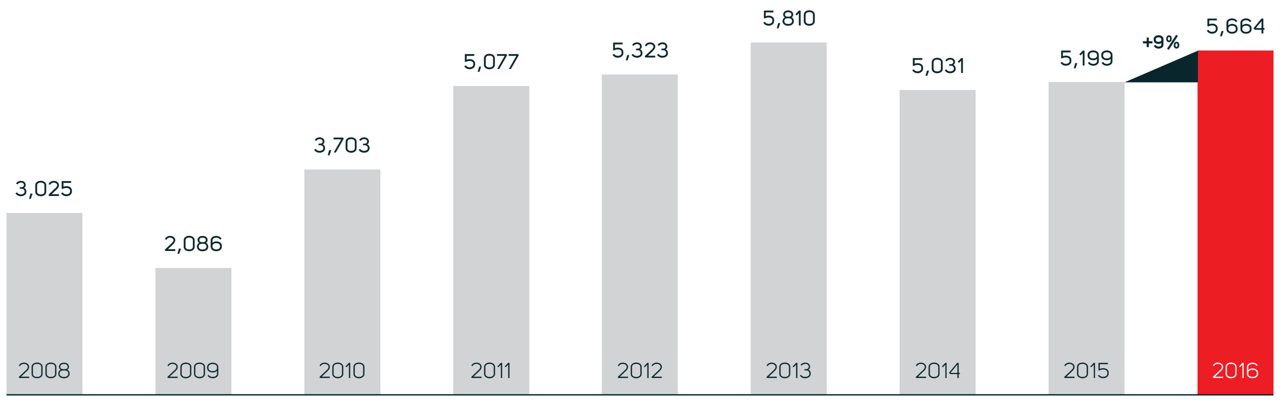
As in recent years, Ascendum Makina's operations were limited by a number of factors such as (i) the failed coup of July 15, 2016, which resulted in a reduction in overall investment, (ii) the strong depreciation of the Turkish lira against major currencies (reduction of 17% in 2016 against the euro), (iii) high inflation and (iv) the worsening of geopolitical tensions in the Middle East as a result of increased military clashes in Syria and the possible breach of the nuclear agreement reached between Iran and the United States by the new North American Administration.

Despite the difficult geopolitical context, the demand for construction equipment[9], similar to the product portfolio marketed by Ascendum Makina, increased by approximately 9% compared to 2015, totaling around 5,664 units sold (compared to 5,199 units sold in 2015).

[9] The analysis conducted excludes unit sales of backhoe loaders and motorgraders – Discontinued products by Volvo CE in 2014.

EVOLUTION OF THE TURKISH MARKET WHERE ASCENDUM MAKINA OPERATES

Units sold



In 2016, Ascendum Makina focused its efforts on the following lines of action:

- Increasing profitability;
- Improving levels of customer satisfaction;
- Adjusting opex levels based on market evolution.

As a result, in 2016, Ascendum Makina turnover recorded an increase of approximately 11.9% compared to 2015, totaling approximately 619.2 million Turkish liras (185.2 million euros):

Million Turkish Liras	2015	2016	Δ (2016/2015)
Construction Equipment – new and used	410.8	456.3	11.1%
Construction Equipment – rental	4.7	9.4	2.0x
Construction Equipment – after sales	130.5	146.3	12.1%
Agriculture Equipment	7.2	7.2	0.7%
Total Turnover	**553.2**	**619.2**	**11.9%**

With regard to business areas, it is important to highlight that turnover in the rental segment doubled compared to 2015 (9.4 million Turkish liras in 2016 compared to 4.7 million Turkish liras in 2015).

In parallel, we also highlight the increase of 11.1% in the sales of construction equipment (new and used) compared to 2015, having Ascendum Makina sold 778 new Volvo units excluding backhoe loaders and motorgraders (649 new Volvo units in 2015).

In addition, the 12.1% increase compared to 2015 in construction equipment after-sales turnover reflects Ascendum Makina efforts during 2016, with regard to the improvement of the quality of services provided, namely, in the implementation of processes that enabled an increase of end customer response efficiency.

2.2.1.5 MEXICO

Having started operations in March 2012, Ascendum Maquinaria México is the Group company that is dedicated to the sale of Volvo construction equipment in Mexico.

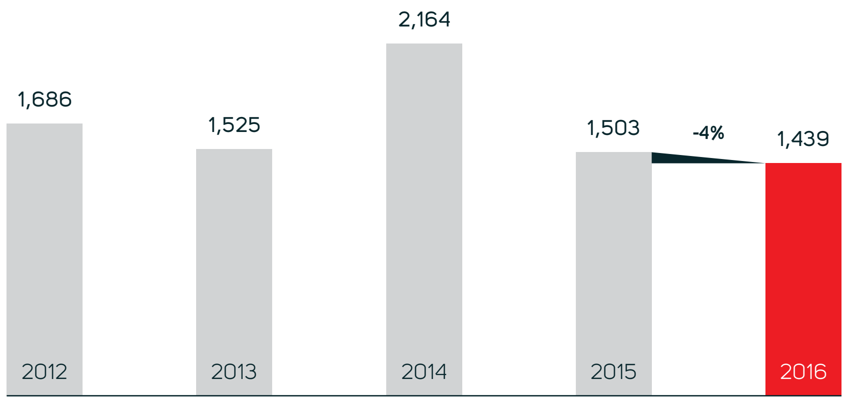
In 2016, Ascendum continued its strategy of consolidation of the Mexican market operation, focusing on process improvement, optimization of the operational structure and the enhancement of employee skills.

Thus, and despite the macroeconomic and operational context still falling short of levels estimated by the Group for Ascendum Maquinaria México's operations, all their efforts to adapt the structure to market reality resulted in a 27% increase in turnover compared to 2015, reaching around 35.2 million US dollars (31.8 million euros).

With regard to the territory in which Ascendum Maquinaria México operates, the number of units sold[10] decreased by around 4% in 2016 compared to 2015, and demand totaled approximately 1,439 units (1,503 units in 2015).

EVOLUTION OF THE MEXICAN MARKET WHERE ASCENDUM MAQUINARIA MEXICO OPERATES

Units sold



Ascendum Maquinaria México recorded a 27.4% increase in turnover compared to 2015, from 27.6 to 35.2 million US dollars (31.8 million euros):

Million US Dollars	2015	2016	Δ (2016/2015)
New and used equipment	20.3	24.8	22.0%
Rental	1.7	4.0	132.2%
After sales	5.6	6.4	14.7%
Total Turnover	**27.6**	**35.2**	**27.4%**

[10] The analysis conducted excludes unit sales of backhoe loaders and motorgraders – Discontinued products by Volvo CE in 2014.

2.2.1.6 CENTRAL EUROPE

In October 2013, Ascendum began operations in nine Central European countries, by (i) acquiring the entire share capital of the Austrian company Volvo Baumaschinen Österreich GmbH, which held 100% of the companies in Czech Republic, Hungary, Slovakia and Croatia and (ii) purchasing the construction equipment division integrated in the Romanian subsidiary of Volvo AB. In addition to these countries, the Group has operations in Slovenia, Bosnia and Herzegovina, and in Moldova through local sub-dealers.

Of all the markets[11] included in Central European operation, the Austrian market is the main contributor, accounting for approximately 38% of total units sold in 2016, followed by Czech Republic (30%) and Romania (10%). Ascendum sold 592 units during the year, namely GPE equipment sales, which accounted for approximately 72% of total sales (once again with Austria being predominant, accounting for approximately 62% of total Group sales in Central Europe in 2016).

2016	AUSTRIA	CZECH REP.	ROMANIA	HUNGARY	CROATIA	SLOVAKIA	TOTAL (1)
Total market	**1,601**	**1,267**	**426**	**408**	**158**	**315**	**4,175**
Ascendum units sold	**367**	**108**	**24**	**44**	**22**	**27**	**592**
GPE	263	79	21	34	14	18	429
CSE	101	26	3	9	8	8	155
Road Machinery	3	3	0	1	0	1	8
Market share	**22.9%**	**8.5%**	**5.6%**	**10.8%**	**13.9%**	**8.6%**	**14.2%**
GPE	33.3%	21.1%	15.9%	24.5%	27.5%	17.5%	27.0%
CSE	15.7%	2.9%	1.6%	4.2%	7.8%	3.9%	6.9%
Road Machinery	1.8%	100.0%	0.0%	1.9%	0.0%	16.7%	2.4%

Note: presented figures correspond. essentially. to new Volvo machines. Does not include backhoe loaders and motorgraders.
(1) Average figures for the segments market share

In 2016, the Central European operation recorded a turnover of approximately 133.8 million euros (approximately 10% below turnover of 2015), being Austria the main contributor (59% of total Central Europe turnover) followed by Czech Republic (20% of total Central Europe turnover)and Romania (7% of total Central Europe turnover).

The decrease in year-on-year turnover, resulted, essentially, from stagnation in the market[12] (decrease of 0.4% compared to 2015), and consequent reflection on the Ascendum operation, in particular due to the impact of the loss resulting from the discontinued products by VCE (backhoe loaders and motorgraders).

[11, 12] The analysis conducted excludes unit sales of backhoe loaders and motorgraders – Discontinued products by Volvo CE in 2014.

2.2.2 VEHICLES (CARS AND TRUCKS)

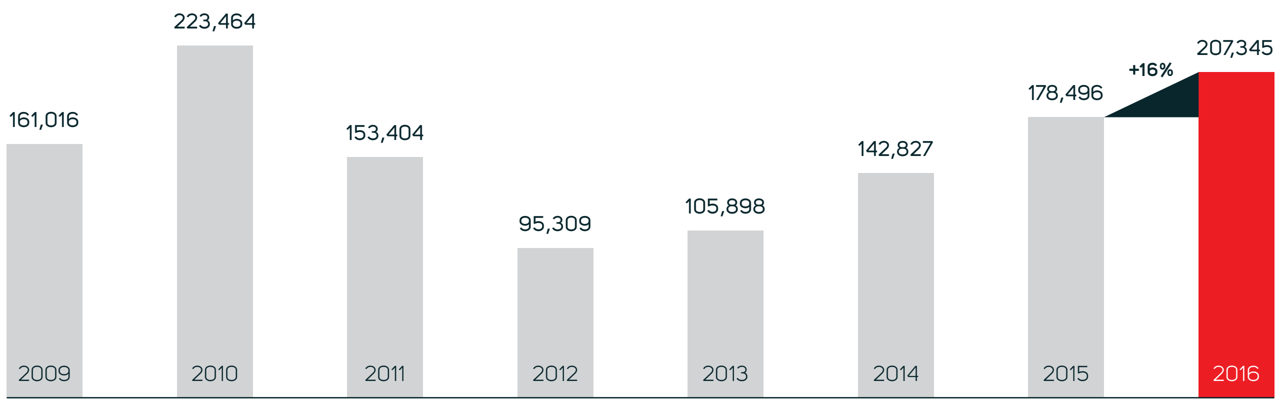
In the cars and trucks segment, the Group operates in Portugal through Ascendum Veículos, representing the Volvo and Mitsubishi brands in Coimbra, Viseu, Leiria, Sacavém and Albergaria.

The improvement of some of the determining factors of private consumption, such as the recovery of the labor market and decrease in interest rates, contributed favorably to the changes in consumer expectations in 2016, leading to a positive impact on vehicle sales.

The passenger car market increased in 2016, recording a growth of approximately 16% compared to 2015, totaling 207,345 units sold (178,496 units sold in 2015), leaning towards consolidation of the growth trend, after the sharp fall recorded between 2010 and 2012.

EVOLUTION OF THE PORTUGUESE LIGHT PASSENGER CARS MARKET

Units



Source: ACAP

Despite the growth in 2016, the market has not yet reached figures considered normal for the size of the country, remaining below the average recorded over the past 15 years. In parallel, the average age of passenger cars in circulation on the market has been gradually increasing and, in 2016, stood at around 12 years, when, in 2001, it was about 7.

In the range of the brands sold by Ascendum in the cars segment – Volvo and Mitsubishi – there was a year-on-year increase of 26%, bringing sales to 7,809 units (6,180 units in 2015).

In 2016, Ascendum Veículos operated in the cars segment backed by four business units, located in Coimbra, Viseu, Leiria and Northern Lisbon (Sacavém). In terms of market visibility, Ascendum Veículos increased its importance in the sales of the Volvo and Mitsubishi brands, having reached a 12.1% and 2.2% market share, respectively.

Ascendum Veículos's turnover in the cars segment totaled around 28.7 million euros, 16.6% higher than turnover recorded in 2015 (24.6 million euros).

Commercial activity sales totaled 24.1 million euros, representing an increase of 23.5% compared to 2015. The After-Sales department – components and assistance – recorded a turnover of approximately 4.6 million euros (decrease by about 9.8% compared to 2015).

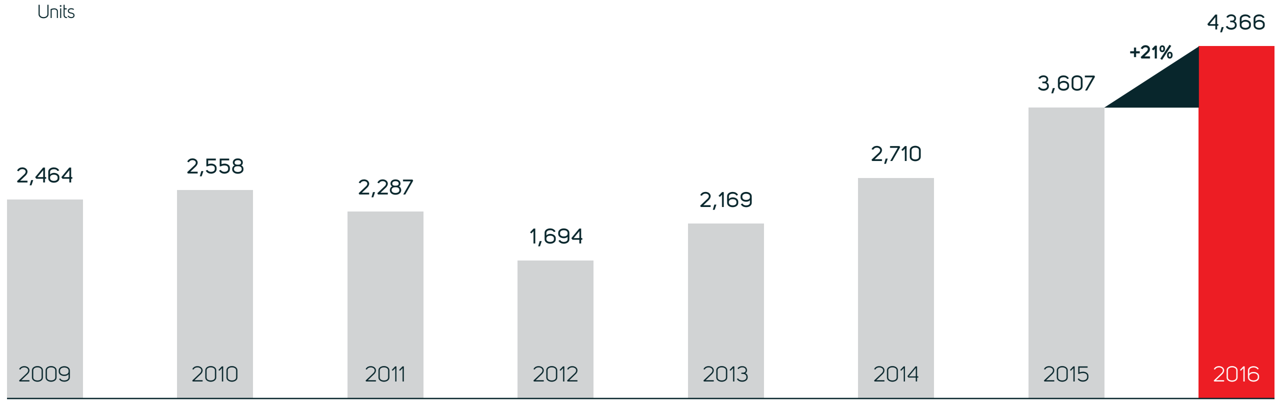
The following table presents a summary of Ascendum Veículos's performance, in terms of turnover, in car sales:

Million Euros	2015	2016	Δ (2016/2015)
New cars	16.1	21.1	30.9%
Used cars	3.4	3.0	-11.6%
After sales	5.1	4.6	-9.8%
Total Turnover	**24.6**	**28.7**	**16.6%**

The domestic market of heavy goods vehicles — gross weight exceeding 10 tons — recorded a positive performance for the fourth consecutive year, having recorded a growth of 21% in 2016 compared to 2015 (+759 units).

EVOLUTION OF THE PORTUGUESE TRUCKS MARKET (GROSS WEIGHT > 10 TON.)

Units



Source: Nors

With regard to trucks, Ascendum Veículos recorded a turnover of 21.7 million euros, around 31.8% above turnover recorded in 2015 (16.5 million euros).

Commercial activity recorded an increase of 55.3% compared to 2015, with Ascendum recording a turnover of 14.4 million euros in 2016 compared to 9.3 million in 2015.

Regarding after-sales assistance (and components), turnover was almost equivalent to the previous year, due to the reduction of the heavy-duty vehicles population in the market in which the company operates.

The following table presents a summary of Ascendum Veículos's performance, in terms of the trucks business segment turnover:

Million Euros	2015	2016	Δ (2016/2015)
New trucks	9.0	13.8	53.3%
Used trucks	0.3	0.7	2.2x
After sales	7.2	7.3	1.4%
Total Turnover	**16.5**	**21.7**	**31.8%**

2.2.3 INFRASTRUCTURE EQUIPMENT

With regard to the infrastructure business, Ascendum has consolidated its position in the sector, through the geographic expansion of the business.

In 2010, and despite the international economic crisis, which particularly affected the Iberian Peninsula, the Group added new segments to its product portfolio, in the areas of equipment for airports, ports and railways, with two new investments (50%) in Spanish companies – Air-Rail and Zephir.

In 2011, Ascendum began operating in this sector in the domestic market, carrying out operations through Air-Rail Portugal.

In 2012, Air-Rail España acquired a 50% stake in Air-Rail Polska, a company operating in the sale and distribution of infrastructure equipment in Poland. In 2013, the Group expanded to Morocco, starting its operations through Air-Rail Morocco (company 100% owned by Air-Rail España).

In 2016, Ascendum turnover in the infrastructure equipment business segment totaled approximately 23.8 million euros (representing about 3% of the Group's turnover), resulting, essentially, from the contribution of the business in the Spanish market.

2.3. SUSTAINABILITY POLICY

At Ascendum, sustainability stems from the balance between three key pillars, Economic, Social and Environmental, complemented by a Quality policy which aims to continuously improve the performance of the Group at all levels of operation.

The economic growth objective is, therefore, guided by sustainability and is based on:

- Entrepreneurship, innovation and quality, as a means to create and share value with customers, suppliers, partners and the community in general;

- Corporate responsibility, which is based on valuing people and the communities in which it operates, especially in the integration of disadvantaged youth and those at risk of dropping out of school;

- Reducing the environmental impact of the Group's activity, whether arising directly from its activity, or from the involvement and choice of suppliers and partners who share the same concerns;

- Implementation and validation of management procedures and systems that ensure high levels of Quality in all operations and services provided by Ascendum.

Corporate Responsibility

Ascendum once again placed its resources at the disposal of disadvantaged youth to train them, as part of the initiatives carried out by EPIS — Empresários Pela Inclusão Social (Entrepreneurs for Social Inclusion), an association of which Ascendum is a founding-partner. The association currently has over 350 member companies and is the largest private partner of the Ministry of Education, the Institute of Employment and Vocational Training, and the Regional Governments of the Azores and Madeira, having, since its inception, accompanied more than 18 thousand students in three hundred schools located in 26 municipalities across the country and the five islands of the autonomous regions. During 2016, Ascendum attended and was honored at the ceremony celebrating its 10th anniversary under new management, with the President of the Portuguese Republic also in attendance.

During the 2015/2016 academic year, EPIS implemented voluntary business programs with 8 of its members and partners, with the support of 93 volunteers, who accompanied 117 EPIS students. Ascendum Portugal also offered simulated practice sessions in computing for students attending the 9th year the Vocational Course at the Secondary School of São João da Talha, during Easter break.

In addition to this Ascendum initiative, during 2016, the geographic platforms also had local activities focused on corporate responsibility, in order to promote the well-being of the communities they are a part of. The 5 key activities carried out during the year are described below.

In the United States, various activities to support the local community were carried out in 2016. Of note the donation of school supplies to students from disadvantaged families and the donation of coats to provide warmth to children in need during the harsh winter. Events for youths were also organized at the headquarters of Buford and Raleigh to promote employability in the sector of heavy machinery.

In Mexico, Ascendum Maquinaria, through the "Tapitas que Curan" initiative, supported the recycling campaign of Fundación Alianza Infant Anticancer ABP with the purpose of collecting, storing and sending the maximum number of plastic caps. More than 30 children were helped, through the funding of transport (for children and their families), nutritional and psychological support, and medical and medicinal products.

In Turkey, the "Plant a Tree" projects is ongoing, in partnership with the TEMA foundation (Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats). This initiative consists in planting a tree for every employee birthday and every new machine sold.

In Austria, as in the previous years, a monetary donation was made to the Licht ins Dunkel charity association which shelters women and children, victims of abuse in Salzburg. In 2016, the donation focused on promoting cultural activities for the children through the funding of tickets for museums, cinemas, theaters, among others. Ascendum also made another donation which over the past 10 years has helped finance the construction of 10 homes for needy children, part of its already traditional Golf Championship in partnership with the HOME to HOME association in South Africa.

In Romania, a former Ascendum employee founded a non-profit organization that shelters orphaned children or those victim of abuse, and in 2016 Ascendum Machinery donated some old computers which helped improve the learning and education of these children, contributing to their social integration.

Environment

At Ascendum, the companies in Portugal and Austria have certified Environmental Management Systems (ISO 14001), which are subject to internal and external audits.

However, as a result of the Group's demanding environmental policy, in 2016 it continued its effort to implement a set of environmental awareness campaigns in the various geographic platforms, focusing especially on improving energy performance, waste separation, recycling and reduction in the consumption of natural resources.

In addition to the initiatives of each geographic platform, we continue to give preference to partners and suppliers who present innovative solutions which reduce the environmental impact of the Group's activity, such as Volvo, which is developing construction equipment using hybrid technology — diesel-electric engines — which contributes to lower CO2 emissions and fuel consumption, and which incorporates ecological models in its range of cars and trucks.

Moreover, the Group's entire activity strictly complies with the environmental legislation in effect in the various regions and countries, and even in the countries where the Environmental Management System is not yet certified, no environmental incidents have been recorded.

Quality

Portugal, Spain, Turkey, Austria, Slovakia and Hungary maintained the procedures already implemented as part of their certified Quality Management Systems (ISO 9001), carrying out the respective internal and external audits during the year.

Similarly, in 2016, the various Ascendum geographic platforms continued to bolster and implement the initiatives aimed at improving customer awareness and the quality of services provided, with particular emphasis on the recording and handling of non-conformities and complaints. This concern led to the implementation of the ISO 10002:2004 standard in Turkey.

Safety

The commitment to the health and safety of employees was one of the major focuses in 2016. An example of this is the fact that in the United States, the company ended the year with no accidents with days lost, and with the least number of accidents with vehicles on record.

2.4. RISKS AND UNCERTAINTIES

2.4.1 LIQUIDITY RISK

Liquidity risk is defined as the risk of the inability to settle or meet obligations under the defined terms and at a reasonable price.

