www.ascendumgroup.com

PASSION TO GO FURTHER

2017
ANNUAL REPORT

ASCENDUM

2017 WAS A DECISIVE YEAR AS IT MARKED THE START OF A NEW CHAPTER IN A 59-YEAR LONG HISTORY. THE YEAR WE STRENGTHENED A PEOPLE AND CLIENT-CENTRIC CORPORATE CULTURE AND REVISED OUR CORE VALUES, VISION AND VALUE PROPOSITION AMONGST THE 14 GEOGRAPHIES WHERE WE ARE PRESENT. A SHARED AMBITION TO KEEP US GROWING WITHOUT FRONTIERS AS A PASSIONATE, INNOVATIVE AND TRUSTED COMPANY FULLY COMMITTED TO MOVING OUR CLIENTS FORWARD ACROSS THE WORLD.

ASCENDUM.
A PASSION TO GO FURTHER.

www.ascendumgroup.com

2017 ANNUAL REPORT

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.

PORTUGAL (HQ)

Albergaria
Coimbra
Faro
Leiria
Lisboa
Porto
Viseu

SPAIN

Barcelona
Granada
Guadalajara
Madrid
Pontevedra
Valladolid

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

USA

Georgia
North Carolina
North Dakota
South Carolina
Tennessee

TURKEY

Ankara
Bursa
Eskisehir
Istanbul

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

MEXICO

Monterrey
San Luis Potosi
Guadalajara
Mexico
Veracruz
Villahermosa

CENTRAL EUROPE

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

SUB-DEALERS
Ajdoviscina (Slovenia)
Banja Luka (Bosnia Herzegovina)
Chisniau (Moldavia)

59 years
of history

Family roots
company

Multinacional company
based in Portugal

Operating in
14 countries

Around
1,400 employees

More than
30 represented brands

35,000 machines
working around the world

Turnover of 907 M€
in 2017

COMPANY INFORMATION

01.

ECONOMIC AND FINANCIAL INFORMATION

02.

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03.

LEGAL CERTIFICATE OF CONSOLIDATED ACCOUNTS AND OPINION OF STATUTORY AUDITOR

04.

PASSION TO PERFORM

WE PUT OUR BEST IN DEVELOPING CUSTOMISED AND INNOVATIVE SOLUTIONS THAT LEVERAGE THE PERFORMANCE OF OUR CLIENTS AND IMPROVE THE WAY THE WORLD IS MOVING AND IS BUILT.

01.

COMPANY INFORMATION

1.1. MESSAGE FROM THE EXECUTIVE BOARD

Dear Shareholders,

As in previous years, we would like to begin this message with a well-deserved recognition for the unsurpassable commitment and exemplary contribution of our more than 1,400 employees, who ensured that our objectives for 2017 were greatly exceeded.

We would also like to take the opportunity to thank our stakeholders for the unqualified support shown over the years, and our more than 31,000 customers from across the Group's various geographic platforms for their loyalty and the trust they continue to place in us.

The Ascendum team's commitment allowed all countries in which we operate to contribute positively to results, just as in 2016, which is noteworthy, particularly given the highly unstable and challenging macroeconomic, foreign exchange and geopolitical landscape, which, with less committed teams, could have led to a different outcome.

2017 was a year where Ascendum exceeded its target of 900 M€ in turnover (5% increase, approximately 45 M€, the devaluation of the USD and TRY, inhibiting a contribution of greater than 51 M€, which would have resulted in turnover of 958 M€). In 2017, Ascendum increased its asset management efficiency and return levels to 1.7x and 15% respectively, decreased debt by 15%, significantly improved its financial indicators – Equity/Assets of 29% and Net Debt/EBITDA of 1.7X – recording EBITDA levels of over 75 M€ and a net return of 3%, equalling peak years such as 2007 from a financial perspective, despite the operation being carried out under complex management conditions – geopolitical, macroeconomic, foreign exchange (over 7 currencies) and market (84% of 2007 market value and over 10 countries).

This past year has also been one of strong investment in the consolidation of our human capital. In a company with the multicultural richness that comes with operating on 4 continents, there is a constant need to reinforce and clarify the culture, values and behaviours that are inherent to our culture and values. The expression "Be Ascendum" or Ascendum Family is the result of this reflection and investment, and is now instilled in each member of our team, regardless of where they are or their role, who mirror the Ascendum values – we are client-centric, increasingly more ambitious and inspire the trust of all our stakeholders. In parallel, initiatives focusing on the personal development of our employees were also enhanced, enabling greater engagement between the various geographic and operational teams and, ultimately, increased efficiency and productivity for the Group. Initiatives such as the Ascendum Academy, Sounding Boards, the CEOs/CFOs Meeting and A-Challenge have been consolidating Ascendum Culture and Operational Processes with very distinct common traits – result-oriented and commitment to the organization and all of its stakeholders.

Thus, more than stating how pleased we are that Ascendum exceeded its objectives for 2017 as regards financial and economic indicators, surpassing the company's peak years, we would like to highlight the trust our stakeholders continue to place in us and which everyone in the Ascendum Family should be proud of.

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

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March 14, 2018
The Executive Board of ASCENDUM

1.2. CORPORATE BODIES AND GOVERNANCE STRUCTURE

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
Ângela 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 – Chairman
Ângela Maria Silva Vieira Lança de Morais
João Manuel de Pinho Mieiro
Paulo Vieira do Nascimento Mieiro
Rui António Faustino

SHAREHOLDERS 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, Ângela Vieira, Tomás Jervell, Paulo Mieiro, José Leite de Faria, Rui António Faustino.

1.3. HIGHLIGHTS

1.3.1 MAIN EVENTS

As in previous years, during 2017, Ascendum operated in an extremely challenging climate – geopolitical, macroeconomic and foreign currency – but it did not stop the company from exceeding its target of 907 million euros in turnover and improving its overall solvency ratios – Net Debt/EBITDA below 2.0x – and also reducing its debt by 15%, despite strong investment in growth through acquisitions made since 2010.

In 2017, 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 information sharing and best practices.

Similarly, 2017 was also marked by increased investment in communication and in Ascendum brand worldwide, in order to convey reliability and proximity to customers, regardless of the countries and the different areas of business in which the Group operates.

Accordingly, we highlight the following main events in 2017:

MAIN EVENTS 2017

01. Operational and financial optimization and consolidation

02. Exchange risk management

03. Cultural alignment on Ascendum

A. FINANCIAL AND OPERATIONAL OPTIMIZATION AND CONSOLIDATION

In 2017, 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. For this reason, in 2017 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 bolster internal synergies.

In parallel, Ascendum sought to (i) optimize working capital cycle management and (ii) optimize the management of available funds, reducing the overall cost of debt, helping geographic platforms 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 in paralell 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.

As part of its financial and operational optimization strategy, Ascendum continued to implement the new ERP system (SAP) in Austria, with roll-out in four new geographies – Portugal, Spain, Hungary and Croatia.

Moreover, after strategically analyzing profitability, liquidity and banking relationship (among other aspects), the Ascendum Group (through its subsidiary Ascendum España, S.L.) accepted a Mandatory and General Public Tender Offer for shares representing the share capital of Banco BPI, S.A. (where ASCENDUM had a permanent holding in the Bank's share capital since it's incorporation in 1987) launched by the CaixaBank, S.A. under the terms disclosed to the market on January 16, 2017. As regards the management of financial holdings, the Group also divested its entire financial holding in Vortal SGPS, SA, following a tender offer for the majority of its share capital.

These efforts are reflected in Ascendum's 2017 results, operational efficiency and financial robustness:

	2015	2016	2017
TURNOVER (M€)	821	862	907
EBITDA (M€)	69	73	76
ASSETS TURNOVER (TURNOVER/ASSETS)	1.6x	1.6x	1.7x
WORKING CAPITAL TURNOVER (TURNOVER/WORKING CAPITAL)	4.7x	5.9x	6.0x
NET DEBT/EBITDA	2.4x	1.9x	1.7x
EQUITY/NET DEBT	0.9x	1.1x	1.2x
EQUITY/ASSETS	30%	28%	29%

B. EXCHANGE RATE RISK MANAGEMENT

Given the multiplicity of geographies where the Group operates and the inherent risks, namely exchange risk, 2017 was a year marked by high volatility as regards exchange rate, particularly the quotation of the USD and TRY against the Euro, which had negative impacts for Ascendum, both on results (transactional exchange rate risk), and translation differences in Equity (portfolio risk).

With regard to transactional risk with impact on results, the Group recorded negative foreign exchange differences in the amount of 6.1 million euros, mainly as a result of negative foreign exchange differences recorded in Turkey in the amount of 4.1 million euros, a geography where multiple transactions for the purchase and sale of equipment are carried out in currencies other than the functional currency (TRY).

In addition, regarding portfolio risk with impact on translation differences in Equity, the Group showed negative translation differences in the amount of 13.4 million euros compared to the beginning of the year, which contributed to a 14% devaluation of the US dollar against the

Euro in 2017 (EUR/USD 1.054 as at December 31, 2016 to EUR/USD 1.199 as at December 31, 2017) and a 23% devaluation of the Turkish lira against the Euro in 2017 (EUR/TRY 3.707 as at December 31, 2016 to EUR/TRY 4.546 as at December 31, 2017).

At the same time, within the scope of exchange rate risk management and the mitigation of the impacts thereof on financial years to come, the Group implemented a project centered on defining a framework for exchange rate risk management, with the purpose of identifying and mapping exchange rate risks and business processes (with a currency impact on business), assessing the main financial flows/business processes 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.

C. CULTURAL ALIGNMENT AT ASCENDUM

After boosting the brand in 2016, it was important to align and define Ascendum's identity and, in 2017, a cultural alignment project was implemented – "To Be Ascendum". The purpose was to ensure the Ascendum brand is perceived in the same way, internally and externally, regardless of location, and, above all, that the value proposition is understood by customers and experienced by employees.