The existence of liquidity in the Group companies requires performance parameters to be defined based on managing liquidity in order to maximize return and minimize opportunity costs associated with holding this liquidity, in a safe and efficient manner.

Ascendum Group's liquidity risk management aims to ensure:

(i) Liquidity, ensuring continued access in the most efficient manner to sufficient funds to meet current payments on their due dates as well as possible requests for funds by the deadlines set, even if these are not planned for;

(ii) Security, minimizing the probability of default in repayment of any application of funds; and

(iii) Financial efficiency, to ensure that companies maximize the value/minimize the opportunity cost of holding excess liquidity in the short-term.

The strategy adopted by the Ascendum Group for liquidity risk management is based on the following factors, among others:

(i) Financial planning and integrated financial management of the Group, based on the cash flow budget of the different companies;

(ii) Diversification of funding sources and adaptation of the maturity of financial liabilities, in line with cash flow generation;

(iii) Adaptation of the maturity of financial liabilities in relation to investments in non-current assets, in line with the cash flow generation of those assets;

(iv) Negotiation of short-term lines of credit, to address occasional cash needs.

Any and all surplus liquidity is applied so as best to serve the Group's liquidity and profitability objectives either in short-term financial investments, or by repaying short-term debt, in accordance with reasonable economic and financial criteria.

As at December 31, 2016 and 2015, the Group presented a net debt of 142,713,286 Euros and 166,215,828 euros, respectively, divided between current and non-current loans and cash and cash equivalents entered into/invested with various institutions (including the value of the investment in Angolan Treasury Bonds and the shares in BPI and BCP). The Group has lines of credit in the amount of 590 million euros.

2.4.2 EXCHANGE RATE RISK

Exchange rate risk reflects the possibility of recording gains or losses resulting from changes in exchange rates between different currencies.

Ascendum's exposure to exchange rate risk results from: (i) subsidiaries located in countries in which the functional currency is not the euro (particularly in the USA, Turkey, Mexico, Czech Republic, Hungary, Romania and Croatia), (ii) the operations carried out between these subsidiaries and other Ascendum companies, (iii) transactions carried out by operational companies in currencies other than Ascendum's reporting currency and (iv) financial/operational transactions carried out in currencies other than the local/functional currency (bank loans, payments to suppliers, receivables), with changes from this credit/debt and payment/receipt causing exchange gains/losses.

Accordingly, Ascendum's currency risk exposure arises because, firstly, the preparation of the Group's consolidated financial statements requires the translation of the financial statements of the subsidiaries into euros and, secondly, because of the existence of transactions/financing in currencies other than local/functional currencies (local financial statements).

The following table presents the closing exchange rates for the currencies in which the Group operates directly:

EXCHANGE RATES EVOLUTION EUR / Currency	2012	2013	2014	2015	2016
USD	1.319	1.379	1.214	1.089	1.054
TRL	2.355	2.961	2.832	3.177	3.707
MXN	17.185	18.073	17.868	18.915	21.772
CZK	25.151	27.427	27.735	27.023	27.021
HUF	292.30	297.04	315.54	315.98	309.83
RON	4.445	4.471	4.483	4.524	4.539
HRK	7.558	7.627	7.658	7.638	7.560

Source: Banco de Portugal

Any exchange rate variations that occurred in the currencies of these countries against the euro will affect the translation of the results attributable to the Ascendum Group and will, therefore, have an impact on the results and the financial position of the Group.

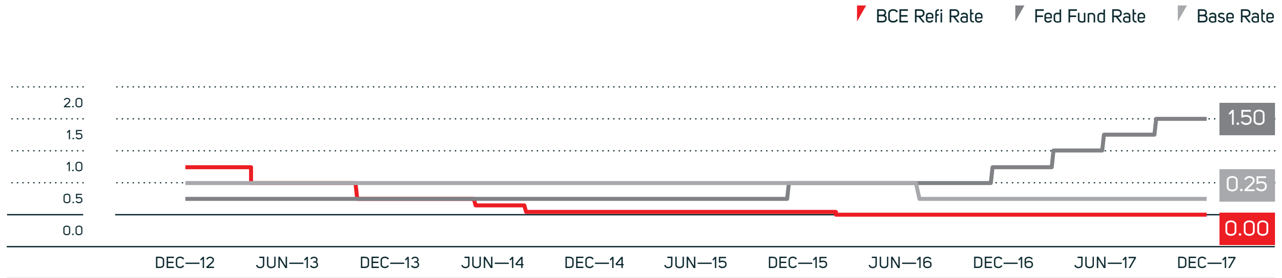
In this context, and due to the uncertainty as to the evolution of the price of the US dollar, Turkish lira, Czech koruna, Hungarian forint, Romanian leu, and Croatian kuna against the euro in the coming years, the exchange rate risk management policy followed by the Ascendum Group will aim to reduce, as far as possible, the sensitivity of its results to currency fluctuations using natural currency hedging policies.

2.4.3 INTEREST RATE RISK

Interest rate risk reflects the possibility of fluctuations in the amount of future financial expenses, due to changes in market interest rates, which may adversely affect the Ascendum Group's results.

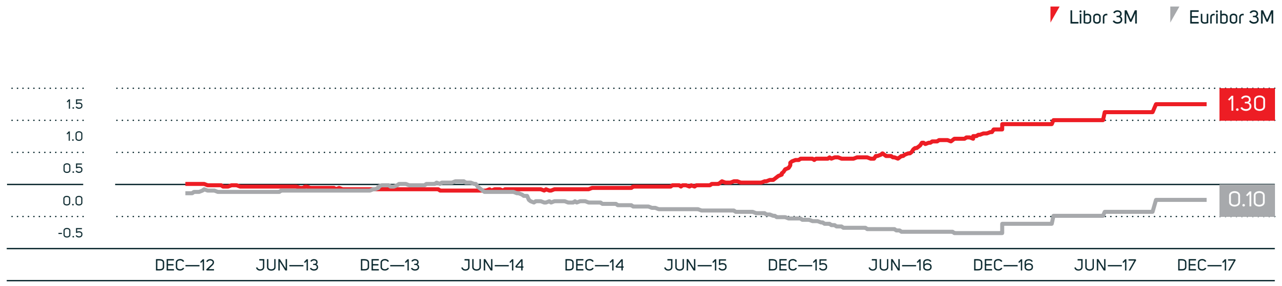
EVOLUTION OF REFERENCE INTEREST RATES (HISTORIC AND PROSPECTIVE)

(%)



EVOLUTION OF LIBOR 3M AND EURIBOR 3M INTEREST RATES (HISTORIC AND PROSPECTIVE)

(%)

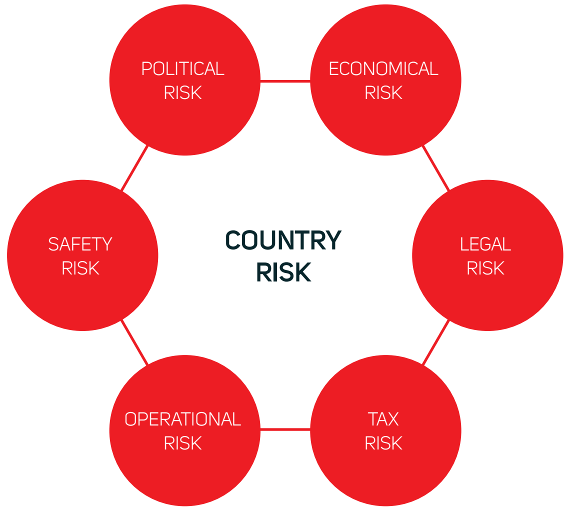


The introduction of standards in the banking system at various international levels poses challenges in access to credit for companies and individuals. As such, the uncertainty surrounding access to medium/long-term credit persists, with potential impacts on the Group's financial operations.

2.4.4 COUNTRY RISK

Country risk is a concept in finance and economics concerning the possibility of changes in a country's business environment having negative impacts on results or on the value of the assets of foreign companies established in the country and on the profits, dividends or royalties that they expect to receive from their investments.

The concept of country risk covers several risk categories that may be associated with a country, and they are:



It is in this context, and with regard to the measurement of country risk, that risk rating agencies, including Moody's, Standard & Poor's and Fitch Ratings, operate. Their main activity involves assigning classifications or ratings to the countries being analyzed, to indicate the security offered by the government and companies to foreign investors who invest their funds in the debt securities of those countries.

The country risk management policy followed by the Ascendum Group aims to reduce, as far as possible, its exposure to countries whose risk is deemed to be high, by always carrying out a careful and thorough analysis of all the markets in which it intends to establish operations, prior to any investment decision.

As at December 31, 2016, the ratings of countries in which the Group operates directly (Portugal, Spain, USA, Turkey, Mexico, Austria, Czech Republic, Hungary, Romania, Slovakia and Croatia) were the following:

RATINGS AS OF 31/12/2016

COUNTRY	MOODY'S	STANDARD & POOR'S	FITCH
PORTUGAL	Ba1 **	BB+ **	BB+ **
SPAIN	Baa2 *	BBB+ *	BBB+ *
USA	Aaa *	AA+ *	AAA *
TURKEY	Ba1 (1) **	BB (2) **	BBB-*
MEXICO	A3 *	BBB+ *	BBB+ *
AUSTRIA	Aa1 (3) *	AA+ *	AA+ *
CZECH REPUBLIC	A1 *	AA-*	A+ *
HUNGARY	Baa3 (4) *	BBB- (5) *	BBB- (6) *
ROMANIA	Baa3 *	BBB- *	BBB-*
SLOVAKIA	A2 *	A+ *	A+ *
CROATIA	Ba2 (7) **	BB **	BB **

Source: Bloomberg

(*) Investment grade
(**) Non investment grade

(1) Downgrade from Baa3 on September 23, 2016;
(2) Downgrade from BB+ on July 20, 2016;
(3) Downgrade from Aaa on June 24, 2016;
(4) Upgrade to Ba1 on November 4, 2016;
(5) Upgrade to BB+ on September 16, 2016;
(6) Upgrade to BB+ on May 20, 2016;
(7) Downgrade to Ba1 on March 11, 2016.

RATING SCALE

MOODY'S	STANDARD & POOR'S	FITCH	GRADE
Aaa	AAA	AAA	
Aa1	AA+	AA+	
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	
A2	A	A	INVESTMENT GRADE
A3	A-	A-	
Baa1	BBB+	BBB+	
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	
B2	B	B	
B3	B-	B-	NON INVESTMENT GRADE
Caa1	CCC+	CCC	
Caa2	CCC	DDD	
Caa3	CCC-	DD	
Ca	CC	D	
—	D	—	

Source: Bloomberg

2.5. FINAL CONSIDERATIONS

2.5.1 OUTLOOK

As in 2016, where the focus was on consolidating current operations, after a period of strong growth between 2010 and 2013 with the acquisition of operations in Turkey and Central Europe, and entry into the Mexican market, Ascendum will continue to prioritize operational and business process optimization in 2017, so as to maximize the Company's future growth capacity. In parallel, Ascendum will seek to /may analyze new investment opportunities, in order to prepare a new period of growth in the medium/long-term.

Thus, in 2017 the Ascendum Group's priorities will remain focused on the following areas:

a) Operational and business process optimization

In this regard, Ascendum will continue to promote the easing of operational structures, through a clear investment in business information systems (e.g. roll out of SAP ERP to the various geographic platforms, optimization of cash / financial management), in tools to share knowledge and information in order to broaden business know-how and the working capital and cash management processes, maximizing the efficiency of the Company's operations in the various geographical platforms in which it operates.

In 2017, the management will continue to strongly focus on the implementation of optimization / consolidation measures in the more recent operations — Mexico and Central Europe — in their various operational and support areas, as well as on the continuous monitoring and effective management of the various operational risks Ascendum faces.

b) Maximizing synergies

Additionally, and in order to maximize the dimension of Ascendum's operation and to *monetize* the strong investment in training and the internal mechanisms of knowledge sharing, a set of cross-cutting projects will be developed across the multiple geographic platforms that seek to *take advantage of* the global dimension of the opperations.

c) Exchange rate risk management

Additionally, given the multiplicity of countries in which the Group operates and the importance of the issue, a project centered on defining a framework for exchange rate risk management will be developed, with the purpose of identifying and mapping the exchange rate risks and business processes (with a currency impact on business), assessing the main financial /business process flows from the perspective of the underlying currency, identifying opportunities to optimize business processes (with currency impact on business) and identifying solutions that can be implemented to mitigate the risks identified.

2.5.2 EVENTS THAT OCCURRED AFTER YEAR END

Between December 31, 2016, and the date this consolidated management report was issued, there were no events or transactions of material relevance to report. Nevertheless, the Board would like to disclose the following facts:

- On January 2, 2017, the subsidiary Ascendum II – Veículos Unipessoal Lda. was split, with accounting and tax effects as at January 1, 2017 (now called Ascendum Automóveis, Unipessoal Lda.), through which its trucks business unit was transferred to the new subsidiary — Ascendum Camiões, Unipessoal Lda., established for this purpose.

- Spanish subsidiary Ascendum España, S.L., sold all the shares it held in Banco BPI, as part of CaixaBank's takeover, for a price higher than the purchase price and higher than the share price as at December 31, 2016.

2.5.3 DATE OF THE MANAGEMENT REPORT

March 10, 2017
THE BOARD OF DIRECTORS

THE MOST INNOVATIVE
SOLUTIONS FOR
SUPPLYING YOUR
COMPANY'S NEEDS.

**STRONGER
BY YOUR
SIDE.**

FINANCIAL STATEMENTS AND ANNEX

03.

ASCENDUM

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT DECEMBER 31, 2016 AND 2015

Amounts expressed in Euros

	NOTES	DATES	
		31/12/16	31/12/15
ASSETS			
Non current Assets			
Property, plant and equipment	7 and 32	140,244,244	146,494,023
Investment properties	8	2,998,953	2,970,483
Goodwill	9	36,329,314	38,504,192
Intangible assets	6	9,056,689	7,172,487
Financial Investments – Equity method	10	151,811	136,133
Financial Investments – Other methods	10	12,795,958	12,349,353
Other accounts receivable	13	990,161	1,053,780
Other financial assets	10	219,440	198,651
Deferred income tax assets	15	15,291,127	17,093,362
		218,077,697	**225,972,464**
Current Assets			
Inventories	11 and 32	173,407,480	159,684,115
Trade and other receivables	12 and 32	105,295,813	102,145,130
Prepayments to suppliers	13	3,633,831	2,803,014
State and other public entities	23	15,211,983	13,972,394
Other Accounts receivables	13 and 32	5,587,651	3,878,005
Deferrals	14	2,248,797	1,831,071
Other financial assets	10	6,206,459	9,248
Cash and bank deposits	16	12,922,460	15,078,654
		324,514,473	**299,401,632**
Total Assets		**542,592,170**	**525,374,096**
EQUITY AND LIABILITIES			
Equity			
Share capital	17	15,000,000	15,000,000
Legal reserves	17	3,000,000	3,000,000
Revaluation reserves	17	8,373,768	8,373,768
Retained earnings	17	80,373,172	67,176,986
Fair value reserves	17	(2,303,989)	276,924
Other reserves	17	26,660,850	42,660,850
Profit for the year	17	17,250,623	15,818,739
		148,354,425	**152,307,268**
Non-controlling interests	19	4,093,472	4,008,385
Total Equity	18	**152,447,897**	**156,315,653**
Liabilities			
Non current liabilities			
Provisions	25 and 32	4,615,946	4,497,817
Borrowings	20 and 32	82,522,961	95,815,535
Deferred income tax liabilities	15 and 32	22,379,596	19,858,676
Other liabilities	22 and 32	43,678,338	24,287,696
		153,196,842	**144,459,725**
Current liabilities			
Trade and other payables	21 and 32	95,835,682	69,449,477
Prepayments from customers	12	2,552,946	2,149,222
State and other public entities	23	10,100,417	20,865,046
Borrowings	20 and 32	91,856,637	97,583,505
Other liabilities	22 and 32	34,142,031	31,412,686
Deferrals	24	2,459,719	3,138,782
		236,947,431	**224,598,718**
Total Liabilities		**390,144,273**	**369,058,443**
Total Equity and Liabilities		**542,592,170**	**525,374,096**

CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

CONSOLIDATED STATEMENT OF INCOME AT DECEMBER 31, 2016 AND 2015

Amounts expressed in Euros

	NOTES	DATES	
		31/12/16	31/12/15
INCOME AND EXPENSES			
Sales and services rendered	32	862,402,369	820,501,351
Changes in inventories of production	11	710,417	(447,476)
Works for the entity		208,008	195,073
Cost of sales	11 and 32	(662,313,319)	(626,189,956)
Gross Profit		**201,007,474**	**194,058,992**
External supplies and services	32 and 40	(59,933,831)	(56,575,475)
Personnel expenses	31, 32, and 41	(70,089,737)	(68,819,046)
Inventories impairments (losses/reversals)	25	(243,221)	(418,008)
Accounts receivable impairments (losses/reversals)	25	(139,736)	114,015
Provisions (increase/decrease)	25	701,568	(342,512)
Impairment of non-depreciable/amortizable investments (losses/reversals)	10.2	0	(15,292)
Fair value (increase/decrease)	10.2	(7,867)	(3,818)
Operating subsidies		175,006	28,765
Gains/losses on subsidiaries, associated companies and joint ventures	10.1	52,670	49,723
Other income and gains	33	9,199,150	18,265,788
Other expenses and losses	42	(7,204,473)	(17,620,324)
Depreciation and amortization expenses/reversals	6 and 7	(30,142,679)	(30,680,965)
Impairment of depreciable/amortizable investments (losses/reversals)		(49,066)	(211,218)
Operating profit (before finance results and income tax)		**43,325,258**	**37,830,626**
Interest and similar finance incomes	35	389,354	112,521
Interest and similar finance costs	35	(14,765,850)	(11,658,180)
Profit before income tax		**28,948,762**	**26,284,967**
Income tax expense	28	(11,359,077)	(10,149,244)
Profit for the year	32	**17,589,685**	**16,135,723**
Attributable to:			
Owners of the parent		17,250,623	15,818,739
Non-controlling interests	19	339,061	316,982
	32	17,589,685	16,135,723
Earnings per share	29	1.17	1.08

CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AT DECEMBER 31, 2016 AND 2015

		RESERVES			RESERVES						
	SHARE CAPITAL	LEGAL RESERVES	REVALUATION RESERVES	RETAINED EARNINGS	FAIR VALUE RESERVES	OTHER RESERVES	TOTAL RESERVES	PROFIT FOR THE YEAR	SUBTOTAL	NON-CONTROLLING INTERESTS	TOTAL
As at January 1, 2015	**15,000,000**	**3,000,000**	**8,614,081**	**51,149,275**	**387,405**	**56,116,096**	**119,266,857**	**11,529,604**	**145,796,461**	**4,799,843**	**150,596,303**
Changes in the period:											
Consolidated profit application – 2014				11,529,604			11,529,604	(11,529,604)	0		0
Fair value variation on available for sale financial assets					627,642		627,642		627,642		627,642
Tax impact – Fair value variation on available for sale financial assets					(738,123)		(738,123)		(738,123)		(738,123)
Goodwill exchange differences				(999,549)			(999,549)		(999,549)		(999,549)
Financial statments exchange differences				(3,382,708)			(3,382,708)		(3,382,708)	(902,344)	(4,285,052)
Transfer of retained earnings to other reserves				8,455,246		(8,455,246)	0		0		0
Others			(240,313)	425,118			184,805		184,805	(206,097)	(21,292)
	0	**0**	**(240,313)**	**16,027,711**	**(110,481)**	**(8,455,246)**	**7,221,671**	**(11,529,604)**	**(4,307,933)**	**(1,108,441)**	**(5,416,374)**
Profit for the Year								15,818,739	15,818,739	316,982	16,135,723
Comprehensive income for the year								11,326,002	11,326,002	(585,363)	10,740,639
Operations with shareholders in the period:											
Distributions						(5,000,000)	(5,000,000)		(5,000,000)		(5,000,000)
	0	**0**	**0**	**0**	**0**	**(5,000,000)**	**(5,000,000)**	**0**	**(5,000,000)**		**(5,000,000)**
As at December 31, 2015	**15,000,000**	**3,000,000**	**8,373,768**	**67,176,986**	**276,924**	**42,660,850**	**121,488,528**	**15,818,739**	**152,307,268**	**4,008,385**	**156,315,653**
As at January 1, 2016	**15,000,000**	**3,000,000**	**8,373,768**	**67,176,986**	**276,924**	**42,660,850**	**121,488,528**	**15,818,739**	**152,307,268**	**4,008,385**	**156,315,653**
Changes in the period:											
Consolidated profit application – 2015	0	0	0	15,818,739	0	0	15,818,739	(15,818,739)	0	0	0
Fair value variation on available for sale financial assets	0	0	0	0	454,474	0	454,474	0	454,474	0	454,474
Tax impact – Fair value variation on available for sale financial assets	0	0	0	0	(3,035,387)	0	(3,035,387)	0	(3,035,387)	0	(3,035,387)
Goodwill exchange differences	0	0	0	(1,065,877)	0	0	(1,065,877)	0	(1,065,877)	0	(1,065,877)
Financial statments exchange differences	0	0	0	(988,630)	0	0	(988,630)	0	(988,630)	111,591	(877,039)
Others	0	0	0	(568,045)	0	0	(568,045)	0	(568,045)	(365,564)	(933,609)
	0	**0**	**0**	**13,196,187**	**(2,580,913)**	**0**	**10,615,274**	**(15,818,739)**	**(5,203,465)**	**(253 973)**	**(5,457,438)**
Profit for the Year								17,250,623	17,250,623	339,061	17,589,685
Comprehensive income for the year								12,615,203	12,615,203	450,652	13,065,855
Operations with shareholders in the period:											
Distributions	0	0	0	0	0	(16,000,000)	(16,000,000)	0	(16,000,000)	0	(16,000,000)
	0	**0**	**0**	**0**	**0**	**(16 000 000)**	**(16 000 000)**	**0**	**(16 000 000)**	**0**	**(16,000,000)**
As at December 31, 2016	**15,000,000**	**3,000,000**	**8,373,768**	**80,373,172**	**(2,303,989)**	**26,660,850**	**116,103,802**	**17,250,623**	**148,354,425**	**4,093,472**	**152,447,897**

The notes to the consolidated financial statements are an integral part of this statement at December 31, 2016

CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

CONSOLIDATED STATEMENT OF CASH FLOW AT DECEMBER 31, 2016 AND 2015

Amounts expressed in Euros

	NOTES	DATES 31/12/16	31/12/15
CASH FLOWS FROM OPERATING ACTIVITIES			
Accounts receivables		859,515,674	820,427,468
Accounts payables		(709,739,923)	(692,365,756)
Staff payables		(70,089,737)	(67,923,083)
Operating cash flows		**79,686,013**	**60,138,629**
Income tax payable/receivable		(23,165,250)	3,225,317
Other receivables/payables		8,541,688	(25,999,059)
Cash flows from operating activities (1)		**65,062,451**	**37,364,887**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments:			
Property, plant and equipment		(13,145,278)	(24,013,283)
Intangible assets		(1,884,202)	(1,149,012)
Financial Investments		0	(175,989)
Other assets		(6,197,211)	0
Receipts:			
Property, plant and equipment		4,871,117	13,509,901
Interest and similar income		389,354	1,229,498
Cash flows from investing activities (2)		**(15,966,220)**	**(10,598,884)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts:			
Borrowings		0	0
Payments:			
Borrowings		(19,019,442)	(8,710,920)
Interest and similar costs		(14,765,850)	(10,317,888)
Dividends		(16,000,000)	(5,000,000)
Cash flows from financing activities (3)		**(49,785,292)**	**(24,028,808)**
Net increase/decrease in cash and cash equivalents (1+2+3)		**(689,061)**	**2,737,195**
Net foreign exchange difference		(1,467,132)	(789,317)
Cash and cash equivalents at 1 January	16	**15,078,654**	**13,130,776**
Cash and cash equivalents at 31 December	16	**12,922,461**	**15,078,654**

The notes to the consolidated financial statements are an integral part of this statement at December 31, 2016

CERTIFIED ACCOUNTANT THE BOARD OF DIRECTORS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT DECEMBER 31, 2016 AND 2015

	31/12/16	31/12/15
Consolidated profit for the year including non-controlling interests	**17,589,685**	**16,135,723**
Fair value variation on available for sale financial assets	454,474	709,423
Tax impact of changes in fair value on available for sale financial assets	(3,035,387)	(819,904)
Goodwill exchange differences	(1,065,877)	(999,549)
Financial statements exchange differences	(877,039)	(4,285,051)
Comprehensive income for the year	**13,065,855**	**10,740,640**
Owners of the parent	12,615,203	11,326,002
Non-controlling interests	450,652	(585,363)

The notes to the consolidated financial statements are an integral part of this statement at December 31, 2016

CERTIFIED ACCOUNTANT THE BOARD OF DIRECTORS

ANNEX – NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2016

1. INTRODUCTORY NOTE

The Ascendum Group consists of a group of companies located in Portugal, Spain, USA, Turkey, Mexico, and Central Europe (Austria, Croatia, Slovakia, Hungary, Romania and the Czech Republic) as well as, through its subsidiaries, being present in Poland, Morocco, Angola and Mozambique. The parent company – Ascendum S.A., was founded in 1959 and had its headquarters in Coimbra until the end of 2011. However, on November 28, 2011, the partners decided to transform the company into a limited liability company and to change its headquarters to Praça Marquês de Pombal, n.º 3-A, 5.º andar, Lisbon – Portugal. Ascendum mainly operates in the import and distribution of equipment for construction and public works, logistics, port and airport infrastructures, railways and agriculture, and in Portugal it is also the representative of the Volvo and Mitsubishi vehicle brands for part of the country. It also imports and distributes parts and components and has repair workshops for the equipment and vehicles it represents.

As at December 31, 2016, the Ascendum Group Companies, and their headquarters are as follows:

COMPANY	HEADQUARTERS	% SHAREHOLDING
HEADQUARTERED IN PORTUGAL:		
AIR-RAIL (PORTUGAL), Sociedade Unipessoal, LDA.	Estrada Nacional 10, Apartado 2094, 2696-801 São João da Talha, Loures – PORTUGAL	50%
AMPLITUDE SEGUROS – Corretores de Seguros, S.A.	R. Conde da Covilhã, nº 1637, 4100-189 PORTO	33.3%
ARNADO – Sociedade de Exploração e Administração de Imóveis S.A.	R. João de Ruão 12 – 3000-229 COIMBRA – PORTUGAL	5%
Ascendum II – VEICULOS, UNIPESSOAL LDA.	R. Manuel Madeira, Marcos da Pedrulha, 3021-901 COIMBRA – PORTUGAL	100%
Ascendum III – MÁQUINAS, UNIPESSOAL LDA.	R. Vasco da Gama, nº 15, 2696-997 PORTELA, SACAVÉM – PORTUGAL	100%
Ascendum PORTUGAL, Serviços de Gestão, S.A.	Rua do Brasil, nº 27 – Apartado 2094 | 2696-801 São João da Talha	100%
Ascendum, S.A.	Praça Marquês de Pombal nº 3 A – 5º, 1250-161 LISBOA – PORTUGAL	Parent company
GLOMAK SGPS, S.A.	R. Vilar de senhor, 461, 4455-213, Lavra, Matosinhos – PORTUGAL	100%
TRACTORRASTOS – Sociedade vendedora de acessórios, LDA.	Rua da Mata, nº3 Padrão – Leiria 2410-199 Leiria	100%
HEADQUARTERED IN OTHER COUNTRIES:		
AIR RAIL MAROC, S.A.R.L.A.U.	4 Lotissement La Coline – Sidi Maarouf – 20270 – Casablanca – MAROC	50%
AIR-RAIL POLSKA, Sp. Z.o.o.	Ul. Szpitalna 8 lokal 9, 00-0031 Warsawa	50%
AIR-RAIL, S.L.	Calle Alsasua, 16, 28023 MADRID, ESPAÑA	50%
ART HAVA VE RAY EKIPMANLARI LTD. STI	Fatih Mahallesi Katip Çelebi Caddesi, nº 43, 34956 – Tuzla, ISTANBUL – TURQUIA	50%
ASC CONSTRUCTION EQUIPMENT, INC.	9115 Harris Corner Parkway, suite 450, CHARLOTTE, NC 28269 – USA	100%
Ascendum MAQUINARIA MEXICO, S.A. DE C.V.	Carretera Mexico Queretaro KM 32.5	100%
Ascendum MAKÍNA TÍCARET A.Ş.	Fatih Mahallesi Katip Çelebi Caddesi, nº 43, 34956 – Tuzla, ISTANBUL – TURQUIA	100%
Ascendum BAUMASCHINEN ÖSTERREICH GMBH	Grafenholzweg 1, 5101 Bergheim bei Salzburg, Bergheim – AUSTRIA	100%
Ascendum ÉPÍTOGÉPEK HUNGÁRIA KERESKEDELMI Kft	1141 Budapest, Nótárius utca 13-15 – HUNGARY	100%
Ascendum ESPAÑA, S.L.	Parque Empresarial San Fernando, Edificio Munich, Planta 3, 28830 MADRID – ESPAÑA	100%
Ascendum CENTRAL EUROPE GMBH	Grafenholzweg 1, 5101 Bergheim bei Salzburg, Bergheim – AUSTRIA	100%
Ascendum GRADEVINSKI STROJEVI HRVATSKA d.o.o	Karlovačka cesta 94, 10250 Lučko/Zagreb, Croatia	100%
Ascendum MACHINERY SRL	Şoseaua Odăii Nr. 439 Sector 1, 013606 Bucureşti, Romania	100%
Ascendum TÜRKÍYE YATIRIM HOLDÍNG ANONÍM ŞİRKETÍ	Fatih Mahallesi Katip Çelebi Caddesi, nº 43, 34956 – Tuzla, ISTANBUL – TURQUIA	100%
Ascendum STAVEBENI STROJE CZECH s.r.o	Plzeňská 430, 267 12 Loděnice, Czech Republic	100%
Ascendum STRAVEBENE STROJE SLOVENSKO s.r.o	Pestovateľská 10, 821 04 Bratislava – SLOVAKIA	100%
HARDPARTS MOÇAMBIQUE, Limitada	Avenida Julius Neyerere, 2399, Maputo – MOÇAMBIQUE	100%
Importadora Distribuidora de Maquinaria Industrial ZEPHIR, S.L.	Calle Alsasua, 16, 28023 MADRID, ESPAÑA	50%
TEA ALOYA INMOBILIARIA, S.A.U.	Parque Empresarial San Fernando, Edificio Munich, Planta 3, 28830 MADRID – ESPAÑA	100%
TRP YEDEK PARÇA ITHALAT IHRACAT VE PAZARLAMA LIMITED SIRKETI	Fatih Mahallesi Katip Çelebi Caddesi, nº 43, 34956 – Tuzla, ISTANBUL – TURQUIA	100%
Ascendum MAQUINARIA, S.A.	Parque Empresarial San Fernando, Edificio Munich, Planta 3, 28830 MADRID – ESPAÑA	100%
VOLRENTAL ATLÁNTICO, S.A.U.	Carretera de Castilla nº 167, BETANZOS (La Coruña) – ESPAÑA	68.89%

The accompanying financial statements are presented in euros (rounded off to the nearest unit). External operations that use a functional currency other than the euro are included in the consolidated financial statements in line with the policy described in paragraph 2.2 d).

2. MAIN ACCOUNTING POLICIES

The main accounting policies used in preparing the accompanying consolidated financial statements are the following:

2.1. BASIS OF PRESENTATION

The accompanying financial statements relate to the consolidated financial statements of Ascendum and were prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), the International Accounting Standards (IAS) issued by the International Accounting Standards Committee (IASC) and their interpretations – IFRIC and SIC issued respectively by the International Financial Reporting Interpretations Committee (IFRIC) and by the Standing Interpretations Committee (SIC), adopted by the European Union and in force for the financial years beginning January 1, 2016.

2.1.1. The impact of the adoption of the amendments to standards that became effective as of January 1, 2016 is as follows:

a) IAS 1 (amendment), 'Disclosure initiative'. This amendment provides guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements, the disclosure of accounting policies and OCI items presentation when arising from investments measured at equity method. The adoption of this amendment had no impact on the company's financial statements.

b) IAS 16 and IAS 38 (amendment), 'Acceptable methods of depreciation and amortisation calculation'. This amendment clarifies that the use of revenue-based methods to calculate the depreciation/amortization of an asset is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an asset. It shall be applied prospectively. The adoption of this amendment had no impact on the company's financial statements.

c) IAS 16 and IAS 41 (amendment), 'Agriculture: bearer plants'. This amendment defines the concept of a bearer plant and removes it from the scope of IAS 41 – Agriculture, to the scope of IAS 16 – Property, plant and equipment, with the consequential impact on measurement. However, the produce growing on bearer plants will remain within the scope of IAS 41 – Agriculture. Not applicable.

d) IAS 19 (amendment), 'Defined benefit plans – Employee contributions'. This amendment applies to contributions from employees or third parties to defined benefit plans and aims to simplify the accounting when contributions are not associated to the number of years of service. The adoption of this amendment had no impact on the company`s financial statements.

e) IAS 27 (amendment), 'Equity method in separate financial statements'. This amendment allows entities to use equity method to measure investments in subsidiaries, joint ventures and associates in separate financial statements. This amendment applies retrospectively. The adoption of this amendment had no impact on the company`s financial statements.

f) Amendment to IFRS 10, 12 and IAS 28, 'Investment entities: applying consolidation exception'. This amendment clarifies that the exemption from the obligation to prepare consolidated financial statements by investment entities applies to an intermediate parent which is a subsidiary of an investment entity. The policy choice to apply the equity method, under IAS 28, is extended to an entity which is not an investment entity, but has an interest in an associate, or joint venture, which is an investment entity. The adoption of this amendment had no impact on the company`s financial statements.

g) IFRS 11 (amendment), 'Accounting for the acquisition of interests in joint operations'. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business, through the application of IFRS 3's principles. The adoption of this amendment had no impact on the company`s financial statements.

h) Annual Improvements 2010 – 2012. The 2010-2012 annual improvements affects: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and 38, and IAS 24.

IFRS 2, 'Share based payments'. This improvement amends the definitions of vesting conditions that considers that only two type of conditions exist, the perform performance conditions and the service conditions. The new definition of performance condition foresees that only conditions attached to the entity are considered. The adoption of this amendment had no impact on the company`s financial statements.

IFRS 3, 'Business combinations'. This improvement clarifies that an obligation to pay contingent consideration is classified in accordance with IAS 32, as liability or equity, if it meets the financial instrument definition. The contingent consideration which classifies as a liability shall be measured at fair value through profit and loss. The adoption of this amendment had no impact on the company`s financial statements.

IFRS 8, 'Operating segments'. This improvement amends IFRS 8 to require disclosure of the judgments made by management in aggregating operating segments and the reconciliation of segment assets with the entity's total assets in financial statements, when the information is reported. The adoption of this amendment had no impact on the company`s financial statements.

IFRS 13, 'Fair value'. This improvement clarifies that the ability to measure short-term receivables and payables at the invoiced amounts where the impact of not discounting is immaterial, was not removed by IFRS 13. The adoption of this amendment had no impact on the company`s financial statements.

IAS 16, 'Property, plant and equipment' and IAS 38 'Intangible assets'. This improvement clarifies how the gross carrying amount and the accumulated depreciation/amortization are treated, when an entity uses the revaluation model for subsequent measurement of PP&E and intangible assets, foreseeing two models. This clarification is significant when useful lives or depreciation/amortization methods are reviewed in the revaluation period. The adoption of this amendment had no impact on the company`s financial statements.

IAS 24, 'Related parties'. This improvement amends IAS 24 to include as a related party an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity. The adoption of this amendment had no impact on the company`s financial statements.

i) Annual Improvements 2012 – 2014. The 2012-2014 annual improvements affects: IFRS 5, IFRS 7, IAS 19 and IAS 34.

IFRS 5, 'Non-current assets held for sale and discontinued operations'. This improvement clarifies that when an asset (or disposal group) is reclassified from "held for sale" to "held for distribution", or vice versa this does not constitute a change to a plan of sale or distribution. The adoption of this amendment had no impact on the company`s financial statements.

IFRS 7, 'Financial instruments: disclosures'. This improvement provides guidance on what is meant by continuing involvement in a transfer (derecognition) of financial assets, for the purpose of required disclosures. The adoption of this amendment had no impact on the company`s financial statements.

IAS 19, 'Employee benefits'. This improvement clarifies that, when determining the discount rate for post-employment defined benefit obligations, this must refer to high quality bonds with the same currency at which liabilities are denominated. The adoption of this amendment had no impact on the company`s financial statements.

IAS 34, 'Interim financial reporting'. This improvement clarifies the meaning of "information disclosed elsewhere in the interim financial report" and requires the cross referencing to that information. The adoption of this amendment had no impact on the company`s financial statements.

2.1.2. Standards that have been published and are mandatory for the accounting periods beginning on or after January 1, 2017, and were already endorsed by the EU:

a) IFRS 9 (new), 'Financial instruments' (effective for annual periods beginning on or after January 1, 2018). IFRS 9 replaces the guidance in IAS 39, regarding: (i) the classification and measurement of financial assets and liabilities; (ii) the recognition of credit impairment (through the expected credit losses model); and (iii) the hedge accounting requirements and recognition. The adoption of this amendment will have no impact on the company's financial statements.

b) IFRS 15 (new), 'Revenue from contracts with customers' (effective for annual periods beginning on or after January 1, 2018). This new standard, applies only to contracts with customers to provide goods or services, and requires an entity to recognise revenue when the contractual obligation to deliver the goods or services is satisfied and by the amount that reflects the consideration the entity is expected to be entitled to, following a five step approach. The adoption of this amendment will have no impact on the company`s financial statements.

2.1.3. Standards (new and amendments) and interpretations that have been published and are mandatory for the accounting periods beginning on or after January 1, 2017, but are not yet endorsed by the EU:

2.1.3.1. Standards

a) IAS 7 (amendment), 'Cash flow statement – Disclosure initiative' (effective for annual periods beginning on or after January 1, 2017). This amendment is still subject to endorsement by the European Union. This amendment introduces an additional disclosure about the changes in liabilities arising from financing activities, disaggregated between cash changes and non-cash changes and how it reconciles with the reported cash flows from financing activities, in the Cash Flow Statement. The adoption of this amendment will have no significant impact on the company`s financial statements.

b) IAS 12 (amendment),'Income taxes – Recognition of deferred tax assets for unrealised losses' (effective for annual periods beginning on or after January 1, 2017). This amendment is still subject to endorsement by the European Union. This amendment clarifies how to account for deferred tax assets related to assets measured at fair value, how to estimate future taxable profits when temporary deductible differences exist and how to assess recoverability of deferred tax assets when restrictions exist in the tax law. The adoption of this amendment will have no significant impact on the company`s financial statements.

c) IAS 40 (amendment), 'Transfers of Investment property' (effective for annual periods beginning on or after January 1, 2018). This amendment is still subject to endorsement by the European Union. This amendment clarifies when assets are transferred to, or from investment properties, the evidence of the change in use is required. A change of management intention in isolation is not enough to support a transfer. The adoption of this amendment will have no significant impact on the company`s financial statements.

d) IFRS 2 (amendment), 'Classification and measurement of share-based payment transactions' (effective for annual periods beginning on or after January 1, 2018). This amendment is still subject to endorsement by the European Union. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications to a share-based payment plan that change the classification an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The adoption of this amendment will have no significant impact on the company`s financial statements.

e) IFRS 4 (amendment), 'Insurance contracts (Applying IFRS 4 with IFRS 9)' transactions' (effective for annual periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by the European Union. This amendment allows companies that issue insurance contracts the option to recognise in Other Comprehensive Income, rather than Profit or Loss the volatility that could rise when IFRS 9 is applied before the new insurance contract standard is issued. Additionally, it is given an optional temporary exemption from applying IFRS 9 until 2021, to the companies whose activities are predominantly connected with insurance, not being applicable at consolidated level. The adoption of this amendment will have no significant impact on the company`s financial statements.

f) Amendments to IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after January 1, 2018). These amendments are still subject to endorsement by European Union. These amendments refer to additional guidance for determining the performance obligations in a contract, the timing of revenue recognition from a license of intellectual property, the review of the indicators for principal versus agent classification, and to new practical expedients to simplify transition. The adoption of this amendment will have no significant impact on the company`s financial statements.

g) IFRS 16 (new), 'Leases' (effective for annual periods beginning on or after January 1, 2019). This standard is still subject to endorsement by European Union. This new standard replaces the IAS 17 with a significant impact on the accounting by lessees that are now required to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for all lease contracts, except for certain short-term leases and for low-value assets. The definition of a lease contract also changed, being based on the "right to control the use of an identified asset". The various group companies utilize the facilities and other assets, which according to standard law in force are treated as finance leases. In the light of the changes in this standard, it shall be assessed the treatment to these contracts.

h) Annual Improvement 2014 – 2016, (generally effective for annual periods beginning on or after January 1, 2017). These improvements are still subject to endorsement by European Union. The 2014-2016 annual improvements impact: IFRS 1, IFRS 12 and IAS 28.

IFRS 1, 'First time adoption of IFRS' (effective for annual periods beginning on or after January 1, 2018). This improvement is still subject to endorsement by European Union. This improvement deletes the short term exemptions for IFRS 7, IFRS 10 and IAS 19 because they were no longer applicable. The adoption of this amendment will have no significant impact on the company`s financial statements.

IFRS 12, 'Disclosure of interest in other entities' (effective for annual periods beginning on or after January 1, 2017). This improvement is still subject to endorsement by European Union. This improvement intends to clarify the scope of IFRS 12 with respect to interests in entities within the scope of IFRS 5 and that the only exemption refers to the disclosure of summarized financial information for those entities. The adoption of this amendment will have no significant impact on the company`s financial statements.

IAS 28, 'Investments in associates and joint ventures' (effective for annual periods beginning on or after January 1, 2018). This improvement is still subject to endorsement by European Union. This improvement clarifies that investments in associates or joint ventures held by a venture capital organization are allowed to be measured at fair value in accordance with IFRS 9, on a stand-alone basis. This improvement also clarifies that an entity that it is not an investment entity but holds investments in associates and joint ventures that are investment entities, is entitled to retain the fair value measurement of the associate's and joint venture's interest in its own subsidiaries. The adoption of this amendment will have no significant impact on the company`s financial statements.

2.1.3.2. Interpretations

IFRIC 22 (new), 'Foreign currency transactions and advance consideration' (effective for annual periods beginning on or after January 1, 2018). This interpretation is still subject to endorsement by European Union. An Interpretation to IAS 21 'The effects of changes in foreign exchange rates' it refers to the determination of the "date of transaction" when an entity either pays or receives consideration in advance for foreign currency denominated contracts". The date of transaction determines the exchange rate used to translate the foreign currency transactions. The adoption of this amendment will have no significant impact on the company`s financial statements.