To this end, at the beginning of 2017, the organizational culture was analyzed, values were revisited, a value proposition defined and the corporate vision aligned. The aim is to inspire and engage our People and our Customers and, therefore, two manifestos were also drafted as a way to affirm Ascendum's commitment, both internally and externally.

Along with the engagement of the entire management team and the CEOs from all the Group's geographies, a communication plan to reinforce the Ascendum culture and values was also developed and implemented.

One of the tools developed and implemented was the onboarding platform – "A-Challenge", with the purpose of sharing information considered essential for all employees and which is fundamental to the integration and acculturation process. Overall, people considered the platform easy to use, the information provided relevant and they felt motivated after completing the challenges.

MEET OUR VALUES

ASCENDUM TRAINERS PROGRAM
Leader Coach and Customer Care

In 2017, the Group continued its commitment to the Ascendum Academy, the Group's global Training Center, which is managed at a corporate level and based on the development of cross-cutting skills:

ASCENDUM ACADEMY

- Foster the development of the leadership skills of all Ascendum leaders;
- Ensure the necessary alignment of customer care practices across all geographies and stress the crucial role that each employee plays in their daily professional lives as a representative of the Ascendum brand.

Thus, a significant increase was recorded in the number of initiatives implemented, as well as the mainstreaming and universality thereof, once all materials were created in the ten native languages that exist within the Group and distributed across all geographic platforms.

Also in 2017, after reflecting on the mission and responsibilities of the Corporate Human Resources area and anticipating the challenges faced today and those of the future, the vision for this area, which is now known as People & Culture, was changed to promote greater awareness and focus on these two strategic pillars. Thus, in addition to ensuring the continuity of already developed projects, this area's main responsibilities are to support geographies in the development of People and leaders, ensure that employees have the necessary conditions to carry out their work, and foster the engagement and commitment of employees so that they enjoy working at Ascendum.

The synergies between the Communication & Image and People & Culture areas are increasingly more visible and enhanced.

COMMUNICATION AND SOCIAL MEDIA

In 2017, Ascendum continued the work it began in 2016 on social networks, in particular LinkedIn, Instagram and Facebook. Ascendum started consolidating its journey in the "digital age", now viewing social networks as tools of trade, which are fed and shared dynamically and responsibly, in order to maximize its digital footprint and the benefits thereof, in terms of reputation, business and engagement with stakeholders. As a powerful tool for internal communication, Ascendum Magazine – Ascendum MAG – is proving to be an increasingly universal communication channel, reaching all employees in all geographies. In addition to being a vehicle for sharing the successes achieved by the Group, insights and best practices, it, above all, reflects the way people are Ascendum every day.

During the year, the intranet – My Ascendum – and Yammer continued to be fundamental tools of internal communication, bringing anyone together in any part of the world within a click and contributing to bolstering the Group's identity and a sense of belonging.

Our business units are a powerful vehicle for strengthening our brand so, during the year 2017 we made some investments in changing some of our façades.

ASCENDUM IN FARO – PORTUGAL

ASCENDUM IN BARCELONA – SPAIN

ASCENDUM IN LIEBOCH – AUSTRIA

As a result of the strategy implemented in recent years with regard to internal and external communication, Ascendum has come to be recognized in various studies and benchmark analyses of specialist companies:

BEST PRACTICES AND CASES OF DIGITAL TRANSFORMATION BY APDC
According to a study conducted on best practices and cases of digital transformation in Portuguese companies by APDC (Portuguese Association for Communications Development), Ascendum is one of the best companies in this area, noting its digital transformation project, namely the implementation of the My Ascendum intranet, enabling more agile and real-time communication, which is centralized and easy to access.

BEST PRACTICES OF INTERNAL COMMUNICATION BY MERCER AND JASON ASSOCIATES
In a study conducted by Mercer and Jason Associates on the effectiveness of internal communication, Ascendum is again mentioned for its best practices and results. The analysis carried out recognizes Ascendum's ability to implement a mature and developed level of internal communication, despite its significant geographic dispersion, with different languages among the multiple geographies.

TOP 5 IN THE INTERNATIONALIZATION RANKING OF PORTUGUESE COMPANIES
As a corollary of the strategy implemented in recent years, Ascendum has been boosting its image among institutional and Business-to-Business segments and, in 2017, was ranked second in the Internationalization Ranking of Portuguese companies promoted by INDEG-IUL ISCTE Executive Education, in collaboration with the Strategy and International Business Center of the Dom Cabral Foundation (FDC) and with institutional support from AICEP Portugal Global.

As regards operations, Ascendum's efforts were recognized with the award of the following prizes:

DIVERSIFICATION DEALER AWARD
The 'Diversification Dealer Award' and runner-up as best distributor in North America of Sennebogen equipment.

2017 DEALER OF THE YEAR IN VOLVO TRUCKS
awarded to Ascendum Albergaria, Portugal.

1ST PLACE FOR ASCENDUM IN TURKEY IN THE VOLVO EXCAVATOR SALES COMPETITION
in the Southern EMEA Region, a competition sponsored by Volvo CE in the second half of the year related to the marketing of wheeled and crawler excavators (from 14 tons), wheel loaders, articulated haulers and parts.

DEALER OF THE YEAR AWARD OF SENNEBOGEN EQUIPMENT
awarded to Ascendum in Austria.

SALES AND CST AWARDS
Ascendum's recognition in Turkey at the Sales and CST Awards, where it won awards in several categories, including best seller, best GPE sales team, best parts sales team and best CST team.

"HAVING GOALS IN LIFE AND ACTING WITH DISCIPLINE IN ACCORDANCE WITH THESE GOALS, AS WELL AS RESPECT AND PASSION FOR OUR BUSINESS, ARE KEY FACTORS WHICH LEAD TO SUCCESS."

Mahir Hocaoğlu

1.3.2 MAIN ECONOMIC, FINANCIAL AND OPERATIONAL INDICATORS

MAIN ECONOMIC, FINANCIAL AND OPERATIONAL INDICATORS Figures expressed in thousands of Euros	2017	2016	Δ (17/16)
Turnover	907,223	862,402	5.2%
EBITDA(1)	75,802	73,198	3.6%
EBIT(2)	45,568	43,325	5.2%
Net Income with non-controlling interests	27,663	17,590	57.3%
Equity with non-controlling interests	156,546	152,448	2.7%
Net Debt(3)	132,653	142,713	-7.0%
Net Debt/EBITDA(3)	1.7x	1.9x	-0.2x
Equity/Net Debt(3)	1.2x	1.1x	0.1x
Equity/Assets(4)	29%	28%	0.8 pp
Number of employees	1,444	1,409	2.5%

(1) Earnings before interest, other financial expenses, taxes, depreciations, impairments, provisions and amortizations
(2) Earnings before interest, 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 and total net Assets as of December, 31st.

In economic, financial and operational terms, the climate in 2017 was positive, although somewhat volatile:

A macroeconomic context of growth, albeit with some risks, in particular as regards the monetary market:

- In 2017, the global economy grew compared to the previous year (in 2016, the world economy grew 3.2%, while during 2017 growth was 3.7%, according to recent estimates) and stood above expected growth (in 2016, 3.4% growth had been estimated for 2017);
- The emerging economies once again presented higher growth rates than those of developed economies, recording year-on-year acceleration (growth of 4.3% in 2016 and 4.7% in 2017, according to recent estimates), slightly higher than the expected growth rate for 2017 (4.6%);
- As regards the economies in which Ascendum is present, economic growth above expectations was the dominant trend – GDP increased 2.4% in the euro area, in 2017, (according to the latest estimates), while estimates had put growth at 1.5%; in the USA, GDP grew 2.2% in 2017, in line with the estimate of 2.2%; and in Turkey, in 2017, GDP increased 5.1%, above the previous estimate of 3.0%;
- The 14% devaluation of the US dollar against the Euro in 2017 (EUR/USD 1.054 as at December 31, 2016 to EUR/USD 1.199 as at December 31, 2017), as well as the 23% devaluation of the Turkish lira against the Euro in 2017 (EUR/TRY 3.707 as at December 31, 2016 to EUR/TRY 4.546 as at December 31, 2017) significantly penalized the contribution of the USA, Mexico and Turkey operations to the Group's results and Equity:
  - Negative foreign exchange differences in results in the amount of 6.1 million euros, mainly due to negative foreign exchange differences recorded in Turkey in the amount of 4.1 million euros, a country where multiple transactions in currencies other than the functional currency (TRY) are carried out;
  - Negative translation differences in Equity in the amount of 13.4 million euros compared to the beginning of the year.

The consolidation of growth, observed in recent years, of the markets for construction equipment[1] in which the Group operates, although still below levels recorded in "peak" year:

- In line with the consolidation of economic growth, 2017 saw the stabilization of growth in

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

most of the markets in which Ascendum operates, except for the Mexican market, which decreased 14% compared to 2016;

- In 2017, Ascendum's addressable market (Portugal, Spain, USA, Turkey, Mexico and Central Europe), accounted for approximately 84% of the Group's market in 2007 ("peak" year).