Summary table of new standards:

DESCRIPTION	CHANGES	EFFECTIVE DATE
1. Effective amendments to standards as at January 1, 2016		
IAS 1 – Presentation of financial statements	Review of disclosures under the "Disclosure initiative" IASB project	January 1, 2016
IAS 16 and IAS 38 – Acceptable methods of depreciation/ amortisation	Clarification that revenue based methods should not be used to measure the consumption of fixed and intangible assets' economic benefits	January 1, 2016
IAS 16 and IAS 41 – Agriculture: bearer plants	Bearer plants are included within the scope of IAS 16, measured either at cost or revaluated amounts	January 1, 2016
IAS 19 – Defined benefit plans	Accounting for contributions independent of years of service	February 1, 2015
IAS 27 – Separate financial statements	Option to measure investments in subsidiaries, joint ventures and associates using equity method	January 1, 2016
Amendments to IFRS 10, 12 and IAS 28: Investment entities – applying consolidation exception	Investment entities' exemption applies to an intermediate parent that is a subsidiary of an investment entity	January 1, 2016
IFRS 11 – Joint arrangements	Accounting for acquisition of interest in a joint operation that is a business	January 1, 2016
Annual improvements to IFRS's 2010 – 2012	Clarifications: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 24	February 1, 2015
Annual improvements to IFRS's 2012 – 2014	Clarifications: IFRS 5, IFRS 7, IAS 19 and IAS 34	January 1, 2016
2. Standards that will become effective, on or after January 1, 2017, already endorsed by the EU		
IFRS 9 – Financial instruments	New standard for the accounting of financial instruments'	January 1, 2018
IFRS 15 – Revenue from contracts with customers	Revenue recognition for the provision of goods or services, following a five step approach	January 1, 2018
3. Standards (new and amendments) and interpretations that will become effective, on or after January 1, 2017, not yet endorsed by the EU		
3.1 – Standards		
IAS 7 – Cash flow statement	Reconciliation of changes in financing liabilities with Cash flows for financing activities	January 1, 2017
IAS 12 – Income taxes	Accounting for deferred tax assets on assets measured at fair value, the impact of deductible temporary differences in future taxable income estimates and the impact of restrictions on the recoverability of deferred tax assets	January 1, 2017
IAS 40 – Investment property	Clarification that evidence of the change in use is required, when assets are transferred to, or from investment properties category	January 1, 2018
IFRS 2 – Share-based payments	Measurement of cash-settled share-based payments, accounting for modifications and classification as equity-settled share-based payments when employer withholds tax	January 1, 2018
IFRS 4 – Applying IFRS 4 with IFRS 9	Temporary exemption for insurance companies only, from applying IFRS 9 for annual periods beginning before 1 January 2021. Overlay approach for assets within IFRS 4 that qualify as FVTPL under IFRS 9 and at amortised cost under IAS 39, being the measurement difference reclassified to OCI.	January 1, 2018
Amendments to IFRS 15 – Revenue from contracts with customers	Identification of performance obligations, timing of revenue recognition from licenses of IP, change to principle versus agent guidance, and new practical expedients on transition	January 1, 2018
IFRS 16 – Leases	New definition of lease. New accounting of lease contracts to lessees. No major changes to lessors lease accounting.	January 1, 2019
Annual improvements to IFRS's 2014 – 2016	Clarifications: IFRS 1, IFRS 12 and IAS 28	January 1, 2017 and January 1, 2018
3.2 – Interpretations		
IFRIC 22 – Foreign currency transactions and advance consideration	Foreign exchange rate to apply when consideration is paid or received in advance	January 1, 2018

2.2. CONSOLIDATION PRINCIPLES

The consolidation principles adopted by the Group are the following:

a) Financial investments in Group companies

The financial investments in companies in which the Group has direct and/or indirect voting rights of over 50% of the voting rights at the General Meeting of Shareholders or Partners or in which it has the power to control its financial and operating policies in order to benefit from their activities have been included in the consolidated financial statements using the full consolidation method. The equity and net income of these companies, attributable to the investments of third parties in those same companies, are included separately in the consolidated statement of financial position and the consolidated income statement, under "Non-controlling interests". The Group companies included in the consolidated financial statements are listed in Note 4.

The accumulated losses of a subsidiary are attributed to the non-controlling interests, in the proportions held, which may result in the recognition of negative non-controlling interests.

In business combinations prior to 2010 the purchase method was followed. The assets and liabilities of each subsidiary are measured at fair value at acquisition date. Any excess in the acquisition cost over the fair value of net assets and liabilities acquired is recognized as goodwill (Note 2.2 c). If the difference between the acquisition cost and the fair value of net assets and liabilities acquired is negative, it is recognized as income in the income statements after reconfirming their assigned fair value. The interests of holders of non-controlling interests are presented proportionally to the fair value of identified assets and liabilities.

For business combinations after January 1, 2010, the Group has applied the revised IFRS 3. According to this revised standard, the purchase method continues to be applied to business mergers, but with some significant amendments:

(i) all amounts that make up the purchase price are valued at fair value and there is the option to measure "non-controlling interests", on a transaction by transaction basis, by the proportion of the value of the acquired entity's net assets or at the fair value of the acquired assets and liabilities;

(ii) all costs related to the acquisition are recorded as expenses.

Since January 1, 2010, the revised IAS 27 has also been applied. This requires that all transactions with "non-controlling interests" are recorded in Equity if there is no change in control over the Entity, and no goodwill or gains and losses shall be recorded. When there is a loss of control over the entity, any remaining interest in the entity is remeasured at fair value and profit or loss is recognized in the income statement for the period.

The results of subsidiaries acquired or sold in the period are included in the consolidated income statement from the effective date of acquisition or until the date of sale.

Whenever necessary, adjustments are made to the financial statements of subsidiaries to keep their accounting policies in line with those used by the Group. Transactions, margins generated between Group companies, balances and dividends distributed between Group companies are eliminated in the consolidation process.

In situations where the Group holds, in substance, control of other entities created for a specific purpose, even if it has no direct shareholdings in these entities, they are consolidated by the full consolidation method.

b) Financial investments in associated companies

Financial investments in associated companies (companies in which the Group exercises significant influence but does not have control, through involvement in the financial and operational decisions of the Companies – generally investments of 20% to 50% of the share capital of a company) are recorded using the equity method.

Under the equity method, financial investments are initially recorded at their acquisition cost and adjusted annually by the amount representing the Group's share in changes in the equity (including net profit) of associates, against gains or losses in the period as well as dividends received and other changes in equity recorded in the associates.

Differences between purchase cost and fair value of the assets and liabilities associated at the purchase date are recognized as goodwill if they are positive and are recorded under "Financial investments – Equity method" (Note 2.2 c). If these differences are negative they are recorded as a gain in the period under "Other income and gains" in the income statement, following reconfirmation of fair value.

Investments in associates are evaluated, when there are indications that the asset might be impaired, and any confirmed impairment losses are recorded as an expense. When impairment losses recognized in previous periods no longer exist, they are reversed.

When the Group's share of the associate's accumulated losses exceeds the carrying value of the financial investment, the investment is recorded at nil value for as long as the associate's equity is negative, except when the Group has made commitments to the associate. In this case a provision to meet these obligations is recorded.

Unrealized gains on transactions with associates are eliminated in proportion to the Group's interest in the associate, against the financial investment in that associate. Unrealized losses are similarly eliminated but only to the point where they are not a sign that the transferred asset is impaired.

c) Goodwill

Differences between the acquisition cost of investments in Group companies, plus the share of non-controlling interests at fair value of acquired assets and liabilities (including contingent liabilities) or the fair value of the share of the non-controlling interests in the acquired subsidiary and the fair value of the total net assets and liabilities of the acquired subsidiary, when positive, are recorded as "goodwill" (Note 9). When negative, they are recorded directly in the income statement as gains, following reconfirmation of their recognized fair value.

Differences between the acquisition cost of investments in associated companies and the amount attributed to the fair value of the identifiable assets and liabilities of those companies at the purchase date, when positive, are recorded under "Financial investments – Equity method". When negative, they are recorded directly as gains in the income statement, following reconfirmation of the recognized fair value.

The goodwill amount is not amortized and is tested for impairment losses on an annual basis. The recoverable amount is determined based on the current value of estimated future cash flow expected to arise from continued use of the asset. Goodwill impairment losses recorded in the period are recorded in the income statement under "Impairments in non-depreciable/amortizable investments".

Impairment losses relating to goodwill cannot be reversed.

d) Conversion of financial statements of foreign entities

The assets and liabilities included in the financial statements of foreign entities are converted into euros using the exchange rates at the date of the statement of financial position. Income and expenses and cash flows are converted into euros using the average exchange rate recorded in the period. Exchange rate differences arising after January 1, 2010 are recorded as equity.

When a foreign entity is sold, accumulated exchange rate differences are recognized in the income statement as a gain or loss.

In the 2016 and 2015 financial years, the rates used in the conversion of financial statements of foreign subsidiaries into Euros were the following:

2016	CURRENCY	YEAR END EXCHANGE RATE 2016	AVERAGE HISTORICAL EXCHANGE RATE 2016	EXCHANGE RATE ESTABLISHMENT DATE/ACQUIRED	YEAR END EXCHANGE RATE 2015
ASC CONSTRUCTION EQUIPMENT, INC.	USD	1.05	1.11	1.36	1.09
Ascendum MAKÍNA TÍCARET A.Ş.	TRY	3.71	3.34	1.94	3.18
Ascendum TÜRKÍYE YATIRIM HOLDÍNG ANONÍM ŞÍRKETÍ	TRY	3.71	3.34	1.94	3.18
ART HAVA VE RAY EKIPMANLARI LTD. STI	TRY	3.71	3.34	1.94	3.18
HARDPARTS MOÇAMBIQUE, LIMITADA	MZN	75.05	69.05	39.75	49.01
AIR RAIL POLSKA	PLN	4.41	4.36	4.18	4.26
Ascendum MAQUINARIA MEXICO	USD	1.05	1.11	1.36	1.09
AIR-RAIL MAROC	MAD	10.65	10.85	11.16	10.78
Ascendum ÉPÍTOGÉPEK HUNGÁRIA KERESKEDELMI Kft	HUF	309.83	311.44	298.15	315.98
Ascendum GRADEVINSKI STROJEVI HRVATSKA d.o.o	HRK	7.56	7.53	7.62	7.64
Ascendum MACHINERY SRL	RON	4.54	4.49	4.46	4.52
Ascendum STAVEBENI STROJE CZECH s.r.o	CZK	27.02	27.03	25.73	27.02
TRP YEDEK PARÇA ITHALAT IHRACAT VE PAZARLAMA LIMITED SIRKETI	TRY	3.71	3.34	2.31	3.18
Applicability		**Statement of financial position accounts except for equity**	**P&L**	**Issued Capital**	**Retained earnings**

2015	CURRENCY	YEAR END EXCHANGE RATE 2015	AVERAGE HISTORICAL EXCHANGE RATE 2015	EXCHANGE RATE ESTABLISHMENT DATE/ACQUIRED	YEAR END EXCHANGE RATE 2014
ASC CONSTRUCTION EQUIPMENT, INC.	USD	1.09	1.11	1.36	1.21
Ascendum MAKÍNA TÍCARET A.Ş.	TRY	3.18	3.03	1.94	2.83
Ascendum TÜRKÍYE YATIRIM HOLDÍNG ANONÍM ŞİRKETİ	TRY	3.18	3.03	1.94	2.83
ART HAVA VE RAY EKIPMANLARI LTD. STI	TRY	3.18	3.03	1.94	2.83
HARDPARTS MOÇAMBIQUE, LIMITADA	MZN	49.01	42.59	39.75	40.30
AIR RAIL POLSKA	PLN	4.26	4.18	4.18	4.27
Ascendum MAQUINARIA MEXICO	MXN	18.91	17.62	16.89	17.87
AIR-RAIL MAROC	MAD	10.78	10.82	11.16	10.98
Ascendum ÉPÍTOGÉPEK HUNGÁRIA KERESKEDELMI Kft	HUF	315.98	310.00	298.15	315.54
Ascendum GRADEVINSKI STROJEVI HRVATSKA d.o.o	HRK	7.64	7.61	7.62	7.66
Ascendum MACHINERY SRL	RON	4.52	4.45	4.46	4.48
Ascendum STAVEBENI STROJE CZECH s.r.o	CZK	27.02	27.28	25.73	27.74
TRP YEDEK PARÇA ITHALAT IHRACAT VE PAZARLAMA LIMITED SIRKETI	TRY	3.18	3.03	2.31	2.83
Applicability		**Statement of financial position accounts except for equity**	**P&L**	**Issued Capital**	**Retained earnings**

Regarding the context of the Mexican economy, in which the US dollar took over as the main reference currency in which are carried out business transactions, it was decided to adopt the US dollar as the functional currency of subsidiary Ascendum Maquinaria México, as of January 1, 2016.

2.3. MAIN VALUATION CRITERIA

The main valuation criteria used by Ascendum in preparing the consolidated financial statements are the following:

a) Tangible fixed assets

Tangible fixed assets purchased before January 1, 2009 (date of the transition to IFRS) are recorded at "deemed cost", which is their acquisition cost or revalued acquisition cost in line with generally accepted accounting principles in Portugal (and in the countries of the Group's subsidiaries) until that date, net of accumulated depreciation and accumulated impairment losses.

Tangible fixed assets acquired after that date are recorded at cost less accumulated depreciation and impairment losses.

Impairment losses identified in the realizable value of tangible fixed assets are recorded in the year in which they are estimated, under "Impairment of Depreciable/Amortizable Investments" in the income statement.

Depreciations are calculated from the moment that the assets are available for use, by the straight-line depreciation method, according to the following estimated useful lives:

	YEARS
Buildings and other constructions	20 – 50
Basic equipment	6 – 16
Transport equipment	4 – 5
Tools and utensils	4 – 14
Administrative equipment	3 – 14
Other tangible assets	4 – 8

Expenditure on fixed asset repairs and maintenance are considered an expense in the period in which they occur. Improvements of significant amount which increase the estimated period of use of the assets are capitalized and depreciated in accordance with the remaining useful life of the corresponding assets.

Tangible fixed assets in progress are tangible assets still under construction/development and are recorded at cost less accumulated impairment losses. These assets are transferred to tangible fixed assets and depreciated from the moment that the underlying assets are available to be used in the operating conditions required by management.

Gains or losses resulting from the sale or write-down of tangible fixed assets are considered to be the difference between the sale price and the net book value at the sale/write-down date. They are recorded in the income statement as "Other income and gains" or "Other expenses and losses".

b) Intangible assets

Intangible assets are recorded at acquisition cost net of accumulated amortization and impairment losses. Intangible assets are only recognized if they are likely to result in future economic benefits for the Group, if the Group has the power to control them and if their value can be reasonably measured.

Research costs incurred with new technical knowledge are recognized as an expense in the income statement, when incurred.

Development expenses, for which the Group has proven ability to complete the development and begin commercialization and/or use and for which the created asset is likely to generate future economic benefits, are capitalized. Development expenses that do not fulfill these criteria are recognized as an expense in the income statement in the year in which they are incurred.

Internal costs associated with software maintenance and development are recorded as expenses in the income statement when they are incurred, except where these costs are directly related to projects that are likely to generate future economic benefits for the Group. In these cases, the costs are capitalized as intangible assets.

Intangible assets are amortized by the straight-line depreciation method over a period of three to five years, except those related to concession rights, which are considered to have an indefinite useful life and, as such, are not amortized and are subject to annual impairment testing.

Amortizations of intangible assets in the period are recorded in the income statement under "Depreciation and amortization expenses".

c) Investment properties

Investment properties, which are real estate assets owned to generate income from rental or capital gains, rather than for use in the production or supply of goods or services or for administrative purposes, are recorded at cost and their fair value is disclosed (Note 8).

Investment properties acquired before January 1, 2009 (date of the transition to IFRS) are recorded at "deemed cost", which is their acquisition cost or revalued acquisition cost in line with generally accepted accounting principles in Portugal (and in the countries of the Group's subsidiaries) until that date, net of accumulated depreciation and accumulated impairment losses.

Investment properties purchased after that date are recorded at cost less accumulated depreciation and impairment losses.

Whenever the fair value of these assets is deemed to be less than their respective carrying amount, an impairment loss is recorded in the period in which the loss is estimated, under the "Impairment of depreciable/amortizable investments" in the income statement. As soon as the recorded accumulated impairment losses cease to exist, they are immediately reversed through a counter-entry under "Other income and gains" in the income statement to the maximum that would have been ascertained, if no impairment loss had been recognized in previous periods, net of depreciation or amortization.

The fair value of investment properties that is subject to disclosure was based on property valuations carried out by independent specialists.

d) Leases

Leases are classified as (i) finance leases, if they involve substantial transfer of all inherent risks and benefits of owning the leased asset; (ii) operating leases, if they do not involve substantial transfer of all inherent risks and benefits of owning the leased asset.

Leases are classified as financial or operating based on the substance rather than the form of the contract.

Assets acquired under finance leases as well as the corresponding liabilities, are recorded using the financial method. According to this method, the cost of the asset is recorded in fixed tangible assets and the corresponding liabilities are recorded as accounts payable to investment suppliers. Rents are made up of financial charges and capital repayments. Financial charges are allocated to the financial years covered by the term of the lease, applying a constant periodic interest rate on the outstanding balance of the liability, with the tangible fixed asset depreciated as described in Note 2.3.a.

In operating leases, lease payments are recognized as an expense in the income statement for the period to which they relate (Note 34).

e) Inventories

Goods classified as construction equipment and vehicles are stated at their specific acquisition cost, while parts, components and raw materials, subsidiary materials and consumables are valued at average acquisition cost, which is lower than their respective market value.

Work in progress is valued at production cost, which is lower than market value. Production costs include the cost of the raw materials used, direct labor, manufacturing overheads and services carried out externally.

Impairment losses reflect the difference between the cost of acquisition and/or production and the net realizable market value of inventories.

f) Grants from government or other public entities

Government grants are recognized at fair value when it can be reasonably assured that they will be received and that the Company will meet the requirements of the grant.

Grants and non-refundable contributions received to finance tangible fixed assets are recorded, only when there is reasonable assurance of receipt, under "Deferred income" and are recognized as a gain in the income statement in proportion to the depreciation of the subsidized tangible fixed assets.

Grants related to incurred expenses are recorded as a gain to the extent that there is reasonable assurance that they will be received, that the company has already incurred the subsidized expenses and that conditions of eligibility are met.

g) Impairment of assets other than goodwill and concession rights

The impairment of Group assets is assessed at the date of each statement of financial position and whenever an event or change in circumstances is identified that means the asset's carrying value may no longer be recoverable.

Whenever the carrying amount of the asset is higher than its recoverable amount (defined as the higher of the net sale price and its value in use, or as the net sale price for assets held for sale), an impairment loss is recognized and recorded in the income statement. The net sale price is the amount that would be obtained through the sale of the asset in a transaction between two independent entities, less costs directly attributable to the sale. Value in use is the present value of estimated future cash flows expected to arise from continued use of the asset and from its disposal at the end of its useful life. The recoverable amount is estimated for each asset, individually or, if that is not possible, for the cash-flow generating unit to which the asset belongs.

To evaluate indicators of impairment of assets the Group uses available external and internal sources which prove to be most suitable, such as: (i) significantly higher than expected decrease in the market value of an asset, in the period; (ii) change in the technological, market, economic or legal environment, with a direct impact on the asset or on the entity itself; (iii) the asset's carrying amount is greater than its market capitalization; (iv) evidence of obsolescence or physical damage of/to the asset; (v) evidence that the economic performance of an asset is, or will be, significantly lower than expected.

Specifically, evidence of impairment in receivables arises when:

- the counterparty is in significant financial difficulties;
- there are significant delays in the main payments from the counterparty; and
- it becomes likely that the borrower will enter bankruptcy or file for financial restructuring.

For accounts receivable, the Group uses the historical data and information of its credit control and legal departments, enabling it to make an estimate of the amounts impaired.

In the case of Inventories, impairment losses are calculated based on market indicators and on several inventory rotation indicators, which are then reviewed and adjusted by the responsible departments in order to ensure that the value of the inventories does not exceed its net realizable value.

Reversal of impairment losses recognized in previous years is recorded when it is concluded that the impairment losses no longer exist or have decreased. This analysis is carried out whenever there are signs that a previously recognized impairment loss has been reversed. A reversal of impairment losses is recognized in the income statement in the respective impairment items. However, reversal of the impairment loss is recorded up to the amount that would be recognized (net of amortization or depreciation) if the impairment loss had not been recognized in previous periods.

h) Financial charges

Financial charges relating to loans (interest, premiums, ancillary costs and interest on leases) are capitalized if they relate to assets that qualify, otherwise they are recognized as an expense in the period in which they are incurred, in line with the accrual principle.

i) Provisions

Provisions are recognized when, and only when, the Group has a current (legal or constructive) obligation as a result of a past event, whenever it is likely that to settle the obligation an outflow of resources will take place, and the amount of the obligation can reasonably be estimated. Provisions are reviewed on the date of each statement of financial position and are adjusted to reflect the best estimate of their fair value at that date (Note 25).

Provisions for restructuring costs are recognized by the Group whenever a formal and detailed restructuring plan has been put in place and when it has been communicated to the parties involved.

j) Financial instruments

i) Investments

The Group classifies its financial investments into the following categories: 'Investments at fair value through profit or loss', 'Investments held to maturity' and 'Available-for-sale investments'. The classification depends on the intention underlying the investment's acquisition.

Investments at fair value through profit and loss

This category is divided into two sub-categories: 'Financial assets held for trading' and 'investments measured at fair value through profit or loss'. A financial asset is classified in this category if it is acquired to be sold in the short term or if the adoption of valuation using this method removes or significantly reduces an accounting mismatch. Derivative instruments are also classified as "held for trading" unless they are assigned to hedging operations. Assets in this category are classified as current assets if they are held for trading or are expected to be realized within 12 months of the date of the statement of financial position.

At December 31, 2016 and 2015, Ascendum did not hold financial instruments in the categories of "financial assets held for trading" and "instruments measured at fair value through profit or loss".

Investments held to maturity

This category includes financial assets, other than derivatives, with fixed or variable repayments and a fixed maturity and for which the Board of Directors intends to keep them until the maturity. These investments are classified as non-current assets unless the maturity is within 12 months of the date of the statement of financial position.

Available-for-sale investments

These include non-derivative financial assets that are designated available-for-sale or those that do not fall into the aforementioned categories. This category is included in non-current assets, unless the Board of Directors intends to dispose of the investment within 12 months of the date of the statement of financial position.

At December 31, 2016, Ascendum held investments in this category corresponding to shares in entities listed on the Lisbon Stock Exchange (Euronext Lisbon).

Investments are initially recorded at their acquisition cost, which is the fair value of the paid price; in the case of investments held to maturity and available-for-sale investments, transaction costs are included.

Following initial recognition, investments measured at fair value through profit or loss and available-for-sale investments are revalued at their fair values based on their market value at the date of the statement of financial position that corresponds to their listing on the stock exchange, without any deduction for transaction costs that may be incurred until their sale.

Gains or losses arising from changes in the fair value of available-for-sale investments are recorded in equity, until the investment is sold, received, or otherwise disposed of, or until the fair value of the investment falls below its acquisition cost and this is considered an impairment loss, at which point the accumulated loss is recorded in the income statement.

Available-for-sale financial investments representing shareholdings in unlisted companies are recorded at cost, taking into account any applicable impairment losses. The Group's Board of Directors is convinced that the fair value of these investments does not significantly differ from their acquisition cost.

All purchases and sales of financial investments are recognized on the transaction date, i.e. the date when the Group assumes all the inherent risks and obligations related to the purchase or sale of the asset. Investments are all initially recorded at fair value plus transaction costs. The only exception to this are "investments at fair value through profit or loss". In the latter case, the investments are initially recognized at fair value and then the transaction costs are recognized in the income statement.

Investments are derecognized when the right to receive cash flows has expired or transferred and, therefore, all related risks and benefits have been transferred.

'Available-for-sale investments' and 'investments at fair value through profit or loss' are subsequently carried at fair value based on their market value at the date of the statement of financial position, without deducting transaction costs that may be incurred until their sale.

'Investments held to maturity' are carried at amortized cost using the effective interest rate method.

Gains and losses, whether or not they are realized, arising from changes in the fair value of "Investments at fair value through profit or loss" are recognized in the income statement for the period. Gains or losses arising from changes in the fair value of non-monetary investment classified as available-for-sale are recorded in equity, until the investment is sold, received, or otherwise disposed of, or until the fair value of the investment falls below its acquisition cost and this is considered an impairment loss, at which point the accumulated loss is entered in the income statement.

The fair value of available-for-sale financial investments is based on current market prices. If the market, to which the investments belong, is not an active/liquid market (unlisted investments), the Group records them at cost, taking any impairment losses into consideration. The Group's Board of Directors is convinced that the fair value of these investments does not significantly differ from their acquisition cost. The fair value of listed investments is calculated based on the closing price of the stock market where they are traded, on the date of the statement of financial position.

At the date of each statement of financial position, the Group carries out valuations whenever there is objective evidence that a financial asset may be impaired. In the case of equity instruments classified as available-for-sale, a significant or prolonged loss in fair value to levels below their acquisition cost, in a stable market, is a sign that the asset is impaired. If there is evidence of impairment of "Available-for-sale investments", the accumulated losses – measured as the difference between purchase cost and fair value less any previously recognized impairment loss in the income statement – are withdrawn from Equity and recognized in the income statement.

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

ii) Accounts receivable

Non-interest-bearing receivables are stated at their nominal value, less any impairment losses in order to reflect their current net realizable value. These amounts are not discounted because the effect of their financial updating is not deemed material.

Interest-bearing receivables (including those related to sales of vehicles under installment plans) are recognized as assets at full value. The portion relating to interest is recorded as a liability, as income to be recognized and recorded in the income statement based on its maturity.

iii) Loans

Loans are recorded as liabilities at their nominal value less transaction costs directly attributable to the issuance of those liabilities. Calculation of financial charges is based on the current interest rate and recognized in the income statement for the period based on the accrual principle.

iv) Accounts payable

Accounts payable are stated at nominal value.

These amounts are not discounted because the effect of their financial updating is not deemed material.

v) Derivative financial instruments

The Group's policy is to use derivative financial instruments to manage its financial risks as a way of reducing exposure to those risks. The derivative financial instruments normally used are interest rate Swaps (Cash flow hedges), whose aim is to hedge the risk of interest rate fluctuations on obtained loans.

These derivatives, although entered with the aforementioned purposes (essentially derivatives in the form of, or including, interest rate options), for which the company has not applied hedge accounting, are initially recorded at cost, which corresponds to their fair value. They are later reassessed at fair value, changes in which, calculated through valuations performed by banking entities with whom the Group enters into the contracts, directly affect the headings of the financial results of the consolidated income statement.

At December 31, 2016 and December 31, 2015, the Group had no open transactions of this type.

vi) Cash and bank deposits

The amounts included under "Cash and bank deposits" are cash, bank deposits, term deposits and other treasury applications which mature in less than three months and can be immediately mobilized with negligible risk of change in value.

k) Contingent assets and liabilities

Contingent liabilities are defined by the Group as (i) potential obligations arising from past events whose existence will only be confirmed by the occurrence, or not, of one or more uncertain future events not fully under the Group's control or (ii) current obligations arising from past events, but which are not recognized because it is unlikely that an outflow of resources including economic benefits will be required to settle the obligation, or its amount cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the Group's financial statements, but are disclosed in the Notes to the Consolidated Financial Statements, unless the possibility of an outflow of funds affecting future economic benefits is remote, in which case they are not even disclosed.

Contingent assets are potential assets resulting from past events and that will only be confirmed by the occurrence, or not, of one or more uncertain future events, not fully under the Group's control.

Contingent assets are not recognized in the Group's financial statements but are disclosed in the Notes to the Consolidated Financial Statements, when it is likely that there will be future economic benefits.

l) Income Tax

Income tax for the financial year is calculated based on the taxable results of companies included in the consolidation, in accordance with the tax rules in force at the headquarters of each Group company. It also considers deferred taxation.

Current income tax is calculated based on the taxable results of companies included in the consolidation.

Deferred taxes are calculated based on the statement of financial position liability method and reflect the temporary differences between assets and liabilities for accounting purposes and the corresponding amounts for taxation purposes. Deferred tax assets and liabilities are calculated and valued on an annual basis, using current taxation rates, or those that have been announced for the future, at the expected date of reversal of provisional differences.

Deferred tax assets are only recognized when future tax profits can be reasonably expected for their use, or in situations where there are temporary taxable differences that offset temporary deductible differences in the reversion period. At the end of each financial year deferred taxes are reviewed and reduced whenever their future use is no longer likely.

Deferred taxes are recorded as gains or losses for the year, unless they relate to items recognized directly in Equity. In this case a counter-entry of deferred tax is also made under the same heading.

m) Tax consolidation

In Portugal income tax for the year is calculated based on the Special Taxation Scheme for Corporate Groups ("RETGS"), which includes Portugal-based companies in which Ascendum S.A. has had a shareholding of at least 75% for over a year.

In Spain income taxes of the subsidiaries – Ascendum España, S.L., Ascendum Maquinaria, S.A., and Tea Aloya Inmobiliaria, S.A.U., are calculated on a consolidated basis.

In Austria Ascendum Central Europe GmbH is taxed on a consolidated basis, including its tax statement, the fiscal results of its direct subsidiary Ascendum Baumaschinen Österreich GmbH, as well as tax losses, should they occur, of foreign subsidiaries: Ascendum Építőgépek Hungária Kereskedelmi Ktf. – Hungary; Ascendum gradevinski strojevi Hrvatska, d.o.o. Croatia; Ascendum Stavebné stroje Slovensko, s.r.o. – Slovakia and Ascendum Machinery, S.R.L., – Romania).

The remaining Group companies are taxed on an individual basis, according to applicable law.

n) Accrual basis and revenue recognition

Income and costs are recorded on an accruals basis, by which revenue and expenditure are stated when they are earned or incurred, regardless of the moment when they are received or paid. The differences between the amounts received and paid and corresponding revenues and expenses are recorded under "Other accounts receivable", "Other accounts payable" and "Deferrals".

Gains and income whose real amount is not known are estimated based on the best assessment of the Management Board/Board of Directors of the Group companies.

Revenue is recognized net of taxes and trade discounts, at the fair value of the amount received or receivable, as follows:

- Revenue from sales is recognized in the income statement when a significant number of the risks and benefits of ownership have been transferred to the buyer, it is likely that economic benefits will flow to the Group and the amount of income can be reasonably quantified;
- Revenue from services rendered corresponds to the price paid for repairs to customers' equipment and vehicles.

The expenses of these repairs include materials and labor; the final cost and concomitant price payable by the customer is known only on the date of completion of the repairs, when the invoice is issued and the repaired goods are delivered to the customer, which is also when the related revenue is recognized.

Equipment purchased by customers under lease contracts negotiated by them with financial entities, in which there is a buyback option, is recognized as revenue at the time of delivery to the customers, whenever the inherent risks and advantages of ownership are transferred to the customer. This type of contract is recognized as an operating lease if those risks are not transferred.

Dividends are recognized as revenue in the year they are distributed.

o) Subsequent Events

Events occurring after the date of the statement of financial position that provide additional information about conditions at the date of the statement of financial position ("adjusting events") are reflected in the consolidated financial statements. Events after the statement of financial position date that provide information on conditions that occur after the date of the statement of financial position ("non-adjusting events"), if they are material, are disclosed in the Notes to the Consolidated Financial Statements.

p) Classification of statement of financial position

Realizable assets and payable liabilities after more than one year from the date of the statement of financial position are classified as non-current assets and liabilities. Deferred tax assets and liabilities are also included in these headings.

q) Balances and transactions expressed in foreign currency

Assets and liabilities expressed in foreign currencies have been converted to euros based on the exchange rate on the date of the statement of financial position. Exchange differences – gains and losses – resulting from differences between the exchange rates on the transaction date and on the date of the collection, payment or on the date of the statement of financial position, are recorded as gains or losses in the consolidated income statement for the period.

r) Non-current assets held for sale

Non-current assets (and all related assets and liabilities to be disposed of) are classified as being held for sale if their carrying value will be recovered through the sale, and not through continued use. This condition is considered to be met only when a sale is extremely likely and the asset (and other related assets and liabilities to be disposed of) is available for immediate sale in its current condition. Additionally, measures must be underway that suggest the sale can be expected to take place within 12 months of the date of classification.

Non-current assets (and all related assets and liabilities to be disposed of) classified as being held for sale are recorded at the lower of their carrying value or fair value, less costs of sale.

At December 31, 2016 and 2015, there were no non-current assets held for sale.

s) Judgments and estimates

Ascendum's Board of Directors based its preparation of the consolidated financial statements on the best knowledge and experience of past and/or current events, taking into account certain assumptions about future events.

The most significant accounting estimates reflected in the consolidated financial statements for the years ended December 31, 2016 and 2015 include:

- Useful lives of tangible and intangible assets;
- Recording of adjustments in the value of assets (trade receivables and inventories) and provisions;
- Impairment tests for goodwill;

Estimates and underlying assumptions were determined based on the best knowledge, at the approval date of the financial statements, of events and transactions in progress, and experience of past and/or current events. However, situations may arise in subsequent periods that are unforeseeable at the approval date of the financial statements and the estimates have not taken these into consideration. For this reason and given the related degree of uncertainty, the actual results of the transactions may differ from their corresponding estimates. Any changes to these estimates that occur after the date of the consolidated financial statements will be corrected prospectively in the results, as per IAS 8.

The main estimates and assumptions about future events included in the preparation of the consolidated financial statements are disclosed in the corresponding notes.

t) Risk management policy

In the course of its business, the Group is exposed to a range of financial risks: market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program, inherent to the outlook for ongoing long-term operations, focuses on the unpredictability of financial markets and seeks to minimize any adverse effects that this may have on its financial performance.

The Group's risk management is essentially the responsibility of the finance department, based on the policies approved by the Group's Board of Directors. Accordingly, the Board of Directors has set out the key principles of overall risk management as well as policies covering specific areas, such as interest rate risk and credit risk.

According to International Accounting Standards, financial risk is the risk of possible future change in one or more interest rates, financial instrument prices, commodity prices, exchange rates, price indices or rates, credit ratings or credit indices or any other specified variable, provided that, in the case of a non-financial variable, the variable is not a specific part of the contract.

i) Exchange rate risk

As mentioned in Note 2.2.d) the assets and liabilities included in the financial statements of foreign entities are translated into euros using the exchange rates at the date of the statement of financial position. The gains and losses of those financial statements are translated into euros using the average exchange rate for the period. Resulting exchange rate differences are recorded as equity.

The assets and liabilities included in the Consolidated Statement of financial position, arising from the conversion of the Financial Statements into a currency other than the euro, are summarized as follows:

	ASSETS				LIABILITIES			
	DEC-16	%	DEC-15	%	DEC-16	%	DEC-15	%
Turkish Lira (TRY)	91,083,109	17%	97,292,406	19%	52,679,543	14%	39,877,235	11%
US Dollar (USD)	138,419,268	26%	147,383,992	28%	132,883,843	34%	106,165,353	29%
Polish Zloty (PLN)	8	0%	11,237	0%	593	0%	614	0%
Mexican Peso (MXN)	0	0%	23,294,150	4%	0	0%	16,728,209	5%
Romanian Leu (RON)	4,184,844	1%	6,881,612	1%	3,816,877	1%	5,547,206	2%
Moroccan Dirham (MAD)	684,959	0%	321,680	0%	639,872	0%	351,802	0%
Hungarian Forint (HUF)	2,224,249	0%	1,984,419	0%	2,201,460	1%	1,552,807	0%
Croatian Kuna (HRK)	112,338	0%	1,223,554	0%	93,794	0%	635,550	0%
Czech Koruna (CZK)	5,236,163	1%	9,814,223	2%	3,659,112	1%	4,990,515	1%
Sub-Total	**241,944,938**	**45%**	**288,207,273**	**55%**	**195,975,094**	**50%**	**175,849,292**	**48%**
Total – Consolidated Balance Sheet – IFRS	**542,592,170**	**100%**	**525,374,096**	**100%**	**390,144,273**	**100%**	**369,058,443**	**100%**

ii) Price risk

Price risk reflects the degree of exposure of a company to price changes in fully competitive markets, for goods which include, at all times, its inventories, along with other assets and financial instruments that the company holds, with the intention of future sale.

1) The Group's price risk management of goods in stock is mainly monitored by the sales departments of each company, based on policies approved by Ascendum's Board of Directors. Accordingly, the Board of Directors issues guidelines for anticipating trends in the prices of traded goods and to best adapt the purchasing and inventories management policy to circumstances. Ascendum's Board of Directors believes that the risk associated to the price of goods in stock is under control to a reasonable extent.

2) On the other hand, the relationships that the various Group companies have with their main suppliers are established in contracts and duly formalized protocols, so the risk of commodity price, or credit is reasonably controlled and monitored by the Board of Directors of the group, guaranteeing so, the normal continuity of the operations and development of the various activities and business.

iii) Interest rate risk

The Group's indebtedness is mainly related to variable interest rates, which exposes the cost of the debt to high volatility risk. The impact of this volatility on the Group's results or equity is not significant as a result of the following factors: (i) possible correlation between market interest rate levels and economic growth, with the latter having a positive impact on other areas of the Group's consolidated results (including operational results), thus partially offsetting increased financial costs ("natural hedge"); (ii) existence of consolidated liquidity or cash also bearing interest at variable rates.

Ascendum's Board of Directors has approved the terms and conditions of financing by analyzing the structure of the debt, its inherent risks and the different market options available. These include the type of interest rate (fixed/variable) and, by continuously monitoring conditions and alternatives in the market, it is responsible for any decisions to enter into occasional derivative financial instruments to hedge interest rate risk exposure.

Interest rate risk sensitivity analysis

The interest rate risk sensitivity analysis described below was calculated based on exposure to interest rates for financial instruments existing at the date of the statement of financial position. For liabilities with variable rates, the following assumptions were made:

(i) The actual interest rate is higher/lower than the interest rate borne, by 1 percentage point;

(ii) The basis for the calculation was the financing of the Group at year-end;

(iii) Maintenance of traded spreads.

Sensitivity analyses assume the manipulation of a single variable while all others remain constant. In reality, this assumption is unlikely to hold true and there may be related changes in some of the assumptions.

The Group's sensitivity to changes in the interest rates on the financial instruments can be summarized as follows (increases/(decreases)):

	VARIATION	DEC-16 P&L	DEC-15 P&L
Bank loans	1 p.p	2,095,965	2,042,450
Bank loans	(1 p.p)	(2,095,965)	(2,042,450)

iv) Liquidity risk

Liquidity risk is defined as the risk of the inability to settle or meet obligations under the defined terms and at a reasonable price.

The existence of liquidity in the Group companies requires performance parameters to be defined in the management function of that liquidity in order to maximize return and minimize opportunity costs related to keeping hold of this liquidity, in a safe and efficient manner.

The Ascendum Group's liquidity risk management has the following objectives:

(i) Liquidity, which is to ensure continued access in the most efficient manner to sufficient funds to meet current payments on their due dates as well as possible requests for funds by the deadlines set, even if these are not foreseen;

(ii) Safety, which is to minimize the probability of default in repayment of any investment of funds; and

(iii) Financial efficiency, which is, to ensure that companies maximize the value/minimize the opportunity cost of holding excess liquidity in the short-term.

The strategy adopted by the Group, to manage liquidity risk is based on the following factors, among others:

(i) Financial planning and integrated financial management of the Group, based on the cash budgets of the various companies;

(ii) Diversification of funding sources and suitability of the maturity of financial commitments, in line with the rate of liquidity generation;

(iii) Suitability of the maturity of financial commitments to investments in non-current assets, for the cash generation rate of those assets;

(iv) Entering into short-term credit lines to address occasional cash requirement peaks.

Any surplus liquidity is applied with a view to best serve the Group's liquidity and profitability objectives, either in short-term financial investments, or by repaying short-term debt, in line with economic and financial reasonableness criteria.

An analysis of the maturity of the financing of each class of financial liabilities is outlined in Note 20, presenting undiscounted amounts and based on the worst-case scenario, i.e. the shortest period in which the liability becomes payable.

At December 31, 2016 and 2015, the Group had net debt of 161,457,138 euros and 178,320,386 euros, respectively, divided between current and non-current loans (Note 20) and cash and cash equivalents (Note 16) taken on through several institutions.

v) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations, resulting in losses to the Group.

The Group's exposure to credit risk is mainly related to accounts receivable arising from operations.

Managing this risk aims to ensure actual debt recovery within the set terms, without affecting the Group's financial health. This risk is regularly monitored and the aim of its management is to: (i) limit credit granted to customers taking into account average customer payment periods, homogeneous groups of customers and individually by customer; (ii) monitor the evolution of the amount of credit provided; (iii) regularly carry out impairment analyses of amounts receivable. The Group secures credit guarantees, whenever a customer's financial position might suggest it is advisable.

The Group also uses credit rating agencies and has specific departments for credit control, collection and management of legal proceedings, which all work towards mitigating that risk.

Adjustments to accounts receivable are calculated by taking into consideration: (a) the customer's risk profile; (b) the average collection period; (c) the customer's financial position. The movements of these adjustments for the years ended December 31, 2016 and 2015 are disclosed in Note 25.

As at December 31, 2016 and 2015, the Group considered that there was no need for additional impairment losses beyond the amounts recorded on those dates and outlined, in summary form, in Note 25.

The amount related to customers and other accounts receivable recorded in the financial statements, presented net of impairment losses, represents the Group's maximum credit risk exposure.

3. CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF BASIC ERRORS

During the financial year ended December 31, 2016, there were no changes in accounting policies or material errors relating to previous years.

4. GROUP COMPANIES INCLUDED IN THE CONSOLIDATION

The Group companies included in the consolidation and the proportion of capital held at December 31, 2016 and 2015 are as follows:

COMPANY	EFFECTIVE SHAREHOLDING PERCENTAGE		CONSOLIDATION METHOD
	DEC-16	DEC-15	
Ascendum, S.A.	Parent Company		Full
AIR-RAIL (PORTUGAL), Sociedade Unipessoal, LDA.	50%	50%	Full
AIR RAIL MAROC, S.A.R.L.A.U.	50%	50%	Full
AIR-RAIL POLSKA, Sp. Z.o.o.	50%	50%	Full
AIR-RAIL, S.L.	50%	50%	Full
AMPLITUDE SEGUROS – Corretores de Seguros, S.A.	33%	33%	Equity Method
ART HAVA VE RAY EKIPMANLARI LTD. STI	50%	50%	Full
Ascendum II – VEICULOS, UNIPESSOAL LDA.	100%	100%	Full
ASC CONSTRUCTION EQUIPMENT, INC.	100%	100%	Full
Ascendum MAQUINARIA MEXICO, S.A. DE C.V.	100%	100%	Full
Ascendum III – MÁQUINAS, UNIPESSOAL LDA.	100%	100%	Full
Ascendum MAKÍNA TÍCARET A.Ş.	100%	100%	Full
Ascendum BAUMASCHINEN ÖSTERREICH GmBH	100%	100%	Full
Ascendum ÉPÍTOGÉPEK HUNGÁRIA KERESKEDELMI Kft	100%	100%	Full
Ascendum ESPAÑA, S.L.	100%	100%	Full
Ascendum CENTRAL EUROPE GMBH	100%	100%	Full
Ascendum GRADEVINSKI STROJEVI HRVATSKA d.o.o	100%	100%	Full
Ascendum MACHINERY SRL	100%	100%	Full
Ascendum TÜRKİYE YATIRIM HOLDİNG ANONİM ŞİRKETİ	100%	100%	Full
Ascendum PORTUGAL, Serviços de Gestão, S.A.	100%	100%	Full
Ascendum STAVEBENI STROJE CZECH s.r.o	100%	100%	Full
Ascendum STRAVEBENE STROJE SLOVENSKO s.r.o	100%	100%	Full
GLOMAK SGPS, S.A.	100%	100%	Full
HARDPARTS MOÇAMBIQUE, LDA.	100%	100%	Full
IMPORTADORA DISTRIBUIDORA DE MAQUINARIA INDUSTRIAL ZEPHIR, S.L.	50%	50%	Full
TEA ALOYA INMOBILIARIA, S.A.U.	100%	100%	Full
TRACTORRASTOS – Sociedade vendedora de acessórios, LDA.	100%	100%	Full
TRP YEDEK PARÇA ITHALAT IHRACAT VE PAZARLAMA LIMITED SIRKETI	100%	100%	Full
Ascendum MAQUINARIA, S.A.	100%	100%	Full
VOLRENTAL ATLÁNTICO, S.A.U.	68.89%	68.89%	Full

These companies were included in the consolidation using the full consolidation method, as established by IFRS 10 – "Consolidated and separate financial statements" (control of the subsidiary through majority voting rights, or other mechanism, as owner of company shares – Note 2.1 a)).