Optimization and efficiency measures adopted by Ascendum, as well as focusing on knowledge sharing and investment in human resources, reflected positively in 2017, with progression recorded in terms of the Group's sales and profitability:

- Just as in previous years, in Portugal, Ascendum focused its efforts on optimizing its operational structure and adapting its portfolio of products and services to meet customer needs. Moreover, regarding the standardization of processes and continuous improvement, the Group continued its project to implement the new ERP system (SAP) in Austria, with roll-out of the project in Portugal;
- In Spain, the Group conducted its business focusing particularly on improving profitability through portfolio diversification (integration of Terex equipment), development of the used machines and rental business unit and improvement of the after-sales segment (re-engineering processes, increase of the product portfolio, etc.). Ascendum also continued to implement its investment plan, both in terms of branches (acquisition of land for the Granada branch, change of location in Barcelona, etc.), and in terms of processes and information systems (roll-out of the new ERP system (SAP) in Spain);
- In the US, the year was marked by a change in leadership of the American operation and by a new name for the company for customers and suppliers (Ascendum Machinery, Inc.), thus integrating the rebranding project of the Ascendum brand in the Group. In addition, Ascendum focused its efforts on implementing its investment plan, notably with the acquisition of facilities in Columbia, SC;
- In Turkey, despite some limitations from a geopolitical (armed conflict in Syria) and macroeconomic perspective (sharp depreciation of the Turkish Lira, increase in the inflation rate and the corporate tax rate), the Group's strategy included consolidating its core business and improving the quality of service provided to customers, in particular, by implementing processes that helped generate increased efficiency in customer responsiveness;
- In Mexico, despite the challenging macroeconomic context and market, as in previous years, the Group focused on improving internal processes, optimizing its operational structure and improving the skills of its employees;
- In Central Europe, focus was on process optimization and improvement of after-sales service. Ascendum also continued to implement the new ERP system (SAP) in Austria, with roll-out of the project in two new geographies – Hungary and Croatia.

Accordingly, in spite of the still challenging macroeconomic and sectoral climate, efforts made by Ascendum contributed to a positive performance in 2017:

- Operational Performance – in 2017, the Group recorded a turnover of 907 million euros (5.2% higher when compared to 2016), EBITDA of approximately 76 million euros (growth of 3.6% year-on-year) and a net income of 27.7 million euros;
- Financial Soundness – 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 showed an improvement in financial soundness levels, which translated into an increase in asset rotation from 1.6x to 1.7x, an increase in Working Capital turnover from 5.9x to 6.0x, a reduction in Net Debt/EBITDA from 1.9x to 1.7x, and an increase in Equity/Assets from 28% to 29%, thus asserting the Group's financial robustness, despite investment efforts made in recent years as part of its internationalization strategy.

1.4. HOW ASCENDUM IS ORGANIZED

1.4.1 VISION

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

WHAT DOES THIS MEAN?

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

- Ascendum operates in 14 countries: Portugal, Spain, USA, Turkey, Mexico, Austria, Hungary, the 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.

"Infrastructure, construction and industry"

- The equipment we supply aids in 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 pulp and 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"

- As regards cars and trucks, Ascendum sells new and used vehicles;
- Associated to the car business area, Ascendum offers a host of integrated solutions and after-sales services which enable a tailor-made solution to be combined with the strictest requirements of each of the represented brands;
- The trucks business area also offers a range of services to respond to the needs of customers, such as "Follow the Customer" 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. Being part of the Ascendum team means committing to these 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 and Industrial 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 for the segment of multi-brand parts for industrial applications. Ascendum currently has around 1,444 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, the Czech Republic, Hungary, Slovakia, Romania, Croatia, Slovenia, Bosnia and Herzegovina, and Moldova.

In parallel, Ascendum has developed a "follow the customer" solution to assist 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 performance excellence 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 works with multiple brands in its various business areas (construction, industrial and infrastructure equipment, agricultural machinery, trucks and cars), with the following matrix:

PORTUGAL

Construction and Industrial 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 and Industrial Equipment

Import

VOLVO
Terex Fuchs
Sandvik
Lännen
A-Ward
Genesis
Terex Trucks
Terex Construction
Genie

Retail

VOLVO
Terex Fuchs
Sandvik
Lännen
A-Ward
Genesis
Terex Trucks
Terex Construction
Genie

Rental

VOLVO
Terex Fuchs
Sandvik
Lännen
A-Ward
Genesis
Terex Trucks
Terex Construction
Genie

Aftermarket

VOLVO
Terex Fuchs
Sandvik
Lännen
A-Ward
Genesis
Terex Trucks
Terex Construction
Genie
VOLMAQ
NRN Timken

Remarketing

Multi brand

Infrastructure Equipment

Import

Air-Rail
Zephir

Retail

Air-Rail
Zephir

Rental

Air-Rail
Zephir

Aftermarket

Air-Rail
Zephir

USA

Construction and Industrial Equipment

Retail

VOLVO
Sennebogen
Doosan
Sandvik
Stewart Amos
Volvo Penta

Rental

VOLVO
Sennebogen
Doosan
Sandvik
Stewart Amos
Volvo Penta

Aftermarket

VOLVO
Sennebogen
Doosan
Sandvik
Stewart Amos
Volvo Penta

Remarketing

VOLVO
Sennebogen
Doosan
Sandvik
Stewart Amos
Volvo Penta

TURKEY

Construction and Industrial Equipment

Import

VOLVO
Sandvik
Terex
SDLG
Terex Trucks

Retail

VOLVO
Sandvik
Terex
SDLG
Terex Trucks

Rental

VOLVO
Sandvik
Terex
SDLG
Terex Trucks

Aftermarket

VOLVO
Sandvik
Terex
SDLG
Terex Trucks

Remarketing

VOLVO
Terex
SDLG
Terex Trucks

Infrastructure Equipment

Import

SANNY

Retail

SANNY

Aftermarket

SANNY

MEXICO

Construction and Industrial Equipment

Import

VOLVO
Sandvik
Sennebogen
SDLG

Retail

VOLVO
Sandvik
Sennebogen
SDLG

Rental

VOLVO
Sennebogen

Aftermarket

VOLVO
Sandvik
Sennebogen
SDLG

Remarketing

VOLVO

CENTRAL EUROPE*

Construction and Industrial Equipment

Import

VOLVO
Sennebogen
Atlas Copco
Epiroc
Rammer
Venieri

Retail

VOLVO
Sennebogen
Atlas Copco
Epiroc
Rammer
Venieri

Rental

VOLVO
Sennebogen

Aftermarket

VOLVO
Sennebogen
Atlas Copco
Epiroc
Rammer
Venieri
Volvo Penta

Remarketing

VOLVO
Sennebogen

* Ascendum operates in the following countries of Central Europe: Austria, the 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:

During these past eight years (2010-2017), 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 equity holdings 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.

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 infrastructure and agriculture equipments;
- Strengthen the presence in the logistics equipment segment;
- Boost the after sales multi-brand business;
- Expand the service to include "turnkey" services.

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: representing new core product brands: Terex Fuchs, Genesis, Rammer, among others.

2016

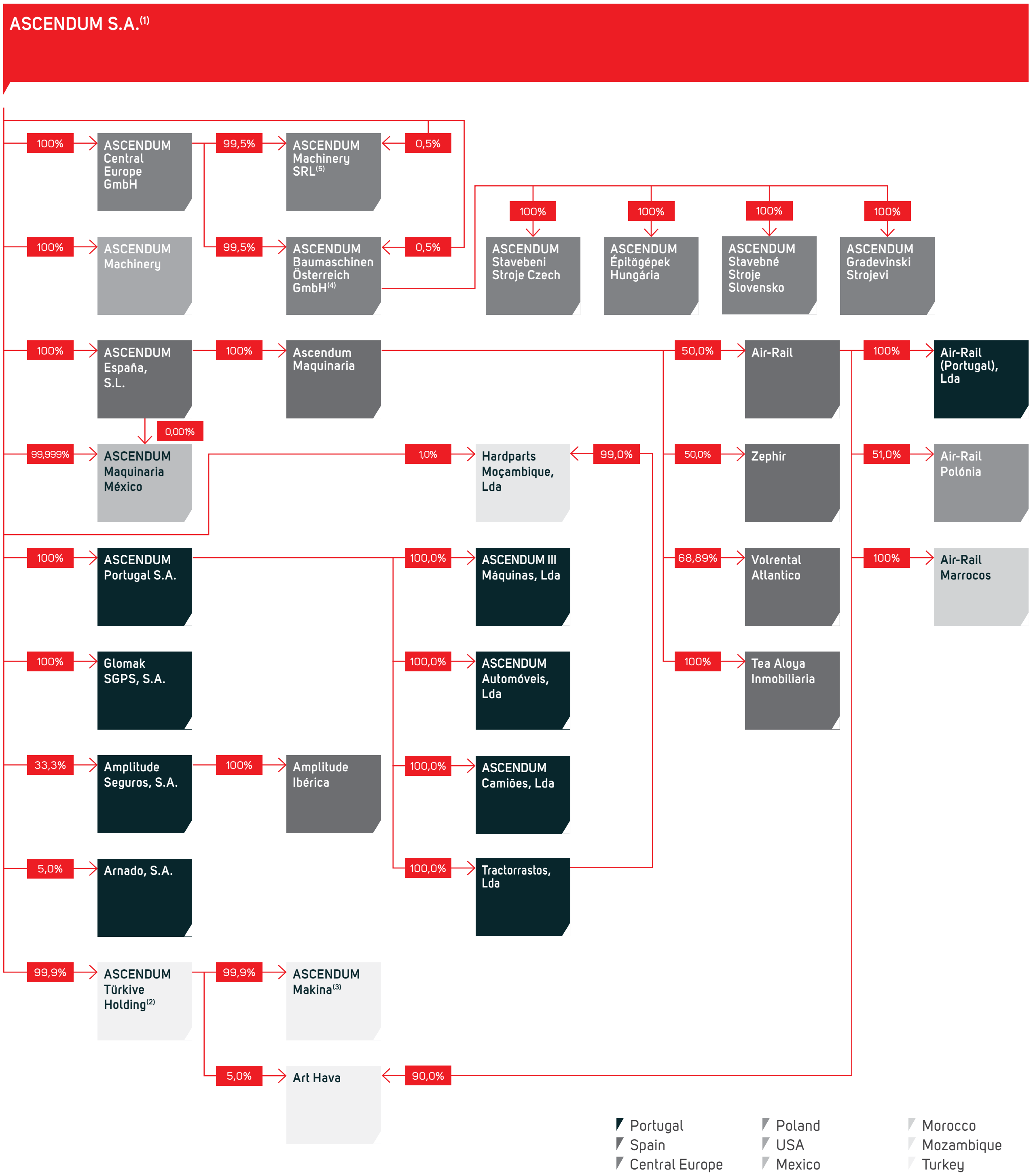
1. Business optimization: focus on improving internal processes to ensure more cohesive support for decision taking;
2. Increased investment in the Ascendum brand at global level;
3. Kick-off of the development of the Group's digital engagement strategy;
4. Business diversification:
   i. Initiating 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: representing 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.