The 50% holdings included in the above list were included in the Consolidated Financial Statements using the full consolidation method since, as well as the direct or indirect percentage it holds, the Group has decision-making controls within the Board of Directors of Air Rail, S.L., which in turn controls the other subsidiaries "Air Rail" and "Importadora Distribuidora de Maquinaria Industrial Zephir, S.L."

5. CHANGES IN THE CONSOLIDATION PERIMETER

During the financial years ended December 31, 2016 and December 31, 2015, there were no changes to the consolidation perimeter.

6. INTANGIBLE ASSETS

During the financial years ended December 31, 2016 and 2015, movements in intangible assets and in the respective amortizations and accumulated impairment losses, were as follows:

2016	INDUSTRIAL PROPERTY AND OTHER RIGHTS	COMPUTER PROGRAMS	INTANGIBLE ASSETS IN PROGRESS	TOTAL
Gross assets:				
2016 Opening balance	7,694,014	2,559,917	4,697	10,258,628
Additions	326,392	488,934	1,936,718	2,752,044
Translation differences	(100,222)	(166,056)	0	(266,278)
Transfers and write-offs	(500,166)	0	0	(500,166)
December 31, 2016 Final balance	**7,420,018**	**2,882,795**	**1,941,415**	**12,244,229**
Amortizations and accumulated impairment losses:				
2016 Opening balance	(949,956)	(2,136,186)	0	(3,086,141)
Amortization for the year	(143,668)	(107,989)	0	(251,656)
Translation differences	8,143	(357,885)	0	(349,742)
Disposals, transfers and write-offs	500,000	0	0	500,000
December 31, 2016 Final balance	**(585,480)**	**(2,602,059)**	**0**	**(3,187,539)**
Net Value	**6,834,539**	**280,736**	**1,941,415**	**9,056,689**

2015	INDUSTRIAL PROPERTY AND OTHER RIGHTS	COMPUTER PROGRAMS	INTANGIBLE ASSETS IN PROGRESS	TOTAL
Gross assets:				
2015 Opening balance	6,307,260	2,716,329	2,097	9,025,686
Additions	1,049,666	99,342	2,600	1,151,608
Translation differences	337,088	(133,192)	0	203,896
Transfers and write-offs	0	(122,562)	0	(122,562)
December 31, 2015 Final balance	**7,694,014**	**2,559,917**	**4,697**	**10,258,628**
Amortizations and accumulated impairment losses:				
2015 Opening balance	(832,215)	(1,924,566)	0	(2,756,781)
Amortization for the year	(123,965)	(342,420)	0	(466,385)
Translation differences	5,644	104,535	0	110,179
Disposals, transfers and write-offs	580	26,265	0	26,845
December 31, 2015 Final balance	**(949,956)**	**(2,136,186)**	**0**	**(3,086,141)**
Net Value	**6,744,058**	**423,731**	**4,697**	**7,172,487**

In 2016, the most significant investment was related to acquiring software licenses, disclosed in "Additions" in the "Computer Software" column and the investment in the new ERP AsSap, disclosed in "Additions", in the "Intangible assets in progress" column, which will be the integrated system for all group companies and which on December 31, 2016 was in the final stage of customization.

Additions recognized under Industrial property and other rights registered in the 2015 financial year are related to surface rights on a plot of land in Angola by subsidiary Glomak, S.G.P.S., S.A.

Industrial property and other rights at December 31, 2015 includes costs of registering the Ascendum brand, surface rights over land and a distribution contract for Volvo in the United States of America.

7. TANGIBLE FIXED ASSETS

During the financial years ended December 31, 2016 and 2015, movements in tangible fixed assets and in respective depreciations and accumulated impairment losses, were as follows:

2016	LAND AND NATURAL RESOURCES	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	ADMINISTRATIVE EQUIPMENT	OTHER FIXED ASSETS	FIXED ASSETS IN PROGRESS	TOTAL
Gross Assets:								
2016 Opening balance	25,869,331	54,111,963	142,763,658	12,545,585	14,501,113	1,345,656	1,728,615	252,865,921
Additions	0	1,950,017	19,272,785	2,671,953	1,015,433	44,076	186,304	25,140,568
Disposals, transfers and write-offs	(308,797)	0	(12,078,728)	(1,393,034)	(28,591)	(2,235)	0	(13,811,386)
Translation differences	(244,428)	(620,187)	225,727	(238,416)	(73,199)	(44,062)	0	(994,566)
December 31, 2016 Final balance	**25,316,106**	**55,441,793**	**150,183,442**	**13,586,088**	**15,414,755**	**1,343,435**	**1,914,919**	**263,200,537**
Depreciations and accumulated impairment losses:								
2016 Opening balance	0	(25,395,691)	(61,390,192)	(6,755,134)	(11,857,090)	(973,791)	0	(106,371,898)
Depreciation for the year	0	(3,817,674)	(23,431,797)	(1,325,887)	(1,203,432)	(112,232)	0	(29,891,022)
Disposals, transfers and write-offs	0	0	12,078,728	548,969	21,831	1,287	0	12,650,815
Translation differences	0	32,337	120,177	149,916	9,625	21,263	0	333,319
Impairment losses	0	0	322,493	0	0	0	0	322,493
December 31, 2016 Final balance	**0**	**(29,181,028)**	**(72,300,591)**	**(7,382,136)**	**(13,029,066)**	**(1,063,473)**	**0**	**(122,956,293)**
Net Value	**25,316,106**	**26,260,765**	**77,882,852**	**6,203,952**	**2,385,689**	**279,961**	**1,914,919**	**140,244,244**

2015	LAND AND NATURAL RESOURCES	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	ADMINISTRATIVE EQUIPMENT	OTHER FIXED ASSETS	FIXED ASSETS IN PROGRESS	TOTAL
Gross Assets:								
2015 Opening balance	25,318,849	53,568,587	128,736,863	10,575,916	13,318,572	1,235,093	1,861,593	234,615,474
Additions	261,440	2,094,519	10,415,996	3,285,608	974,085	166,591	(266,932)	16,931,306
Disposals, transfers and write-offs		(1,704,613)	(1,944,449)	(1,255,729)	(39,879)	(19,566)		(4,964,235)
Translation differences	289,042	153,470	5,555,247	(60,209)	248,335	(36,463)	133,954	6,283,377
December 31, 2015 Final balance	**25,869,331**	**54,111,963**	**142,763,658**	**12,545,585**	**14,501,113**	**1,345,656**	**1,728,615**	**252,865,921**
Depreciations and accumulated impairment losses:								
2015 Opening balance	0	(24,231,813)	(36,681,964)	(6,418,834)	(10,947,704)	(921,175)	0	(79,201,489)
Depreciation for the year		(947,734)	(27,386,994)	(1,106,505)	(679,754)	(93,593)		(30,214,580)
Disposals, transfers and write-offs		46,176	2,399,712	777,826	31,834	19,566		3,275,114
Translation differences		(262,320)	(90,434)	(7,622)	(261,466)	21,412		(600,430)
Impairment losses			369,488					369,488
December 31, 2015 Final balance	**0**	**(25,395,691)**	**(61,390,192)**	**(6,755,134)**	**(11,857,090)**	**(973,791)**	**0**	**(106,371,898)**
Net Value	**25,869,331**	**28,716,272**	**81,373,466**	**5,790,451**	**2,644,023**	**371,865**	**1,728,616**	**146,494,023**

In 2016 the "basic equipment" and "transportation equipment" were the main responsible for the investment in tangible fixed assets.

8. INVESTMENT PROPERTIES

At December 31, 2016 and 2015, "Investment properties" refers to real estate assets held by the Group for income generation through leases or by capital appreciation. These assets are recorded at cost or revalued cost at the date IFRS was first applied (01-01-2009).

In order to collect up-to-date market indicators to establish if there are signs of impairment compared to the book values of the investment properties, independent valuations were carried out of the assets which at the latter valuation shown market values close to the book values. The results of these valuations showed market values higher than the book values at December 31, 2016, and the Board of Directors therefore considered (i) extending the conclusions thereof to all investment properties in the statement of financial position at December 31, 2016, (ii) there is no evidence that they are impaired at that date, (iii) the book values of the investment properties, taking into account all the evidence collected, are an appropriate reflection of their fair value at that date.

The valuation assumptions used by the experts were comparative market values or the market value.

The investment properties shown in the 2016 and 2015 statement of financial positions represented land held by the Group with the intention of future appreciation.

The following table shows the position of the investment properties at the end of 2016 and 2015:

	DEC-15 OPENING BALANCE	INCREASES	DECREASES	DEC-16 FINAL BALANCE
AIR RAIL, S.L.	1,296	65,530	23,187	43,639
Ascendum, S.A.	2,805,941	0	66,174	2,739,768
GLOMAK, S.G.P.S, S.A.	44,288	103,311	10,313	137,286
Ascendum III, Máquinas, Lda	40,696	0	40,696	0
TEA ALOYA INMOBILIARIA, S.A.	78,260	0	0	78,260
Total	**2,970,483**	**168,840**	**140,370**	**2,998,953**

	DEC-14 OPENING BALANCE	INCREASES	DECREASES	DEC-15 FINAL BALANCE
AIR RAIL, S.L.	3,024	0	1,728	1,296
Ascendum, S.A.	2,799,487	6,454	0	2,805,941
GLOMAK, S.G.P.S, S.A.	140,232	0	95,943	44,288
Ascendum III, Máquinas, Lda	45,783	0	5,087	40,696
TEA ALOYA INMOBILIARIA, S.A.	78,260	0	0	78,260
Total	**3,066,787**	**6,454**	**102,759**	**2,970,483**

During the 2016 and 2015 financial years, there were no income or expenses related to investment properties.

9. GOODWILL

The following table discloses the initial and final balances and variations during the 2016 and 2015 financial years under goodwill.

GOODWILL	2016	2015
Gross Assets:		
Opening balance	40,296,379	42,053,023
Transfers, write-offs and adjustments	(1,874,878)	(1,756,645)
Final balance	**38,421,501**	**40,296,379**
Amortizations and accumulated impairment losses:		
Opening balance	(1,792,186)	(1,592,186)
Impairment of the year	0	(200,000)
Transfers, write-offs and adjustments	(300,000)	0
Final balance	**(2,092,186)**	**(1,792,186)**
Net Value	**36,329,314**	**38,504,192**

The reduction of the value of Goodwill in 2016 and in 2015 is fundamentally related to the effects of exchange rate adjustments, resulting from the translation of the functional currency in which they are being recognized, to the reporting currency of the consolidated financial statements.

The overall value of Goodwill at December 31, 2016 and 2015 is presented in the following table, as well as the methods and assumptions used to determine whether they are impaired:

2016	ASCENDUM MÁQUINAS	ASC USA	ASCENDUM TURK	ASC MEXICO	ASCENDUM GMBH	ASCENDUM ROMÉNIA	TRACTORRASTOS
Goodwill	7,923	613,906	11,653,064	1,177,787	8,898,227	1,018,611	935,850
Forecast period	Cash flow projections for 5 years	Cash flow projections for 5 years	Cash flow projections for 5 years	Cash flow projections for 5 years	Cash flow projections for 5 years	Cash flow projections for 5 years	Cash flow projections for 5 years
Growth rate (g) (1)	2%	3%	5%	3%	2%	2%	2%
Applied discount rate (2)	9.6%	13.0%	18.6%	11.0%	8.1%	8.1%	9.6%

2016 (Continuation)	ASCENDUM PORTUGAL	GLOMAK S.G.P.S.	AIR-RAIL – ESPANHA	GRANADA – ESPANHA	ZEPHIR	VOLCATALAN	TOTAL
Goodwill	155,000	202,085	6,053,838	2,255,828	2,620,298	736,897	**36,329,314**
Forecast period	Cash flow projections for 5 years	Cash flow projections for 5 years	Cash flow projections for 5 years	Cash flow projections for 5 years	Cash flow projections for 5 years	Cash flow projections for 5 years	
Growth rate (g) (1)	2%	0%	0%	0%	0%	0%	
Applied discount rate (2)	9.6%	8.0%	7.9%	9.1%	7.9%	9.1%	

(1) Rate of growth used to extrapolate cash flows beyond the period considered in the business plan
(2) Discount rate applied to projected cash flows

2015	ASCENDUM MÁQUINAS	ASC USA	ASCENDUM TURK	ASC MEXICO	ASCENDUM GMBH	ASCENDUM ROMÉNIA	TRACTORRASTOS
Goodwill	7,923	594,395	13,592,123	1,129,395	8,898,227	1,022,331	935,850
Forecast period	Cash flow projections for 5 years	Cash flow projections for 5 years	Cash flow projections for 5 years	Cash flow projections for 5 years	Cash flow projections for 5 years	Cash flow projections for 5 years	Cash flow projections for 5 years
Growth rate (g) (1)	2%	3%	5%	3%	2%	2%	2%
Applied discount rate (2)	8.8%	13.0%	18.0%	9.91%	8.3%	8.3%	8.76%

2015 (Continuation)	ASCENDUM PORTUGAL	GLOMAK S.G.P.S.	AIR-RAIL – ESPANHA	GRANADA – ESPANHA	ZEPHIR	VOLCATALAN	TOTAL
Goodwill	155,000	502,085	6,053,838	2,255,828	2,620,298	736,897	**38,504,192**
Forecast period	Cash flow projections for 5 years	Cash flow projections for 5 years	Cash flow projections for 5 years	Cash flow projections for 5 years	Cash flow projections for 5 years	Cash flow projections for 5 years	
Growth rate (g) (1)	2%	0%	0%	0%	0%	0%	
Applied discount rate (2)	8.8%	6.6%	7.9%	9.1%	7.9%	9.1%	

(1) Rate of growth used to extrapolate cash flows beyond the period considered in the business plan
(2) Discount rate applied to projected cash flows

The Board of Directors, based on the projected cash flows, discounted at the deemed applicable rate, concluded that, at December 31, 2016, the book value of the net assets, including goodwill, did not exceed their recoverable value.

Projected cash flows were based on past performance and expected efficiency improvements. Those responsible for these segments believe that a possible change (within a normal scenario) in the main assumptions used to calculate the recoverable amount, will not result in impairment losses.

10. FINANCIAL INVESTMENTS AND OTHER FINANCIAL ASSETS

10.1. FINANCIAL INVESTMENTS – EQUITY METHOD

2016	TOTAL EQUITY	NET PROFIT FOR THE YEAR	% SHARE CAPITAL HELD	PARTICIPATION BOOK VALUE	APPROPRIATED RESULT
Amplitude Seguros – Corretores de Seguros S.A.	455,479	158,027	33.33%	151,811	52,670

2015	TOTAL EQUITY	NET PROFIT FOR THE YEAR	% SHARE CAPITAL HELD	PARTICIPATION BOOK VALUE	APPROPRIATED RESULT
Amplitude Seguros – Corretores de Seguros S.A.	408,441	149,182	33.33%	136,133	49,723

10.2. FINANCIAL INVESTMENTS – OTHER METHODS AND FINANCIAL ASSETS

	2016	2015
Financial Investments – Other methods	12,795,958	12,349,353
Other non-current financial assets	219,440	198,651
Other current financial assets	6,206,459	9,248

a) Financial investments – other methods – available for sale financial assets:

In the financial years ended December 31, 2016 and 2015, the Group held the following securities portfolio available for sale:

	SHARES	SHARE VALUE 31.12.16	VALUE AT 31.12.16
BPI	11,084,734	1.131	12,536,834
BCP	3,030	1.071	3,245
ESFG	1,020,000	0.000	0
Totals			**12,540,079**

	SHARES	SHARE VALUE 31.12.15	VALUE AT 31.12.15
BPI	11,084,734	1.090	12,082,360
BCP	227,282	0.049	11,183
ESFG	1,020,000	0.000	0
Totals			**12,093,543**

In 2016 the Millennium BCP made a consolidation of shares having assigned 1 new share for every 75 shares held by the shareholders on the date of the operation. The number of shares presented in the tables above in respect of the investment in Millennium BCP, reflects the effects of this shares consolidation.

Movements in the "Available-for-sale financial assets" heading in each of the years were as follows:

	DEC-16	DEC-15
Fair Value on January, 1st	12,093,543	11,387,938
Acquisitions during the year	0	
Increase/(decrease) in Fair Value – Equity	454,474	709,423
Increase/(decrease) in Fair Value – P&L	(7,867)	(3,818)
Impairment losses in available for sale financial assets	0	
Other adjustments	(71)	
Fair Value on December, 31st	**12,540,079**	**12,093,543**
Non current assets	12,540,079	12,093,543
Total	**12,540,079**	**12,093,543**

In 2016, there has been no movements of acquisitions/sales, in this class of assets, and the variation, compared with the previous year, resulted only in the recognition of the effects of the adjustments of the book values to the listed price of the securities, at the date of December 31, 2016 which resulted in an appreciation of the participation in the BPI of 454,474 euros and a devaluation of the participation in the Millennium BCP of 7,867 euros.

Furthermore, the effect on equity and impairment losses in the 2016 and 2015 financial years on "Investments held for sale" at their fair value can be summarized as follows:

	DEC-16	DEC-15
Fair Value adjustments	454,474	709,423
Deferred Income Tax Assets	(3,035,387)	(81,781)
Others	0	(738,123)
Equity effect	**(2,580,913)**	**(110,481)**
Increase/(decrease) in Fair Value	(7,867)	(3,818)

In the year 2016 a change has occurred in the Spanish tax system of "capital gains and losses from financial investments", which has ceased to be considered relevant for tax purposes. As this financial investment was recorded in the balance sheet of Ascendum Spain, S.L., it was derecognized the accumulated value of the deferred tax asset recognized in prior periods, totaling 3,035,387 euros, based on the stock exchange quotation, compared to the purchase price paid by this subsidiary.

b) Financial investments – other methods – Other investments:

	SHAREHOLDING %	DEC-16 GLOBAL BOOK VALUE	DEC-15 GLOBAL BOOK VALUE	VARIATION
Arnado, Lda	5%			
Garval, Lisgarnte, Norgarante	-	255,879	255,810	68
Vortal, SGPS S.A.	1.23%			

	SHAREHOLDING %	DEC-15 GLOBAL BOOK VALUE	DEC-14 GLOBAL BOOK VALUE	VARIATION
Arnado, Lda	5%			
Garval, Lisgarnte, Norgarante	-	255,810	271,102	(15,292)
Vortal, SGPS S.A.	1.23%			

c) Other financial assets

The balance recorded in 2016 and 2015 in "non-current" mainly corresponds to collateral related to our facilities in Spain. The increase recorded in 2016, under "Other current financial assets" relates to the investment made in Angolan Treasury Bonds. In light of the current context, there are perspectives of disposal in the next 12 months.

11. INVENTORIES

As at December 31 2016 and 2015, this heading had the following composition:

	DEC-16	DEC-15
Raw Materials, Subsidiaries, and Consumption Materials		
Products and works in progress	2,905,771	1,918,152
Finished and intermediate products	8,495	9,432
Goods	178,002,941	163,280,492
Advances on account of purchases	0	1,999
Inventories Impairments (Note 25)	(7,509,727)	(5,525,960)
Total	**173,407,480**	**159,684,115**

The cost of sales in the financial years ended December 31, 2016 and 2015 is as follows:

	DEC-16			DEC-15		
	GOODS	RAW MATERIALS, SUBSIDIARY, AND CONSUMPTION MATERIALS	TOTAL	GOODS	RAW MATERIALS, SUBSIDIARY, AND CONSUMPTION MATERIALS	TOTAL
Opening inventories	163,280,492	0	163,280,492	194,234,026	0	194,234,026
Net purchases	677,035,768	0	677,035,768	595,236,422	0	595,236,422
Final inventories	178,002,941	0	178,002,941	163,280,492	0	163,280,492
Total	**662,313,319**	**0**	**662,313,319**	**626,189,956**	**0**	**626,189,956**

Changes in inventories of production for the financial years ended December 31, 2016 and 2015 is as follows:

	FINISHED, INTERMEDIATE PRODUCTS, AND WORKS IN PROGRESS	
	DEC-16	DEC-15
Final inventories	2,914,266	1,927,583
Inventory adjustments	276,265	206,051
Opening inventories	1,927,583	2,169,008
Total	**710,417**	**(447,476)**

12. TRADE AND OTHER RECEIVABLES

As at December 31 2016 and 2015, this heading had the following composition :

	ASSETS	
	DEC-16	DEC-15
Customers – current	95,189,219	96,303,421
Customers – trade bills receivable	12,871,375	8,311,992
Customers – doubtful debts	18,343,504	18,284,093
	126,404,098	**122,899,507**
Accumulated impairment losses – doubtful debts (Note 25)	(21,108,285)	(20,754,376)
	105,295,813	**102,145,130**

The amounts presented in the statement of financial position are net of accumulated impairment losses for bad debts, which Ascendum estimated based on the adopted accounting policy and its assessment of the macroeconomic climate on the date of the statement of financial position. Credit risk concentration is limited, as the customer base is broad and non-relational. The Board of Directors therefore believes that the carrying value of accounts receivable is close to their fair value.