2017

1. Disposal of the entire financial holding in Banco BPI, through the Spanish subsidiary Ascendum Espanha, S.L., as part of a Public Tender Offer made by CaixaBank;
2. Disposal of the entire financial holding in VORTAL SGPS, SA;
3. Demerger of Ascendum II – Veículos Unipessoal Lda. (the trade name of which was changed to Ascendum Automóveis, Unipessoal, Lda) through which its trucks business unit was transferred to the new subsidiary – Ascendum Camiões, Unipessoal Lda., established for this purpose;
4. Inauguration of a new branch in Samsun (Turkey);
5. Inauguration of new Ascendum facilities in Lieboch (Austria).

1.4.4 ASCENDUM ORGANIZATION

1.4.4.1 CORPORATE ORGANIZATIONAL CHART



(1) Ascendum, S.A. holds a minor participation in Banco Comercial Português;
(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) Develops operations in Bosnia and Herzegovina and Slovenia through local subdealers;
(5) Develops operations in Moldova.

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 Építögépek Ascendum Stavebné Stroje Ascendum Gradevinski
RENT Ascendum Máquinas	**RENT** Ascendum Maquinaria	**RENT** Ascendum Machinery	**RENT** Ascendum Makina	**RENT** Ascendum Maquinaria México	**RENT** Ascendum Baumaschinen Ascendum Stavebeni stroje
AFTERMARKET Ascendum Máquinas Tractorrastos	**AFTERMARKET** Ascendum Maquinaria	**AFTERMARKET** Ascendum Machinery	**AFTERMARKET** Ascendum Makina	**AFTERMARKET** Ascendum Maquinaria México	**AFTERMARKET** Ascendum Baumaschinen Ascendum Machinery Ascendum Stavebeni stroje Ascendum Építögépek Ascendum Stavebné Stroje Ascendum Gradevinski
AGRICULTURE EQUIPMENT Ascendum Máquinas	**INFRASTRUCTURE EQUIPMENT** Air-Rail 50% Zephir 50%		**INFRASTRUCTURE EQUIPMENT** Art Hava 50%		
CARS Ascendum Automóveis					
TRUCKS Ascendum Camiões					
INFRASTRUCTURE EQUIPMENT Air-Rail 50%					

1.4.5 MEDIA AND SOCIAL MEDIA

In 2017, Ascendum continued the work it began in 2016 on social networks, in particular LinkedIn, Instagram and Facebook. Ascendum started consolidating its journey in the "digital age", now viewing social networks as tools of trade, which are fed and shared dynamically and responsibly, in order to maximize its digital footprint and the benefits thereof, in terms of reputation, business and engagement with stakeholders. In addition, Ascendum Magazine – Ascendum MAG – was once again a successful channel of internal communication, sharing the Group's successes, insights, best practices and, above all, how people are Ascendum every day.

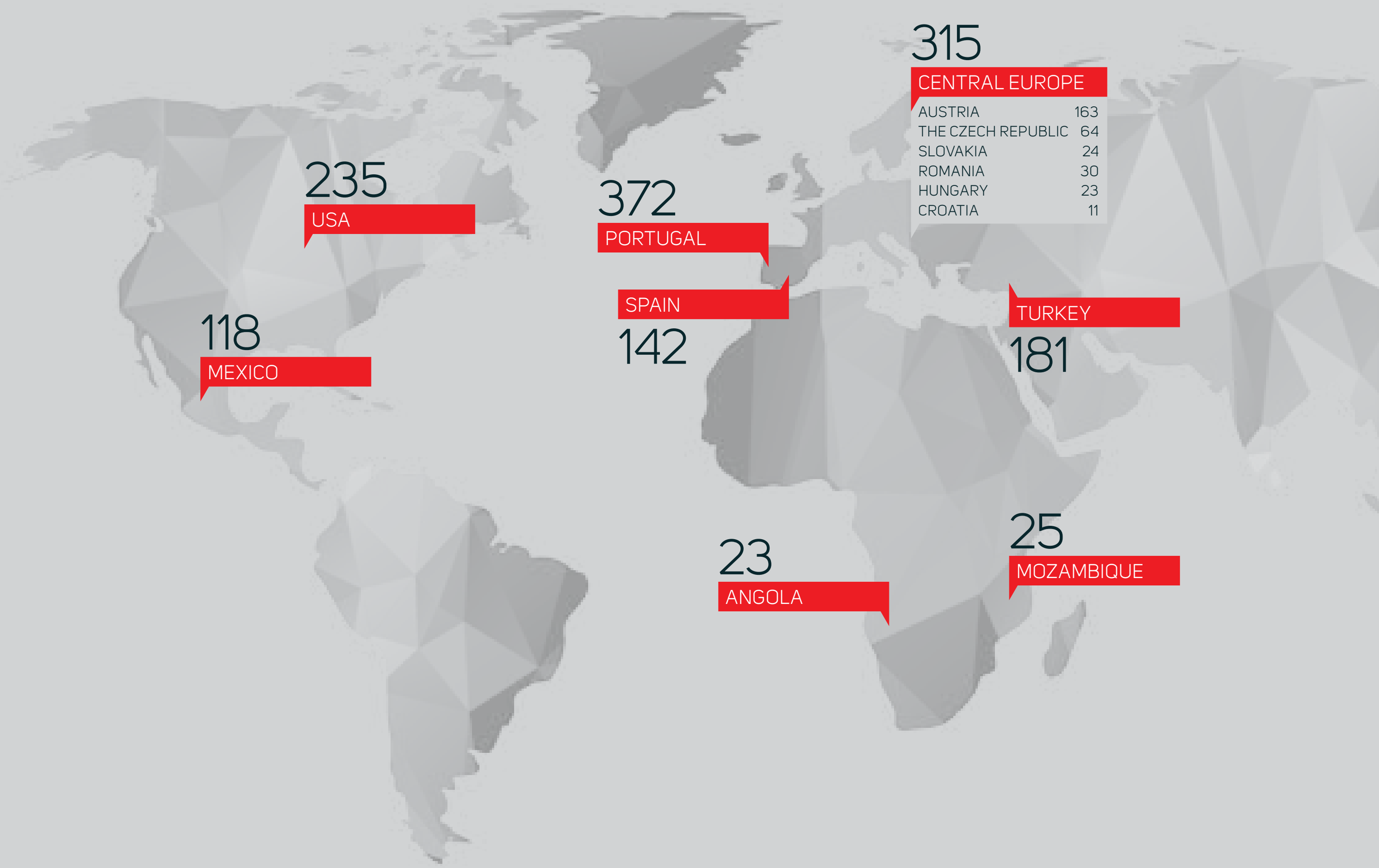
During the year, the intranet – My Ascendum – and Yammer continued to be fundamental tools of internal communication, bringing anyone in any part of the world within a click of each other, and contributing to bolstering the Group's identity and a sense of belonging.

Throughout 2017, the synergies between the Internal Communication and People & Culture divisions were improved, with a significant increase in the number of initiatives implemented to foster the Group's culture and employee commitment.

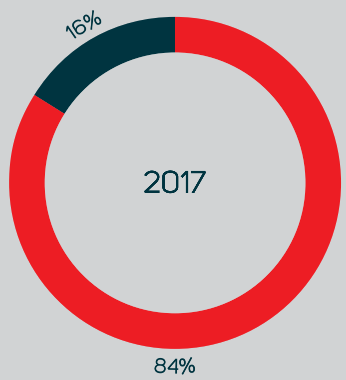
1.4.6 PEOPLE & CULTURE

In 2017, the People & Culture area consolidated the implementation of corporate human resources policies, enabling improved alignment of Ascendum's overall structure.

The following map shows employee distribution by geographic region as at December 31, 2017 (excluding Board Members and Managing Directors), which totaled 1,444 (1,409 in 2016).

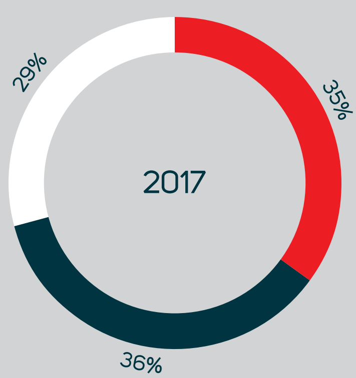


TOTAL EMPLOYEES BY GENDER
(%)



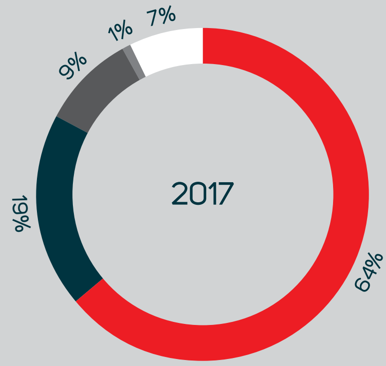
- Male
- Female

TOTAL EMPLOYEES BY LEVEL OF EDUCATION (%)



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

TOTAL EMPLOYEES BY ROLE
(%)



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

As with its proportional importance in financial terms, with regard to human resources, the construction equipment business unit maintained its predominance in Ascendum's operations, accounting for 87% of the Group's employees.