The customer balance amounts recorded as assets are not affected by advances made by them for goods and services yet to be purchased. These are presented as liabilities under "Customer advances", which at year end 2016 and 2015 totaled 2,552,946 and 2,149,222 euros, respectively.

Given the Group's terms and conditions of sale and the fact that transactions with medium/long term deferred payments are carried out through financial institutions, the overall amount of trade receivables represents claims with agreed maturity of up to 12 months.

13. OTHER ACCOUNTS RECEIVABLE AND PREPAYMENTS TO SUPPLIERS

As at December 31 2016 and 2015, this heading had the following composition:

	DEC-16		DEC-15	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Prepayments to suppliers	3,633,831	–	2,803,014	
Sub-total	**3,633,831**	**–**	**2,803,014**	**–**
Other accounts receivables	3,915,987	990,161	2,918,675	1,053,780
Accrued income	1,671,663	–	959,330	
Sub-total	**5,587,651**	**990,161**	**3,878,005**	**1,053,780**
Total	**9,221,481**	**990,161**	**6,681,019**	**1,053,780**

Income accruals mainly includes interest, bonuses and other miscellaneous accruals.

Other accounts receivable in 2016 and 2015 includes 1,587,606 euros relating to an outstanding balance with non-controlling interests.

14. DEFERRALS – (ASSETS)

As at December 31 2016 and 2015, this heading had the following composition:

	DEC-16	DEC-15
Deferred Costs:		
Insurance	467,286	465,788
Financial costs	0	8,875
Rents	157,935	155,866
Other bank services	0	63,516
Others	1,623,576	1,137,025
Total	**2,248,797**	**1,831,071**

Ascendum recognizes expenses on the accrual basis regardless of their payment. At the end of the financial year this heading costs that have already been paid but which will only have an economic effect on the following financial year(s). The amounts disclosed in the table above are related to insurance payments, rents, interest, etc. which, based on the accrual accounting principle, should not affect the results of each of the respective financial years.

15. DEFERRED TAXES

Details of the amounts and nature of deferred tax assets and liabilities recorded in the consolidated financial statements at December 31, 2016 and 2015, are summarized as follows:

2016	DEC-15	P&L IMPACT	EQUITY IMPACT	DEC-16
Deferred Tax Assets:				
Non-tax deductible impairments	5,052,853	2,294,138	(353,563)	6,993,428
Carry forward tax losses	4,140,086	(543,784)	0	3,596,302
Non-tax deductible amortizations	1,873,916	(669)	0	1,873,247
Amortization of Goodwill – Tax deductible	1,886,933	(155,363)	0	1,731,570
Carry forward of net Financing Expenses	438,053	0	0	438,053
Elimination – Internal Margins	502,359	(46,076)	0	456,283
Taxable Deferrals	111,561	23,739	0	135,300
Investment Properties Impairments	66,944	0	0	66,944
Available for sale financial assets. Fair value change	3,020,656	0	(3,020,656)	(0)
	17,093,362	**1,571,985**	**(3,374,219)**	**15,291,127**
Deferred Tax Liabilities:				
Depreciations resulting from legal and free revaluations	(3,442,689)	121,030	0	(3,321,659)
Effect of reinvesting capital gains generated by fixed assets disposals	(16,415,987)	(854,854)	(1,087,333)	(18,358,174)
Others	0	(699,762)	0	(699,762)
	(19,858,676)	**(1,433,587)**	**(1,087,333)**	**(22,379,596)**
Net effect	**(2,765,314)**	**138,398**	**(4,461,552)**	**(7,088,468)**

2015	DEC-14	P&L IMPACT	EQUITY IMPACT	DEC-15
Deferred Tax Assets:				
Non-tax deductible impairments	5,051,465	1,388	0	5,052,853
Carry forward tax losses	12,715,054	(8,574,968)	0	4,140,086
Non-tax deductible amortizations	1,808,664	65,252	0	1,873,916
Amortization of Goodwill – Tax deductible	1,886,933	0	0	1,886,933
Carry forward of net Financing Expenses	438,053	0	0	438,053
Elimination – Internal Margins	651,392	(149,033)	0	502,359
Taxable Deferrals	0	111,561	0	111,561
Investment Properties Impairments	66,944	0	0	66,944
Available for sale financial assets. Fair value change	3,840,559	0	(819,904)	3,020,656
	26,459,065	**(8,545,799)**	**(819,904)**	**17,093,362**
Deferred Tax Liabilities:				
Depreciations resulting from legal and free revaluations	(3,281,039)	(161,650)	0	(3,442,689)
Effect of reinvesting capital gains generated by fixed assets disposals	(27,884,097)	7,418,000	4,050,110	(16,415,987)
	(31,165,136)	**7,256,350**	**4,050,110**	**(19,858,676)**
Net effect	**(4,706,071)**	**(1,289,449)**	**3,230,206**	**(2,765,314)**

In 2016, the Deferred Taxes presented above essentially reflected:

(i) Increase of impairments in items of accounts receivable and inventories above to the accepted tax limits (2,294 thousand euros), with an impact on results.

(ii) reversal of deferred tax asset, with impact in equity, recognized in prior periods related with potential losses from" available for sale financial assets". After the change in the tax law in the country where these financial instruments are held, deferred tax assets are now irrelevant for tax purposes.

In 2015, the Deferred Taxes presented above essentially reflected:

(i) Reversal of deferred tax assets related to the use of reported tax losses in the U.S. subsidiary (7.348 thousand euros) and reversals resulting from tax losses that have not been used.

(ii) Reversal of deferred tax liabilities related to capital gains taxation of the U.S. subsidiary, whose tax had been deferred in previous periods.

a) Tax losses carried forward:

COMPANY	TAX LOSSES CARRIED FORWARD	DEADLINE FOR THE USE OF TAX LOSSES	DEFERRED TAX BASE	TAX RATE	DEFERRED TAX ASSETS
Ascendum, S.A. – 2012	244,459	2017	244,459	21%	51,336
Ascendum, S.A. – 2013	1,185,178	2018	1,185,178	21%	248,887
Ascendum, S.A. – 2015	2,543,097	2027	2,543,098	21%	534,051
Ascendum Espanha S.L. – 2012	469,158	N/A	469,158	25%	117,290
Ascendum Espanha S.L. – 2013	1,062,832	N/A	1,062,832	25%	265,708
Ascendum TÜRKÍYE HOLDING – 2013	685,416	2019	685,416	20%	137,083
Ascendum TÜRKÍYE HOLDING – 2014	490,176	2020	490,176	20%	98,035
Ascendum TÜRKÍYE HOLDING – 2015	102,658	2021	102,658	20%	20,532
Ascendum TÜRKÍYE HOLDING – 2016	75,073	2022	75,073	20%	15,015
ART HAVA – 2012	81,526	2018	81,526	20%	16,305
ART HAVA – 2013	77,551	2019	77,551	20%	15,510
ART HAVA – 2014	108,424	2020	108,424	20%	21,685
ART HAVA – 2015	37,939	2021	37,939	20%	7,588
ART HAVA – 2016	8,634	2022	8,634	20%	1,727
Volrental Atlântico	608,362	N/A	608,362	25%	152,091
Zephir	33,840	N/A	33,840	25%	8,460
Ascendum M. MEXICO – 2013	548,087	2024	–	30%	–
Ascendum M. MEXICO – 2015	877,518	2026	–	30%	–
Glomak Espanha – 2008	198,484	N/A	198,484	25%	49,621
Glomak Espanha – 2009	3,588,515	N/A	3,588,515	25%	897,129
Glomak Espanha – 2010	1,502,386	N/A	1,502,386	25%	375,597
Glomak Espanha – 2011	1,716,675	N/A	1,716,675	25%	429,169
Glomak Espanha – 2012	2,255,621	N/A	533,940	25%	133,485
Glomak Espanha – 2013	1,199,837	N/A	–	25%	–
Glomak Espanha – 2014	419,355	N/A	–	25%	–
Glomak Espanha – 2015	1,172,933	N/A	–	25%	–
Total	**21,293,735**		**15,354,325**		**3,596,302**

According with the current legislation in Portugal, tax losses can be carried forward for five years for financial years up to December 31, 2012 and 2013, and 12 years for financial years ending in 2014, 2015 and 2016, following their occurrence and subject to deduction from taxable profits during this reporting period up to 70% of taxable income.

In Spain, a change has occurred in the fiscal regime of reporting tax losses, which came into force in 2015, with retroactive effect, and then, there is no time limit to deductible tax losses.

In the United States, tax losses are reportable for a period of 20 years.

In Turkey, tax losses are reportable for a period of five years.

The Ascendum Group companies with headquarters in Portugal, of which at least 75% of their capital has been held for over a year, are taxed subject to Corporate Income Tax (IRC) according to the Special Taxation System for Groups of Companies ("RETGS") outlined in Articles 70 and 71 of the IRC Code. For financial years beginning January 1, 2012, taxable income in excess of 1.5 million euros is also subject to a state surcharge of between 3% and 5%.

In accordance with current legislation, the tax return of the Ascendum Group and companies headquartered in Portugal are subject to review and corrections by the Tax Authority over a period of up to four years (five years for Social Security), except when there have been tax losses, when tax benefits have been granted or when claims or appeals are taking place, situations in which, depending on the circumstances, deadlines may be extended or suspended. Ascendum's Board of Directors considers that possible corrections from reviews/inspections by the tax authorities of the income statements for the years open to inspection will not have significant impact on the attached consolidated financial statements.

Under the terms of article 88 of the Corporate Income Tax Code, companies headquartered in Portugal are additionally liable for autonomous taxation on several classes of expenses listed in the aforementioned article.

The Ascendum Group companies headquartered in Spain outlined below are taxed on a consolidated basis:

- Ascendum España, S.L.
- Tea Aloya Inmobiliaria S.A.U.
- Ascendum Maquinaria, S.A.

The remaining Group companies with headquarters in Spain are taxed individually according to their respective taxable income.

In line with current legislation, the Ascendum Group's income tax returns and the companies with headquarters in Spain are subject to review and correction by the tax authorities for a period of four years.

Austrian subsidiary Ascendum Central Europe GmbH, consolidates its individual fiscal results with the fiscal results of Ascendum Baumaschinen Österreich GmbH, along with the fiscal results of the subsidiaries in Hungary, Croatia, Slovakia and Romania.

In the United States, the tax returns of Group company – ASC Construction Equipment Inc., are subject to review and correction by the tax authorities for a period of three years.

In Turkey, the tax returns of Group company – Ascendum Makina Limited Sirketi, are subject to review and correction by the tax authorities for a period of five years.

INCOME TAX RATE BY COUNTRY:	2016	2015
Austria	25.0%	25.0%
Croatia	20.0%	20.0%
Slovakia	22.0%	22.0%
Spain	25.0%	28.0%
United States of America	35.0%	35.0%
Hungary	19.0%	19.0%
Mexico	30.0%	30.0%
Portugal	21.0%	21.0%
Czech Republic	19.0%	19.0%
Romania	16.0%	16.0%
Turkey	20.0%	20.0%

On each reporting date, the Group carries out a rigorous assessment of the capacity to recover the tax carried forward, in order to recognize the corresponding Deferred Tax Assets. In the 2016 financial year, Deferred Tax Assets were only recognized on tax losses that were likely to be recovered in future income, according to the business plans of the respective companies, based on tax rates in effect in the future, which are currently unknown.

16. CASH AND BANK DEPOSITS

At December 31, 2016 and 2015, the breakdown of cash and cash equivalents was as follows:

	DEC-16	DEC-15
Cash	137,091	155,283
Current Bank Deposits	12,785,369	14,923,370
	12,922,460	**15,078,654**

17. SHARE CAPITAL STRUCTURE

As at December 31, 2016, the capital of the parent company – Ascendum, S.A. – fully subscribed and paid up, is represented by 15,000,000 nominal shares of 1.00 euro each.

The legal entities with more than 20 % of the subscribed capital are the following:

Ernesto Vieira & Filhos, S.A.	50%
Auto Sueco, Lda.	50%

18. EQUITY

Dividends

The dividend policy is the responsibility of the Shareholders' General Meeting.

According to a decision of the Shareholders' General Meeting held on April 22, 2016, dividends in the amount of 16,000,000 euros were paid.

The dividend payment that is deliberated by the shareholders will have no fiscal impact for the Group.

Legal reserve

Portuguese corporate law states that at least 5% of the annual net profit of each company for the year, as calculated in their individual accounts, has to be assigned to legal reserves until they represent up to 20% of the total share capital. These reserves cannot be distributed, except in case of Company liquidation, but can be used to absorb losses after other reserves have been used, or incorporated into the share capital.

Revaluation reserves

Revaluation reserves relate to the amount of the tangible fixed assets revaluation reserve, net of deferred taxes. This reserve can only be distributed after its realization, which occurs through the use or disposal of revaluated assets.

Other reserves

This includes the amounts of all and any available reserves, whose allocation is determined by the shareholders.

Fair value reserves

Fair value reserves reflect changes in the fair value of the available for sale financial assets.

Retained earnings

The net result of the previous year is recorded under this heading. It is subsequently moved according to any application of profits or coverage of losses that may be decided.

The reserves available for distribution to shareholders are determined based on the individual Financial Statements of Ascendum, S.A.

19. NON-CONTROLLING INTERESTS

Movements under this heading in the financial years ended December 31, 2016 and 2015 were as follows:

	DEC-16	DEC-15
Opening balance on January, 1st	4,008,385	4,799,842
Net profit for the period attributed to non-controlling interests	339,061	316,982
Other variations in equity	(253,974)	(1,108,440)
Final balance on December, 31st	**4,093,472**	**4,008,385**

20. BORROWINGS

As at December 31, 2016 and 2015, the structure of "Loans obtained" was as follows:

	DEC-16		DEC-15	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Bank loans/current accounts/overdrafts	74%	4%	83%	5%
Commercial papers, leasings and others	26%	96%	17%	95%
	100%	**100%**	**100%**	**100%**

Of the non-current loans obtained at December 31, 2016, 15% mature in 5 years or more.

Bank loans bear interest according to market rules and spreads traded by the Group, based, in most cases, on the three-month Euribor rate.

21. TRADE AND OTHER PAYABLES

As at December 31, 2016 and 2015, this heading was made up of current payable balances to suppliers, all of which are due in the short term.

As at December 31, 2016 and 2015, the aggregate balance of suppliers item was not affected by payment plans that included interest payments and the financial risk associated with interest rate changes is therefore negligible in this case.

22. OTHER LIABILITIES

As at December 31 2016 and 2015, this heading had the following breakdown:

	CURRENT LIABILITIES		NON-CURRENT LIABILITIES	
	DEC-16	DEC-15	DEC-16	DEC-15
Accrued expenses liabilities	23,203,554	16,592,478	–	–
Investments suppliers	5,806,538	10,732,675	5,281,719	5,095,874
Other creditors	5,131,939	4,087,534	38,396,620	19,191,822
	34,142,031	**31,412,686**	**43,678,338**	**24,287,696**

The accrued expenses include accruals for staff payments and charges, interest payable, taxes and other miscellaneous operating expenses.

The significant decrease in 2016 compared to 2015 in Investment suppliers is essentially explained by a reduction in the number of lease contracts related to the rental fleet of the subsidiaries of the United States of America, Austria and Spain.

The increase in 2016 under the heading of "other creditors", on the non-current is explained fundamentally with a sale of assets, followed by rental on our subsidiary of United States.

23. STATE AND OTHER PUBLIC ENTITIES

As at December 31 2016 and 2015, "State and other Public Entities" has the following composition:

	ASSETS		LIABILITIES	
	DEC-16	DEC-15	DEC-16	DEC-15
Withholding income tax	–	–	536,716	554,110
Value Added Tax	13,252,793	12,984,750	5,896,002	5,823,123
Income Tax	1,521,057	976,469	2,524,524	13,436,988
Social Security Contributions	–	–	1,089,570	950,378
Others	438,133	11,176	53,605	100,447
Total	**15,211,983**	**13,972,394**	**10,100,417**	**20,865,046**

The main variation in the year 2016, compared with the previous year, was in the liabilities "income tax". This decrease occurred mainly in our subsidiary of the United States, for having paid in 2016 the amount of tax calculated in the previous year related to the capital gains from the sale of the rental fleet which at the date of disposal had recorded values lower than the sales price, regarding the accelerated depreciation method, allowed in the United States.

24. DEFERRALS – LIABILITIES

As at December 31 2016 and 2015, "Deferrals" has the following composition:

	DEC-16	DEC-15
Revenue deferrals		
Sales and services to recognize	1,919,817	2,909,933
Others	539,902	228,849
Total	**2,459,719**	**3,138,782**

The Group recognizes revenues on the accrual basis regardless of their payment. At the end of the financial year, this heading defers transactions that have already been invoiced for which, at December 31, not all requirements had been met for their recognition as revenue in the financial year itself. This was specifically because not all the inherent rights of ownership of the goods involved in the transaction had been transferred at that date.

25. PROVISIONS AND LOSSES FOR ACCUMULATED IMPAIRMENTS

Movements in provisions in the financial years ended December 31, 2016 and 2015 were as follows:

2016 DESCRIPTION	OPENING BALANCE	EXCHANGE RATE EFFECT	PERIMETER VARIATION	INCREASES	REVERSALS	UTILIZATIONS/ ADJUSTMENTS	TOTAL
Accumulated impairment losses – accounts receivables (Note 12)	20,754,376	10,957	–	687,968	(548,232)	203,216	21,108,285
Accumulated impairment losses – inventories (Note 11)	5,525,960	149,100	–	1,301,172	(1,057,951)	1,591,446	7,509,727
Provisions	4,497,817	5,762	–	699,954	(1,401,522)	813,935	4,615,946

2015 DESCRIPTION	OPENING BALANCE	EXCHANGE RATE EFFECT	PERIMETER VARIATION	INCREASES	REVERSALS	UTILIZATIONS/ ADJUSTMENTS	TOTAL
Accumulated impairment losses – accounts receivables (Note 12)	20,999,171	(170,300)	–	662,866	(776,881)	39,520	20,754,376
Accumulated impairment losses – inventories (Note 11)	5,512,921	26,608	–	1,784,626	(1,366,618)	(431,576)	5,525,960
Provisions	3,406,957	5,762	–	403,766	(61,253)	742,586	4,497,817

At December 31, 2016 and 2015, the details of "Provisions" presented in the statement of financial position were as follows:

DESCRIPTION	DEC-16	DEC-15
Provisions for guarantees	2,378,464	2,106,052
Provisions for risks and costs – Litigation	10,600	27,500
Other provisions	2,226,882	2,364,265
Total	**4,615,946**	**4,497,817**

Under Provisions for Guarantees, the Group discloses its best estimates for current obligations of uncertain timing related to guarantees provided to customers as a result of the normal flow of operations.

"Provisions for risks and costs – Litigation" also provides best estimates of total outflows that may occur in the future due to legal proceedings filed by third parties.

Other Provisions provides a set of estimates of other current obligations of uncertain timing not included in the two previous categories.

Given the uncertainty about when these provisions will be reversed and their purpose, the Group did not proceed to update them financially.

26. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate derivatives

The Board of Directors regularly assesses the Group's level of exposure to the various inherent risks of the activities of its companies, including price risk, interest rate risk and exchange rate risk.

As at December 31, 2016 and 2015, the Group had not entered into any interest rate fixing instruments.

Additionally, and although an increasing proportion of the Consolidated Statement of Financial Position is impacted by exchange rate variations (euro/US dollar and euro/Turkish lira) (see Note 2.3. (t)(i)), the degree of exposure continued to be considered limited.

Therefore, as at December 31, 2016 and 2015, the Group had not entered into any type of derivative financial instrument.

Ascendum's Board of Directors regularly monitors the Group's level of exposure to exchange rate variation and reviews reports on the matter, which in the future may underpin negotiation of hedging instruments that are considered suitable for the respective types of risk.

27. FINANCIAL COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

As at December 31, 2016 and 2015, Ascendum had the following financial commitments:

RESPONSABILITIES	DEC-16	DEC-15
Buybacks	14,611,361	17,028,528
For granted guarantees	641,000	1,648,000
Total	**15,252,361**	**18,676,528**

The decrease of the responsibilities with "buybacks" disclosed in the above table, is explained mainly by a reduction in the responsibilities for the agreement to repurchase equipment, and a reduction of granted guarantees by the Spanish subsidiary AIR RAIL.

TYPES	DEC-16	DEC-15
Warranties granted to importers of represented brands	1,687,436	2,290,925
Guarantees provided in public tenders	100,315	549,255
Guarantees for suppliers of water, electricity, fuel and similar	351,820	333,190
Other guarantees	7,510,270	7,507,240
Total	**9,649,841**	**10,680,609**

At the end of 2016 and 2015, powers of attorney were in place in favor of Banco Português de Investimentos (BPI) for a collateral arrangement on all the shares representing the share capital of subsidiary Ascendum Turk Makina Ticaret A.S., and a pledge for a collateral arrangement on the shares of the subsidiaries Ascendum Central Europe GmbH, Ascendum Baumaschinen Österreich GmbH and Ascendum Machinery SRL, for loans used to acquire those shareholdings. The amounts indicated in the heading of "Other guarantees" for the years 2015 and 2016 are fundamentally related to guarantees provided by the Holding in favour of its subsidiaries.

28. INCOME TAX

Income tax recognized in the financial years ended December 31, 2016 and 2015 is as follows:

RESPONSABILITIES	DEC-16	DEC-15
Current Income Tax	11,497,474	8,859,795
Deferred Income Tax (Note 15)	(138,398)	1,289,449
Total	**11,359,077**	**10,149,244**

29. EARNINGS PER SHARE

Earnings per share can be expressed as "basic earnings" or "diluted earnings".

Basic earnings per share are calculated by dividing profit or loss for the year by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing profit or loss for the year by the weighted average number of ordinary shares outstanding during the period, plus the number of ordinary shares that may be issued as a result of converting other instruments issued by the entity.

Following a shareholder resolution of November 28, 2011, the parent company, Ascendum, was transformed into a public limited company, with share capital of 15,000,000 euros, represented by 15,000,000 shares with a nominal value of 1 (one) euro each.

In the 2016 and 2015 financial years, there was no other issuance/reduction or withdrawal of shares and therefore the average number of ordinary shares in circulation during the financial year was 15,000,000.

There was also no issuance/amortization of any instruments that could be converted into ordinary shares.

There are no shares with special and/or limited rights.

Earnings per share are as follows:

	DEC-16	DEC-15
Net Profit/Loss of the period	17,589,685	16,135,723
Average number of ordinary shares	15,000,000	15,000,000
Basic earnings per share	**1.17**	**1.08**
Diluted earnings per share	**1.17**	**1.08**

30. INFORMATION BY GEOGRAPHIC MARKET AND BUSINESS

The main information on geographic markets and business as at December 31, 2016 and 2015 is detailed in Note 32.

31. AVERAGE NUMBER OF EMPLOYEES

In the financial years ended December 31, 2016 and 2015, the average number of employees working for the Group was as follows:

STAFF	DEC-16	DEC-15
Board	33	34
Directors	50	53
Managers	150	144
Human Resources	12	12
Financial and Administrative	89	86
Logistics, IT, General support and others	161	177
Commercial	198	248
After-Sales	716	688
Total	**1,409**	**1,442**

The number of employees in 2016, compared to 2015, remained stable.

32. CONTRIBUTION OF THE GEOGRAPHIC PLATFORMS TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND CONSOLIDATED INCOME STATEMENT AS AT DECEMBER 31, 2016 AND 2015

The details of sales and services rendered by geographic markets, made by Group companies from their locations, in the financial years ended December 31, 2016 and 2015 were as follows:

MARKET	DEC-16		DEC-15	
	AMOUNT	%	AMOUNT	%
Portugal	110,139,784	12.77%	99,899,887	12.18%
Spain	84,255,160	9.77%	85,172,898	10.38%
United States of America	310,882,493	36.05%	270,380,496	32.95%
Turkey	188,603,723	21.87%	185,104,557	22.56%
Mexico	31,808,814	3.69%	24,912,115	3.04%
Morocco	1,100,607	0.13%	–	0.00%
Austria	79,011,078	9.16%	84,127,589	10.25%
Hungary	7,779,327	0.90%	6,021,462	0.73%
Romania	9,297,782	1.08%	12,393,483	1.51%
Croatia	3,742,573	0.43%	3,939,136	0.48%
Czech Republic	26,137,329	3.03%	33,910,489	4.13%
Slovakia	7,784,445	0.90%	7,663,824	0.93%
Mozambique	1,859,254	0.22%	6,975,414	0.85%
Total	**862,402,369**	**100%**	**820,501,351**	**100%**

The following tables show the main headings of the Statement of financial position and Income Statement divided by the geographic markets in which Ascendum operates, for 2016 and 2015:

2016	NON-CURRENT ASSETS	CURRENT ASSETS		NON-CURRENT LIABILITIES		CURRENT LIABILITIES	
	FIXED TANGIBLE ASSETS	INVENTORIES	CLIENTS AND OTHER ACCOUNTS RECEIVABLE	LOANS	OTHER LIABILITIES	SUPPLIERS AND OTHER ACCOUNTS PAYABLE	LOANS
Portugal	23,755,854	26,653,591	26,823,561	72,228,571	2,504,601	19,892,101	33,253,845
Spain	31,618,590	15,163,963	18,183,909	8,870,585	1,084,974	10,399,198	12,157,468
United States of America	53,156,134	72,707,433	14,086,380	–	61,493,684	32,162,097	13,066,721
Turkey	4,884,517	27,045,092	24,111,207	1,260,511	–	25,568,843	24,919,860
Mexico	3,940,076	15,131,264	8,055,225	–	–	18,601,602	5,060,627
Poland	–	–	6,201	–	–	262	10
Morocco	178,058	–	118,181	163,294	–	283,880	–
Austria	21,181,473	7,133,964	8,465,930	–	3,359,943	12,219,878	3,390,045
Hungary	400,967	1,332,051	986,272	–	258,555	1,506,172	75
Romania	235,242	1,324,566	2,611,846	–	392,206	2,223,634	7,909
Croatia	10,108	60,789	788,858	–	62,893	636,017	–
Czech Republic	190,871	1,783,206	4,716,432	–	1,000,414	4,161,882	78
Slovakia	155,537	572,094	1,344,173	–	119,663	2,031,681	–
Mozambique	536,787	4,499,466	585,288	–	396,948	290,466	–
Total	**140,244,214**	**173,407,480**	**110,883,464**	**82,522,961**	**70,673,881**	**129,977,713**	**91,856,637**

2015	NON-CURRENT ASSETS	CURRENT ASSETS		NON-CURRENT LIABILITIES		CURRENT LIABILITIES	
	FIXED TANGIBLE ASSETS	INVENTORIES	CLIENTS AND OTHER ACCOUNTS RECEIVABLE	LOANS	OTHER LIABILITIES	SUPPLIERS AND OTHER ACCOUNTS PAYABLE	LOANS
Portugal	26,436,575	28,540,612	24,813,541	74,053,752	2,699,693	18,380,334	34,305,947
Spain	29,066,605	15,844,595	20,883,338	10,001,806	1,291,681	12,145,804	8,148,681
United States of America	57,466,781	66,806,195	13,553,023	–	41,103,128	31,100,786	22,727,090
Turkey	3,405,763	25,770,391	20,066,782	1,385,172	–	19,148,068	18,196,014
Mexico	2,255,262	9,462,639	7,063,732	1,856,651	–	2,459,134	11,066,534
Poland	–	–	6,414	–	–	271	10
Morocco	207	–	213,524	–	–	316,292	–
Austria	25,131,805	5,095,028	7,210,378	8,518,154	1,642,425	10,743,646	3,125,868
Hungary	464,254	983,481	360,102	–	221,337	429,885	–
Romania	294,860	1,684,486	3,727,745	–	612,260	988,995	13,315
Croatia	6,396	60,067	456,088	–	69,349	447,710	–
Czech Republic	1,027,899	1,228,329	5,282,567	–	849,830	3,491,096	46
Slovakia	281,364	724,952	636,228	–	154,487	746,221	–
Mozambique	656,250	3,483,339	1,749,673	–	–	463,922	–
Total	**146,494,023**	**159,684,115**	**106,023,136**	**95,815,535**	**48,644,190**	**100,862,163**	**97,583,505**

2016	SALES AND SERVICES RENDERED	COSTS OF SALES	SUBCONTRACTS AND EXTERNAL SERVICES	PERSONNEL COSTS	OTHER GAINS/ LOSSES	NET PROFIT/ LOSS FOR THE PERIOD
Portugal	110,139,784	(83,645,853)	(11,775,194)	(15,338,683)	502,166	(117,781)
Spain	84,255,160	(59,841,421)	(8,851,630)	(9,391,163)	(5,030,599)	1,140,346
United States of America	310,882,493	(246,607,142)	(8,329,924)	(21,052,943)	(26,556,080)	8,336,404
Turkey	188,603,723	(151,054,562)	(12,738,803)	(8,733,813)	(11,944,613)	4,131,932
Mexico	31,808,814	(24,709,645)	(4,855,074)	(1,958)	(2,047,509)	194,628
Morocco	1,100,607	–	(996,843)	–	(76,208)	27,556
Austria	79,011,078	(53,644,911)	(7,617,767)	(10,713,245)	(5,174,722)	1,860,433
Hungary	7,779,327	(5,810,964)	(939,449)	(668,916)	(119,040)	240,957
Romania	9,297,782	(7,145,094)	(827,960)	(934,153)	(238,104)	152,470
Croatia	3,742,573	(2,797,671)	(255,475)	(270,462)	(175,752)	243,212
Czech Republic	26,137,329	(20,206,381)	(1,662,876)	(1,762,968)	(1,014,114)	1,490,991
Slovakia	7,784,445	(5,841,445)	(513,582)	(854,757)	(161,597)	413,065
Mozambique	1,859,254	(1,008,229)	(569,252)	(366,676)	(439,625)	(524,528)
Total	**862,402,369**	**(662,313,319)**	**(59,933,831)**	**(70,089,737)**	**(52,475,797)**	**17,589,685**

2015	SALES AND SERVICES RENDERED	COSTS OF SALES	SUBCONTRACTS AND EXTERNAL SERVICES	PERSONNEL COSTS	OTHER GAINS/ LOSSES	NET PROFIT/ LOSS FOR THE PERIOD
Portugal	99,899,887	(74,757,772)	(11,467,296)	(15,305,396)	459,212	(1,171,364)
Spain	85,172,898	(63,564,609)	(7,996,036)	(8,308,014)	(5,048,355)	255,884
United States of America	270,380,496	(210,773,098)	(6,596,287)	(20,321,952)	(25,217,028)	7,472,131
Turkey	185,104,557	(149,142,701)	(12,588,995)	(8,761,908)	(8,882,516)	5,728,436
Mexico	24,912,115	(18,959,525)	(5,089,081)	(3,743)	(1,640,320)	(780,554)
Austria	84,127,589	(55,333,949)	(7,319,841)	(10,889,220)	(9,109,950)	1,474,630
Hungary	6,021,462	(4,260,732)	(813,414)	(700,561)	11,833	258,587
Romania	12,393,483	(10,106,539)	(868,555)	(902,033)	(33,233)	483,123
Croatia	3,939,136	(3,081,538)	(235,509)	(257,947)	(160,407)	203,735
Czech Republic	33,910,489	(27,017,736)	(1,589,555)	(1,922,304)	(1,740,406)	1,640,488
Slovakia	7,663,824	(5,437,086)	(648,789)	(955,793)	(129,275)	492,880
Mozambique	6,975,414	(3,754,670)	(1,362,116)	(490,175)	(1,290,707)	77,746
Total	**820,501,351**	**(626,189,956)**	**(56,575,475)**	**(68,819,046)**	**(52,781,152)**	**16,135,723**

Additionally, the division of sales and after-sales (parts and services) by activity is as follows:

MARKET	DEC-16		DEC-15	
	AMOUNT	%	AMOUNT	%
Construction equipment and other equipment	813,347,994	94.31%	779,803,259	95.04%
Vehicles	27,958,550	3.24%	24,873,933	3.03%
Trucks	21,095,825	2.45%	15,824,159	1.93%
Total	862,402,369	100%	820,501,351	100%

33. OTHER INCOME AND GAINS

As at December 31, 2016 and 2015, "Other income and gains" had the following composition:

DESCRIPTION	DEC-16	DEC-15
Cash discounts obtained	168,892	146,548
Capital gains from fixed tangible assets disposals	915,602	1,135,281
Excess of income tax estimate	18,686	127,601
Adjustments related to prior years	6,431	2,757
Favorable foreign exchange differences	2,866,946	11,039,435
Claims	271,846	204,081
Others	4,950,748	5,610,084
Total	9,199,150	18,265,788

The reduction recorded in 2016 under favorable foreign exchange differences, which is also correlated with unfavorable exchange differences disclosed in note 42., essentially results from the effect caused by the change of the local functional currencies of subsidiaries Ascendum Mexico and Glomak, to the US dollar.

34. OPERATIONAL LEASE

The commitments held as at December 31, 2016 and 2015 for operational lease are as follows:

MINIMUM PAYMENTS FOR OPERATING LEASES	DEC-16	DEC-15
Less than a year	4,597,113	1,983,684
Between 1 and 5 years	9,629,558	7,203,053
Total	14,226,671	9,186,737

The increase in the year 2016 of the operating leases, is fundamentally related to the operation of "sale and leaseback" held in the United States at the end of the year.

35. FINANCIAL RESULTS

As at December 31 2016 and 2015, financial results had the following composition:

INTEREST AND SIMILAR COSTS	DEC-16	DEC-15
Interests	9,087,234	10,134,716
Foreign exchange differences	5,678,616	1,523,464
	14,765,850	11,658,180

Financial expenses increased significantly in 2016, compared with the previous year due to negative exchange differences cleared in bank loans in other currency than the Euro, which resulted primarily from the devaluation observed throughout the year, on the Turkish Lira, Kwanza and Metical.

However, there was a decrease of interests, as a result of the good moment of negotiation of credit lines in 2016, and reducing the overall level of funding.

INTEREST AND SIMILAR INCOME	DEC-16	DEC-15
Interests	389,354	112,521
	389,354	112,521

36. RELATED PARTIES

A related party is a party that controls or is controlled by the other party, or that has a significant influence over it, exercises joint control, is a member of the key management personnel, or a close member of the staff controlling the entity or of the key management individuals, or the party is a post-employment benefits plan for the entity's employees.

Balances and transactions between the parent company and its subsidiaries or between subsidiaries, where these are related parties, have been eliminated in the consolidation process and are therefore not disclosed in this Note. The details of balances and transactions between Ascendum S.A. and related parties can be summarized as follows:

	ACCOUNTS RECEIVABLES FROM COMMERCIAL AND OTHER DEBTS	
	DEC-16	DEC-15
Key management personnel	109,014	401,575

OUTSTANDING BALANCES WITH RELATED PARTIES	DEC-16	DEC-15
Customers/other accounts receivable:		
Auto-Sueco, Lda	371,585	326,476
Suppliers/other accounts payable:		
Auto-Sueco, Lda	5,481,734	3,340,936

TRANSACTIONS WITH RELATED PARTIES 2016	SALES	SERVICES RENDERED	PURCHASES	OTHER EXPENSES	OTHER INCOME
Auto-Sueco, Lda.	49,825	880,439	16,888,626	336,008	54,482

TRANSACTIONS WITH RELATED PARTIES 2015	SALES	SERVICES RENDERED	PURCHASES	OTHER EXPENSES	OTHER INCOME
Auto-Sueco, Lda.	75,906	765,353	12,172,130	450,636	29,317

Relations with Ernesto Vieira & Filhos are of very limited significance as they basically involve distribution of dividends, expense payments related to assigned personnel and facilities rent debts.

The purchase and sale of goods and services rendered to related parties were performed at market prices.

37. FINANCIAL ASSETS AND LIABILITIES

As at December 31, 2016, financial assets and liabilities had the following composition:

FINANCIAL ASSETS	CATEGORY	BOOK VALUE	VALUATION METHOD
Financial Investments – Other methods	Available for sale	12,795,958	Fair value
Other accounts receivable	Accounts receivable	4,906,148	amortized cost
Other financial assets	Accounts receivable	6,425,899	amortized cost
Customers	Accounts receivable	105,295,813	amortized cost
Suppliers prepayments	Accounts receivable	3,633,831	amortized cost
Cash and Bank Deposits	Accounts receivable	12,922,460	amortized cost
		145,980,109	

FINANCIAL LIABILITIES	CATEGORY	BOOK VALUE	VALUATION METHOD
Borrowings	Other liabilities	174,379,598	amortized cost
Other accounts payable	Other liabilities	77,820,369	amortized cost
Suppliers	Other liabilities	95,835,682	amortized cost
Customers prepayments	Other liabilities	2,552,946	amortized cost
		350,588,595	

Impairment losses on Financial Assets (Trade receivables, Other accounts receivable and Financial holdings) are listed in Notes 10.2, 12 and 25.

Gains and losses on financial assets and liabilities in 2016 and 2015 were as follows:

	GAIN/(LOSS)	
	DEC-16	DEC-15
Accounts receivable	(139,736)	114,015
Assets held for sale	0	(15,292)
	(139,736)	**98,724**

Interest on financial assets and liabilities in 2016 and 2015 were as follows:

	GAIN/(LOSS)	
	DEC-16	DEC-15
Accounts receivable	389,354	112,521
Liabilities at amortised cost	(9,087,234)	(9,403,190)
	(8,697,880)	**(9,290,669)**

Exchange rate differences on financial assets and liabilities related to operating activities in 2016 and 2015 were as follows:

	GAIN/(LOSS)	
	DEC-16	DEC-15
Gains in foreign exchange differences	2,866,946	11,039,435
Losses in foreign exchange differences	(3,888,598)	(12,890,065)
	(1,021,652)	**(1,850,630)**

38. REMUNERATION OF THE MEMBERS OF THE GOVERNING BODIES

The remuneration of the members of the governing bodies of the Ascendum Group in 2016 and 2015 were as follows:

BOARD	DEC-16	DEC-15
Board	4,351,321	4,375,588

39. REMUNERATION OF THE STATUTORY AUDITOR

The fees paid to the Statutory Auditor, PricewaterhouseCoopers & Associados – S.R.O.C., Lda., in the 2016 and 2015 financial years were as follows:

	CURRENCY	DEC-16	DEC-15
Portugal	EUR	66,750	65,600
Spain	EUR	52,600	54,600
United States of America	USD	134,800	134,800
Mexico	EUR	25,371	11,380
Turkey	EUR	27,000	27,000
Mozambique	USD	2,000	–
Romania	EUR	12,000	12,000
Hungary	EUR	7,500	7,500
Austria	EUR	19,400	19,400
Croatia	EUR	6,000	6,000
Slovakia	EUR	11,500	11,500
Czech Republic	EUR	14,000	14,000

40. EXTERNAL SUPPLIES AND SERVICES

As at December 31 2016 and 2015, external supplies and services had the following composition:

	DEC-16	DEC-15
Subcontracts/Specialized services	22,366,715	21,227,354
Advertising and promotion	1,856,463	2,250,103
Surveillance and security	636,532	664,430
Maintenance/repairs/tools	1,891,338	2,517,338
Office supplies/technical documentation	608,097	709,478
Electricity/fuels/water/other fluids	1,418,651	992,298
Travel and accommodation	4,482,844	4,389,929
Transport of goods	1,943,516	2,032,589
Rents and leases	14,368,843	12,509,675
Communications	1,521,645	1,487,507
Insurance	2,384,998	2,215,730
Clean hygiene and comfort	886,667	801,671
Other external supplies and services	5,567,520	4,777,372
Total	**59,933,831**	**56,575,475**

41. PERSONNEL EXPENSES

As at December 31 2016 and 2015, staff expenses had the following composition:

	DEC-16	DEC-15
Payroll	41,489,745	40,001,682
Social charges	6,045,561	5,905,196
Insurance against labour accident	123,512	111,442
Subsidies	3,041,767	3,572,494
Commissions	4,837,620	5,034,116
Awards and Bonuses	5,493,835	6,614,103
Indemnities	395,471	138,457
Other staff related expenses	8,662,226	7,441,555
Total	**70,089,737**	**68,819,046**

42. OTHER EXPENSES AND LOSSES

As at December 31 2016 and 2015, other expenses and losses had the following composition:

	DEC-16	DEC-15
Unfavorable exchange rate differences	3,888,598	12,890,065
Taxes and fees	1,765,129	1,573,710
Bank commissions and other charges	80,248	1,007,128
Insufficient income tax estimate	84,770	124,469
Adjustments related to prior years	31,545	21,192
Donations	41,080	102,976
Subscriptions and contributions	11,667	56,030
Other costs	1,301,437	1,844,754
Total	**7,204,473**	**17,620,324**

The reduction in 2016 of the "unfavorable exchange rate differences" which is also correlated with favorable exchange differences disclosed in note 33, results essentially by the effect caused by the change in functional currency of the subsidiary Ascendum Maquinaria Mexico and Glomak to the US dollar.

43. ENVIRONMENTAL INFORMATION

The Group adopts necessary measures on environmental matters to comply with current legislation.

Ascendum's Board of Directors, in 2015, does not estimate any risks related to environmental protection and improvement, and was not notified of any administrative notifications of offences in this matter in the 2016 financial year.

44. SUBSEQUENT EVENTS

Between December 31, 2016, and the date this consolidated annual report was issued, there were no material events or transactions of consequence requiring recognition or disclosure. Nevertheless, the Board discloses the following facts:

- On January 2, 2017, a split was made, with accounting and tax effect as at January 1, 2017 in subsidiary Ascendum II-Vehicles Unipessoal Lda. (whose name changed to Ascendum Automóveis, Unipessoal, Lda), through which the truck business unit was transferred to a new subsidiary – Ascendum Camiões, Unipessoal Lda, created for that purpose.
- The Spanish subsidiary Ascendum Spain, S.L., sold the entire financial participation held in Banco BPI, under the takeover bid launched by CaixaBank, for a price higher than the acquisition cost and superior to its book value on the date of December 31, 2016.

45. APPROVAL OF THE FINANCIAL STATEMENTS

These Financial Statements were approved by the Board of Directors on March 10, 2017. Additionally, the accompanying financial statements as at December 31, 2016 are awaiting approval by the General Assembly Meeting. However, Ascendum's Board of Directors believes they will be approved without significant changes.

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

COMPLETE AND
SPECIALIZED ASSISTANCE
THAT FOLLOWS YOU
WHEREVER YOU GO.

**STRONGER
BY YOUR
SIDE.**

LEGAL CERTIFICATE OF CONSOLIDATED ACCOUNTS AND OPINION OF STATUTORY AUDITOR

04.

ASCENDUM

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Statutory Audit Report

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Ascendum, S.A. (The Group), which comprise the consolidated statement of financial position as at December 31, 2016 (which shows total assets of Euro 542.592.170 and total shareholders' equity of Euro 152.447.897, including a net profit of Euro 17.250.623), the consolidated statement of income by nature, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ascendum, S.A. as at December 31, 2016, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

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

Responsibilities of management for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria;

e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

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e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;

g) communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our understanding that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

15 March 2017

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

José Miguel Dantas Maio Marques

José Miguel Dantas Maio Marques, R.O.C.

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