In terms of gender, Ascendum's human resources are essentially composed of male employees (84%), and, with regard to qualifications, 35% completed basic or secondary education, 36% completed complementary or technical education and 29% attended higher education.

With respect to employee distribution by role, the After-Sales area is most significant, with 64% of employees.

In terms of distribution by management line, the Group has 33 Board Members and Managing Directors, 54 Directors and 159 Managers, with the remaining employees distributed among the 4th and 5th lines.

At the beginning of 2017, following a strategic brainstorming session, the Executive Board decided that it was important to align and define Ascendum's identity. To this end, the organizational culture was analyzed, values were revisited, a value proposition defined and the corporate vision aligned. The aim was to inspire and engage our People and our Customers and a communication plan was designed to share Ascendum's culture and values.

Given the ongoing commitment to training, the plan implemented in 2017 in each of the geographic platforms provided over 44,000 hours of training, with an average of 31 hours per year per employee. This commitment to training is mainly due to the qualifications required of Ascendum employees with regard to the services provided to end customers, which demand specific and in-depth knowledge of the features and operation of products.

BOARD MEMBERS AND MANAGING DIRECTORS

33

DIRECTORS

54

MANAGERS

159

OTHER

1,198

TOTAL

1,444

In 2017, the Group continued its commitment to the Ascendum Academy, the Group's global Training Center, managed at a corporate level and based on the development of cross-cutting skills:

- Improve the integration and engagement of all employees through our digital onboarding platform;
- Foster the development of the leadership skills of all Ascendum leaders (who have, at least, one person reporting directly to them);
- Ensure the necessary alignment of customer care practices across all geographies and stress the crucial role that each employee plays in their daily professional lives as a representative of the Ascendum brand.

One of the initiatives held during 2017 by the Ascendum Academy in all geographic platforms was a program to train trainers, which was attended by 12 people from different geographies, aimed at preparing and providing the tools needed to ensure adequate training in each country and in their native language. For 5 days, attendees got the opportunity to clarify what is expected of Ascendum leaders, discuss the best team management practices and acquire in-depth knowledge of some key leadership tools, as well as clarify what service quality is at Ascendum and discuss some strategies for handling complicated situations when dealing with customers. This initiative enabled Leadership Development and Customer Care Programs to be implemented in all geographies.

During the year, our digital onboarding platform – A-Challenge – was also implemented with the aim of sharing essential information and which is fundamental to the integration and acculturation process.

People considered the platform easy or very easy to navigate, the information relevant or very relevant and that they felt motivated or very motivated after completing the challenge.

1.4.7 MAIN CONSOLIDATED INDICATORS

KEY PERFORMANCE INDICATORS Figures expressed in thousands of Euros	2017	2016	Δ (17/16)
Turnover	907,223	862,402	5.2%
EBITDA(1)	75,802	73,198	3.6%
EBIT(2)	45,568	43,325	5.2%
Net Income with non-controlling interests	27,663	17,590	57.3%
Net Income margin	3.0%	2.0%	1.0 pp
Total Assets	541,471	542,592	-0.2%
Net Debt(3)	132,653	142,713	-7.0%
Equity with non-controlling interests	156,546	152,448	2.7%
Invested Capital(4)	289,198	295,161	-2.0%
Return on Equity(5)	18%	12%	6.1 pp
Equity/Assets(6)	29%	28%	0.8 pp
Return on Capital(7)	16%	15%	1.1 pp
Number of employees	1,444	1,409	2.5%

(1) Earnings before interest, other financial expenses, taxes, depreciations, impairments, provisions and amortizations
(2) Earnings before interest, 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 and total net Assets as of December, 31st
(7) Ratio between EBIT and invested capital as of December, 31st

In terms of performance, improvement of the economic climate and the recovery of the markets in which the Group operates (with the exception of the Mexican market), contributed to a positive performance that resulted in a turnover of 907 million euros (growth of 5.2% compared to 2016), an EBITDA of 76 million euros (3.6% increase year-on-year) and a net income of 28 million euros. 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 38.8% compared to 2016 (from a like-for-like perspective, in other words, excluding the exchange rate effect from the net income of 2016), which would be of around 34 million euros. As regards the management of financial holdings, the Group divested its entire financial holding in Banco BPI, through its Spanish subsidiary Ascendum Espanha, S.L., following a Mandatory Public Tender Offer made by CaixaBank, as well as its entire financial holding in VORTAL SGPS, SA.

Additionally, in 2017, Ascendum showed an improvement in financial soundness levels, namely with regard to a reduction of the Net Debt to EBITDA ratio from 1.9x to 1.7x and an increase in Equity/Assets from 28% to 29%.

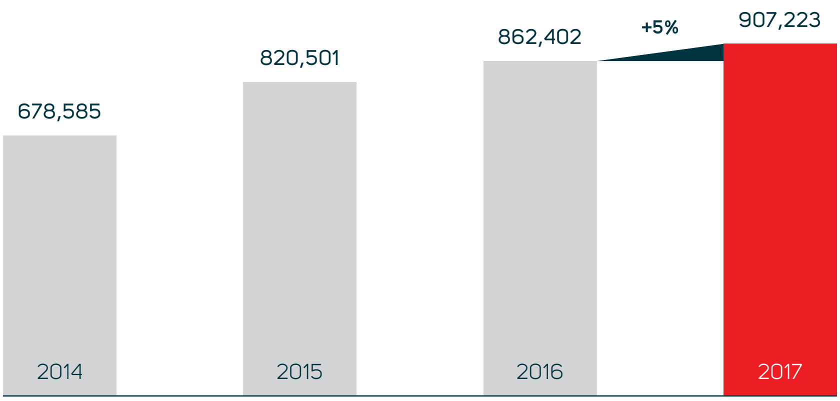
Ascendum's positive performance throughout 2017 is the result of not only all the efforts made in the past few years related to structural optimization and the resulting improvement of efficiency levels, but also of the consolidation of its position in the markets in which it operates, particularly in 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.

Turnover

In 2017, Ascendum's turnover increased 5% compared to 2016, to approximately 907 million euros, mainly as a result of an increase in contribution from the operations in the Spain, Portugal, Turkey and Central Europe.

TURNOVER EVOLUTION

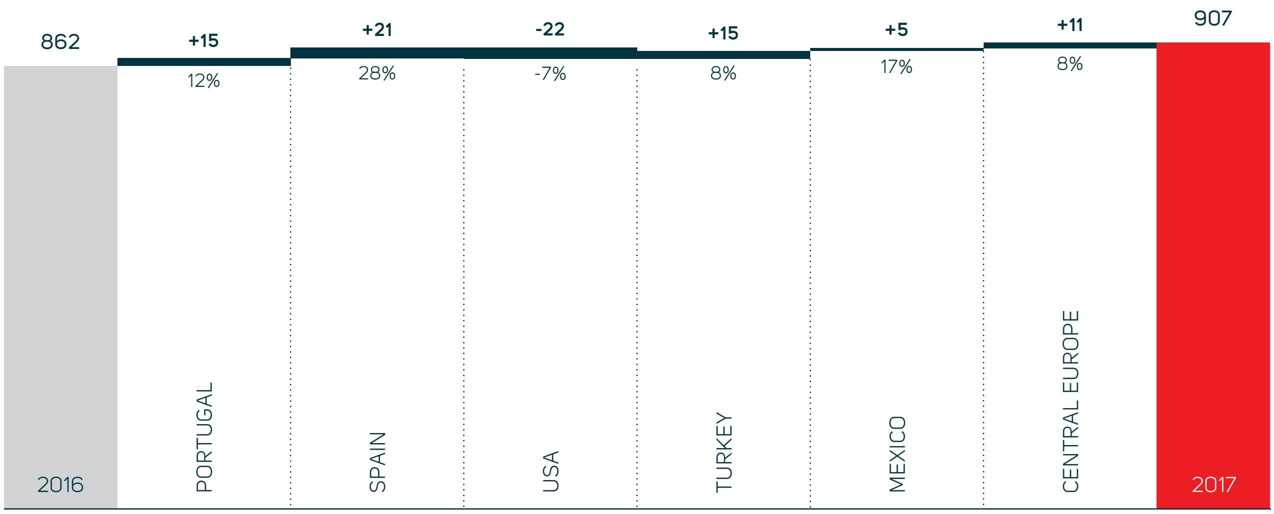
Thousand Euros



Should the average EUR/USD and EUR/TRY exchange rates in 2017 had been the same as the average exchange rates recorded in 2016 (average EUR/USD 1.107, in 2016, and 1.130, in 2017, and average EUR/TRY 3.343, in 2016, and 4.122, in 2017), the Group's turnover would be of 961 million euros, representing a year-on-year increase of 11.5%.

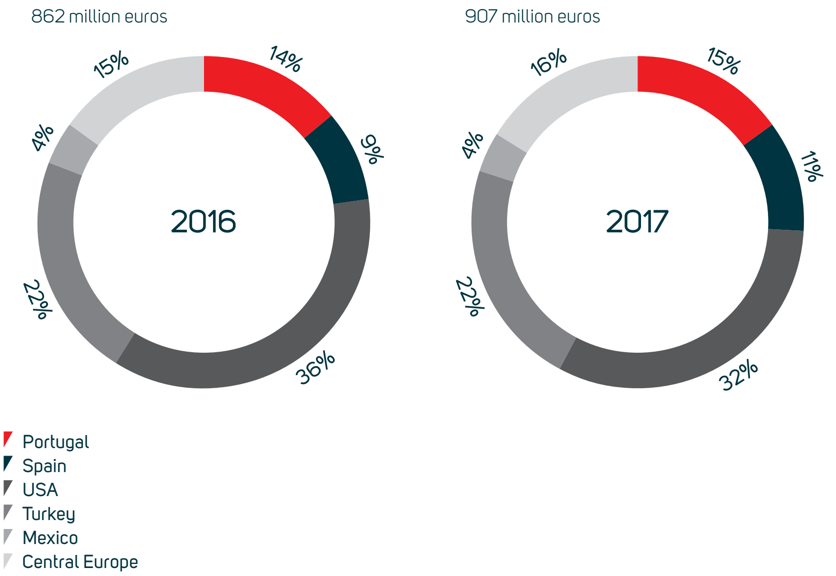
CONTRIBUTION FOR THE TURNOVER GROWTH

Million euros/% growth when compared to 2016



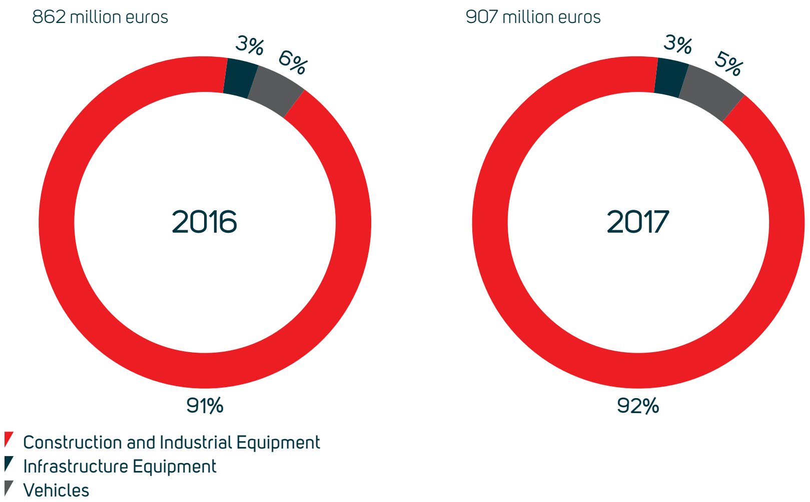
The relative weight of foreign markets (Spain, USA, Turkey, Mexico and Central Europe) in the Group's consolidated turnover remained around 85% in 2017, the contribution of the US operation being particularly noteworthy with a relative weight of more than 30%.

TURNOVER (%)



In terms of business areas, the construction and industrial equipment segment saw its importance increase slightly compared to 2016 (also recording a year-on-year increase in absolute terms of 6%), at the end of 2017 accounting for 92% of the Group's turnover, while the cars business area saw its relative weight decrease slightly to 5% compared to 2016 (a 7% decrease in absolute terms compared to the same period last year). The infrastructure equipment segment maintained its weight in the Group's turnover, standing at 3% (despite an increase in absolute terms of 19% compared to the previous year).

TURNOVER (%)



EBITDA

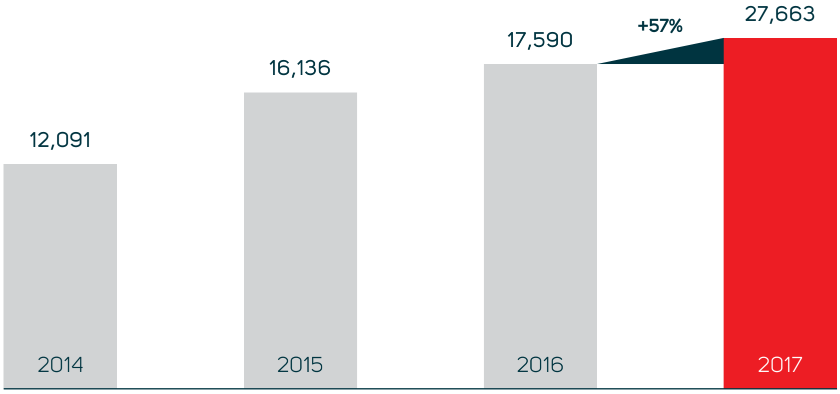
In 2017, Ascendum's EBITDA totaled 75.8 million euros, equivalent to 8.4% of the Group's consolidated turnover, corresponding to an increase of 3.6% compared to EBITDA in 2016. Despite the negative impact of operational exchange rate differences of around 2.2 million euros (excluding the negative impact of operational exchange rate differences, recurring EBITDA would be of 78.1 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 in absolute terms.

Net Income

In 2017, the Group's net income totaled 27.7 million euros (increase of approximately 57.3% compared to 2016), equivalent to 3% of consolidated turnover, the Group's focus on optimizing the management of available financial resources has 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 foreign exchange differences (operational and financial) of approximately 6.1 million euros (compared to -6.7 million recorded in 2016), the Group's net income (without the corresponding fiscal impact) would be of 33.7 million euros (up 38.8% compared to the net income of 2016, excluding foreign exchange differences).

NET INCOME EVOLUTION

Thousand euros

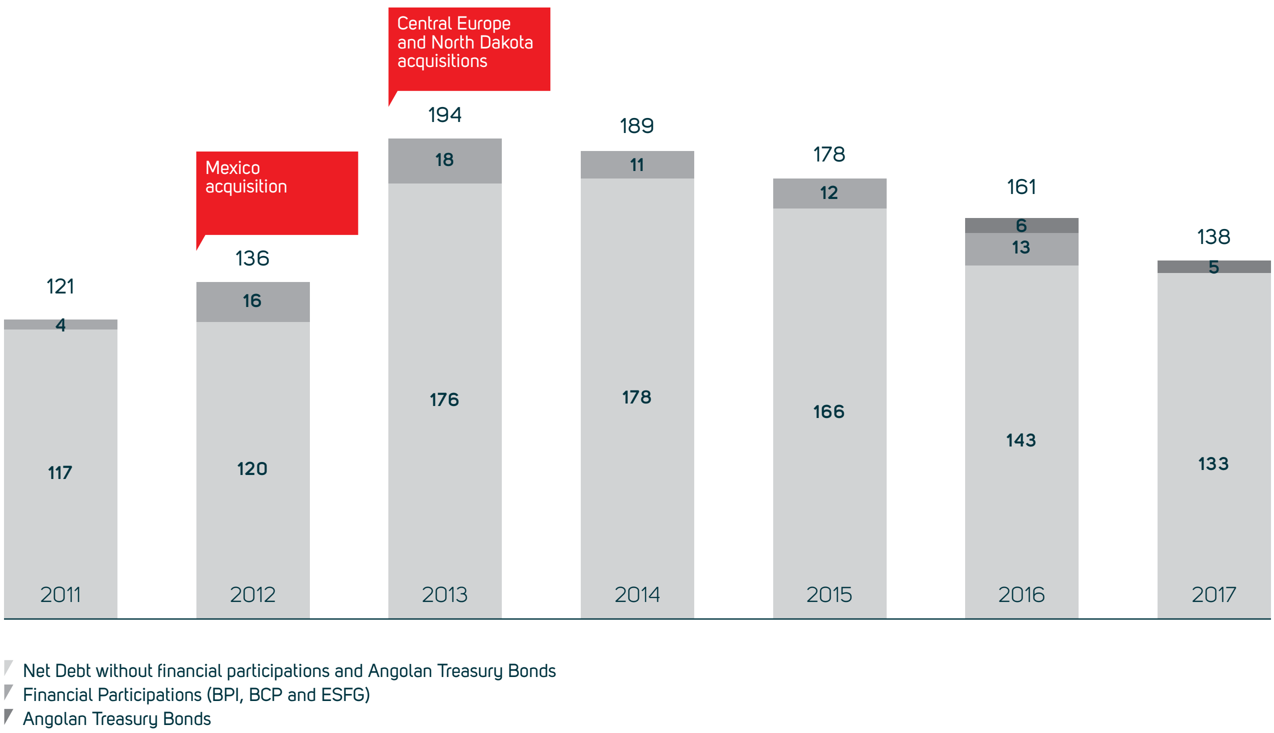


Consolidated Net Debt

As at December 31, 2017, Consolidated Net Debt totaled 133 million euros, compared to 143 million euros in 2016.

NET DEBT EVOLUTION

Million euros



In turn, consolidated gross debt totaled 155 million euros, of which 51.9% represents medium and long-term debt (equivalent to 80 million euros) and 48.1% short-term debt (equivalent to 74 million euros).

At the end of the year, the Net Debt/EBITDA ratio was 1.7x (0.2x below the ratio of 2016), while the Equity/Net Debt stood at around 1.2x.

In 2017, 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 previous years, 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 net debt in approximately 10 million euros, due mainly to the contribution of the cash flow generated by Turkey, Portugal, the United States and Central Europe.

Net Assets and Equity

In 2017, Ascendum's Net Assets totaled 541 million euros, representing an increase in the asset turnover ratio from 1.6x, in 2016, to 1.7x, in 2017 (reduction in the Asset/Turnover ratio from 63% to 60%), as a result of all the efforts made in recent years to improve efficiency levels.

In absolute terms, despite the increase in Turnover, Ascendum's Net Asset decreased by 1.1 million euros compared to 2016, due mainly to the following variations:

- **Rental Fleet (-16 million euros)** – as regards the rental fleet, it was reduced in all geographies (except Turkey), as a result of the effort to optimize and readjust Ascendum's rental fleet (essentially in the operations in the USA, Spain and Central Europe);

- **Financial Holdings (-13 million euros)** – the Group divested its entire financial holding in Banco BPI, through its Spanish subsidiary Ascendum Espanha, S.L., following a Mandatory Public Tender Offer made by CaixaBank, and in VORTAL SGPS, S.A., after a Public Tender Offer was made for the majority of its share capital;

- **Inventories (+16 million euros)** – all geographic platforms (except Mexico and Turkey) saw an increase in 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 5.9x, in 2016, to 6.0x in 2017;

- **Trade and Other Receivables (+6 million euros)** – with regard to trade and other receivables, the decreases recorded in Mexico and Turkey (6 million euros) were offset by the increase in Spain, Portugal, the USA and Central Europe (12 million euros). It should be noted, however, that the average collection period was in line with the indicator recorded in the same period last year.

In turn, Equity (with non-controlling interests) amounted to 157 million euros in 2017, representing a year-on-year increase of 2.7%, equivalent to 4.1 million euros, essentially as a result of Net Income generated in 2017 (27.7 million euros) in part mitigated by the negative exchange rate effect resulting from the translation of financial statements of companies with a functional currency other than the euro (13.4 million euros).

WE ARE AMBITIOUS

BECAUSE WE DREAM AND CHALLENGE THE LIMITS, SHOWING WILLINGNESS TO EXPLORE NEW PATHS AND GENERATE RESULTS.

Photo taken by Hans Grand
Brand Management & Market Communication
Ascendum Baumaschinen Österreich GmbH – Austria

02.

ECONOMIC AND FINANCIAL INFORMATION

2017

ANNUAL REPORT

ASCENDUM

2.1. MACROECONOMIC CONTEXT

2.1.1 GLOBAL ECONOMY

The world economy's positive cycle of economic growth has bolstered the trend of recent years and continued to rise during 2017, exceeding the pace of 2016. The world economy showed strong and synchronized growth, and the real Gross Domestic Product (GDP) growth rate is estimated to have been approximately 3.6% (3.7% in the latest forecasts), compared to 3.2% in 2016. With regard to the so-called advanced economies, the less positive performance of the British economy is of note, with an estimated growth of 1.7% in 2017, against 1.9% in 2016. This performance in the UK was offset by growth in other countries, and GDP in 2017 is expected to be 2.3%, against 1.7% in 2016. As regards emerging economies, better performance was recorded compared to advanced economies, and GDP for 2017 is estimated at 4.7%, compared to 4.4% in 2016. 2017 was also marked by better conditions to access financial markets, with benchmark interest rates reaching historic lows. Despite this favorable climate, and as a result of the conditions being sustained for an extended time horizon, financial markets expect some turmoil in the future, notwithstanding the American Federal Reserve and the European Central Bank maintaining monetary policy normalization. From an exchange perspective, 2017 was marked by the appreciation of the Euro and the currencies of emerging markets, and, on the other hand, by the devaluation of the US dollar, Pound Sterling and Turkish Lira. As regards commodities, a widespread increase in price in 2017 was recorded, most notably the rise in oil prices in the last months of the year, which even reached USD 60 per barrel (an increase of approximately 20% compared to the price per barrel recorded in August 2017). The predictable increases in the U.S. Federal Reserve's base rate (which were confirmed at the end of 2017) and the increasing inflation rate, driven by the continued recovery of the prices of raw materials, should be a lever for a reduction in the high level of expansionism of the monetary policies of the Central Banks of advanced economies. Continued geopolitical tensions in the Middle East and the Indo-Pacific regarding the territorial disputes in the Pacific Ocean between China and several South-east Asian countries will continue to be factors that could potentially limit the growth of the global economy in the medium-term.

MACROECONOMIC INDICATORS	WORLD	CHINA	JAPAN	EURO ZONE	PORTUGAL	SPAIN	USA	TURKEY	MEXICO	AUSTRIA	THE CZECH REP.	HUNGARY	ROMANIA
Total population													
2017E (millions of people)	7,442	1,391	127	341	10	46	325	81	124	9	11	10	20
CAGR (17E-21E)	n.a	0.6%	-0.3%	n.a	-0.3%	-0.1%	0.6%	0.9%	0.9%	0.7%	0.1%	-0.2%	0.0%
Gross Domestic Product													
2017E – nominal (B USD)	79,281	11,938	4,884	12,526	212	1,307	19,362	841	1,142	409	210	132	205
Real growth rate (16-17E)	3.6%	6.8%	1.5%	2.1%	2.5%	3.1%	2.2%	5.1%	2.1%	2.3%	3.5%	3.2%	5.5%
CAGR (12-17E)	3.5%	7.1%	1.2%	1.4%	1.0%	1.8%	2.2%	5.6%	2.1%	1.1%	2.7%	2.9%	4.2%
CAGR (17E-21E)	3.7%	6.2%	0.6%	1.7%	1.6%	2.0%	1.9%	3.5%	2.4%	1.6%	2.4%	2.8%	3.7%
Other Indicators (2017E)													
Inflation	3.1%	1.8%	0.4%	1.5%	1.6%	2.0%	2.1%	10.9%	5.9%	1.6%	2.3%	2.5%	1.1%
GFCF – real growth rate (16-17E)	n.a	n.a	3.1%	3.9%	8.1%	4.1%	3.1%	2.8%	0.5%	3.9%	4.9%	15.2%	1.6%
Unemployment rate	n.a	4.0%	2.9%	9.2%	9.7%	17.1%	4.4%	11.2%	3.6%	5.4%	2.8%	4.4%	5.3%
Gross Public Debt (% of GDP)	n.a	47.6%	240.3%	87.4%	125.7%	98.7%	108.1%	27.9%	53.3%	80.2%	34.5%	72.9%	38.9%
CIT (or equivalent)	24%	25%	31%	n.a	21%	25%	40%	20%	30%	25%	19%	9%	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%	1.50%	8.00%	7.25%	0.00%	0.50%	0.90%	1.75%

Sources: World Bank, IMF (Economic Outlook – October 2017), AMECO, KPMG and Central Banks (respective reference interest rates).

As regards the macroeconomic scenario in the euro area, 2017 was marked by an acceleration of the economic growth that started in previous years, and GDP growth is estimated to be 2.1% (2.4% in the latest forecasts). This positive trend was driven largely by the strong contributions of fixed investment expenditure, as well as by domestic demand. In 2017, an upward trend in labor market conditions was also recorded, culminating in the lowest unemployment rate since the end of 2008 (9.2%). Given that interest rates remained low and favorable conditions for access to bank financing were sustained, an increase in credit to the private sector was recorded, thereby contributing to momentum in private spending. As a result of current conditions, an increase in private consumption is expected, as well as in residential investment. Business investment saw growth in recent quarters, mainly due to increased demand, and is expected to continue to recover, albeit at a slower pace. With regard to inflation, due the general fall in energy prices and despite the sharp rise in the price of oil recorded at the end of 2017, it is expected fall to a minimum value of 1.3% in the first quarter of 2018. As for international trade, after weak growth at the beginning of 2016, external demand in the euro area reached its maximum value in six years in the second quarter of 2017, despite the appreciation of the effective exchange rate of the Euro.

Economic growth in the euro area should continue to be strong despite the Single Currency bloc still being exposed to various risks, including (i) political instability in several countries, with legislative elections in Italy, and continued uncertainty surrounding the final terms of Brexit; (ii) the still high level of unemployment in peripheral countries; (iii) adjustments needed in the private sector, particularly the banking system and (iv) further reduction in the public debt of various countries in the euro area.

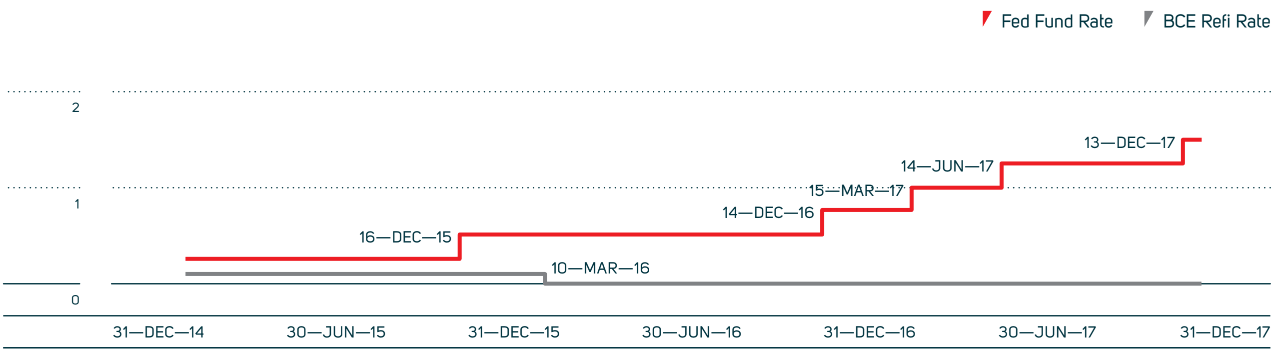
As regards the United States, economic activity once again accelerated in 2017. According to the forecast by the International Monetary Fund (Economic Outlook – October 2017), GDP for 2017 is estimated to be around 2.2% (2.3% according to the latest forecasts), surpassing the 1.5% recorded in 2016. The end of 2017 was also marked by the adoption of the Tax Cuts and Jobs Act, the tax reform promoted by the Trump Administration, which is expected to stimulate economic activity, with a positive direct impact in the short-term as a result of increased investment in response to cuts in corporate taxes.

In advanced economies, the Central Banks are starting to normalize monetary policies, albeit in different degrees. The European Central Bank (ECB) has maintained its interest rate for major refinancing operations at 0.0% (lowest ever and which has been in effect since March 2016), and also announced the continuation of the asset purchase program in 2018, defining a monthly purchase limit of 30 billion euros until September 2018, a period which may be extended if necessary.

The U.S. Federal Reserve, in turn, continued with the normalization of its monetary policy. After the increases in December 2015 and December 2016, there were three new hikes in the benchmark rate during 2017, which increased from 0.75%, at the beginning of the year, to 1.5%. The Bank of England once again increased its interest rate by 25 p.p., contradicting a trend of the past ten years, ending 2017 with a rate of 0.5%. It also decided to keep its asset purchase program at 435 billion pounds for government bonds and 10 billion pounds for corporate bonds.

EVOLUTION OF ECB AND US FEDERAL RESERVE REFERENCE INTEREST RATES

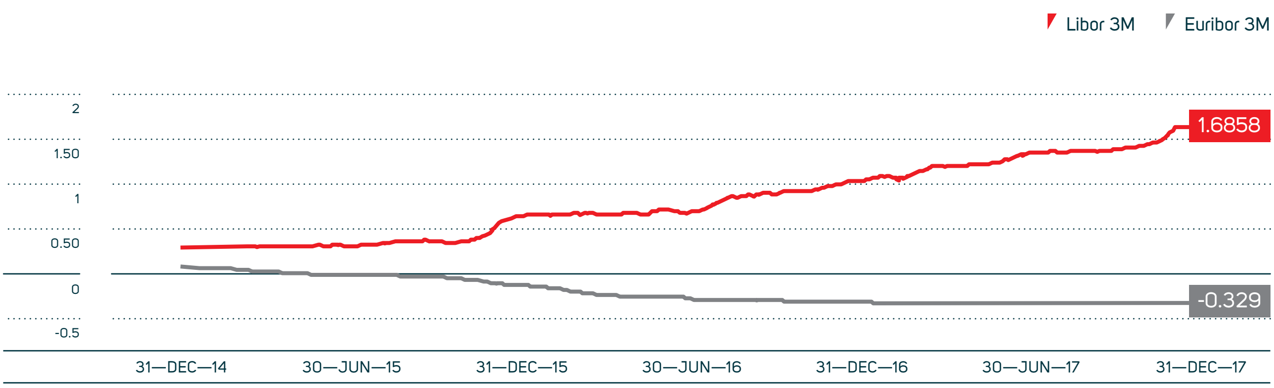
(%)



Source: Bloomberg

EVOLUTION OF EURIBOR 3M AND LIBOR 3M INTEREST RATES

(%)



Source: Bloomberg

EURIBOR 3M	2015	2016	2017
Maximum	0.076	-0.131	-0.318
Average	-0.020	-0.264	-0.329
Minimum	-0.133	-0.319	-0.332
Close	-0.131	-0.319	-0.329

LIBOR 3M	2015	2016	2017
Maximum	0.613	0.998	1.695
Average	0.316	0.744	1.264
Minimum	0.251	0.612	0.998
Close	0.613	0.998	1.694

In terms of developments in the foreign exchange market in 2017 in the markets in which Ascendum operates, the overall trend was appreciation of the Euro against the USD and other currencies of emerging markets.

EXCHANGE RATES (YEAR-END)	2016	2017	Δ (17/16)
EUR/USD	1.054	1.199	13.8%
EUR/TRY	3.707	4.546	22.6%
EUR/MXN	21.772	23.661	8.7%
EUR/CZK	27.021	25.535	-5.5%
EUR/HUF	309.830	310.330	0.2%
EUR/RON	4.539	4.659	2.6%
EUR/MZN	49.005	75.045	53.1%

2.1.2 PORTUGAL

In 2017, the Portuguese economy, once again, experienced a positive performance, recording an upturn compared to the previous year's performance. According to IMF estimates, GDP increased by 1 percentage point, going from 1.5%, in 2016, to 2.5% (2.7% according to the latest estimates by Banco de Portugal). The increase in private and public consumption once again contributed to economic growth, with public consumption increasing for the third consecutive year, although the growth of these two items recorded a decline compared to the previous year. An important contribution to economic growth in 2017 stems from increased investment, with an increase in gross fixed capital formation of 8.1%, strongly offset by an increase of 8.2% in investment in the construction sector (positive variation of 8.6 p.p. compared to the growth rate of 2016). As for international trade, the increased gap between imports and exports resulted primarily from a slight upturn in imports (7.4% growth in 2017, +3.3 p.p. compared to the growth rate of 2016) compared to that seen in exports (7.9% growth in 2017, +3.9 p.p. than the previous year's rate).

The outlook for 2018 remains favorable, with the expectation of continued growth in the tourism sector and expansion of public investment. The labor market should maintain the growth trend recorded, albeit at a slower pace. The volume of imports and exports is expected to slow, with imports declining less given the increase in private purchasing power and expected increase in consumption.

In terms of price trends, the inflation rate in 2017 should be 1.6% (+1 p.p. of the value recorded in 2016), reflecting the climate of the still low energy prices (compared to previous years) in international markets, despite the recent increase in the price of a barrel of oil.

With regard to the evolution of employment levels in Portugal, 2017 once again recorded a reduction in unemployment. The unemployment rate fell for the fourth consecutive year (reduction of 1.4 p.p., after falling 1.4 p.p. in 2016, 1.5 p.p. in 2015, and 2.3 p.p. in 2014), with the increased confidence of employers and a slight increase in employment in the Central Government and the Public Business Sector contributing to this reduction.

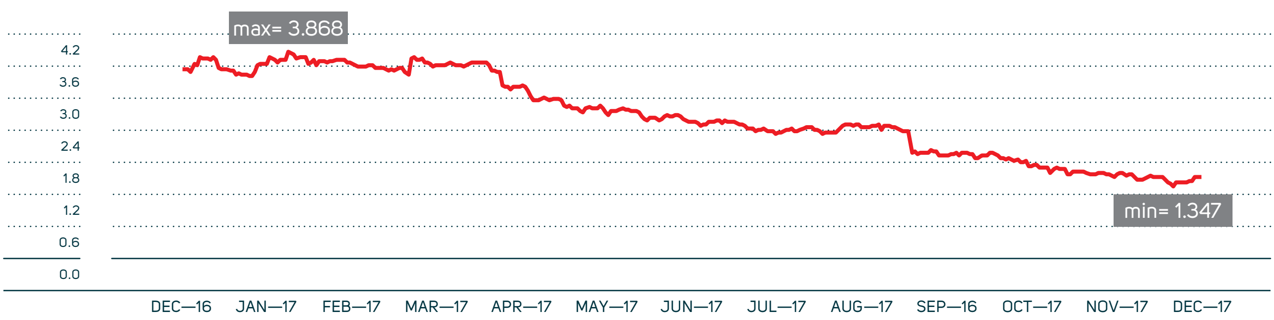
As regards the level of indebtedness of the Portuguese economy, there was a reduction of 4.7 p.p. compared to that recorded in 2016, standing at 125.7% of GDP, with Portugal exiting the Excessive Deficit Procedure in June 2017.

PORTUGAL – REAL GROWTH RATES (%)	2012	2013	2014	2015	2016	2017E
GDP	-4.0%	-1.1%	0.9%	1.6%	1.4%	2.5%
Private consumption	-5.5%	-1.2%	2.3%	2.3%	2.1%	1.9%
Public consumption	-3.3%	-2.0%	-0.5%	1.3%	0.6%	0.4%
Gross Fixed Capital Formation	-16.6%	-5.1%	2.3%	5.8%	1.6%	8.1%
GFCF – Construction	-20.0%	-12.1%	-3.7%	5.1%	-0.4%	8.2%
Exports	-4.3%	13.4%	4.7%	6.4%	4.0%	7.9%
Imports	-13.0%	8.3%	7.9%	8.1%	4.1%	7.4%
Inflation (HICP)	2.8%	0.4%	-0.2%	0.5%	0.6%	1.6%
Unemployment rate (% active pop.)	15.5%	16.2%	13.9%	12.4%	11.1%	9.7%
Gross Public Debt (% of GDP)	126.2%	129.0%	130.6%	129.0%	130.4%	125.7%

Source: IMF (Economic Outlook – October 2017), AMECO (February 2018).

The spread (the difference between yields) of Portugal's 10-year government bonds compared to German public debt recorded a downturn during 2017, reversing the trend of 2016.

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



Source: Investing.com

2017 was also marked by a review of the rating by S&P and Fitch, who raised the rating of Portuguese sovereign debt from BBB- and BBB, respectively, thus leaving Portugal out of non-investment grade recommendations:

BEGINNING OF 2017

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

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

CHANGES

MOODY'S	Change date	S&P	Change date	FITCH	Change date
—	—	BBB-	15/09/17	BBB	15/12/17

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

2.1.3 SPAIN

2017 once again recorded strong economic growth, consolidating the growth rates recorded in the previous three years. According to IMF estimates, Spanish GDP grew at a rate of 3.1%, thanks once again to positive performance in private consumption which contributed positively, despite the slowdown (2.6% growth, 0.4 p.p. below the growth rate recorded in 2016) and to investment measured by gross fixed capital formation, which grew 4.1% compared to 2016. After a slowdown in 2016 compared to 2015, gross fixed capital formation in the construction sector grew once again, up 3.8% in 2017. Net external demand also contributed positively to GDP growth, with the gap between imports and exports narrowing significantly. Exports grew 5.9% in 2017 (1.5 p.p. above the growth in 2016), while imports grew at a rate of 4.7% (1.4 p.p. compared to the growth rate in 2016).

As regards the outlook for 2018, the positive trend in economic growth, which started in 2014, is expected to continue, driven by investment, a contribution from the construction sector (although investment in the sector only reaches levels recorded in 1998), and private consumption. The latter should be supported by a gradual improvement in the labor market, which has entered 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 2017 should see positive values, and is expected to stand at around 2.0%, thus reversing the deflation recorded in the past three years.

With regard to the evolution of employment levels in Spain, a decrease in the unemployment rate was once again recorded (reduction of 2.5 p.p. in 2017), the recovery of productive activity and the positive impact of the 2012 Labor Reform contributing to the reduction.

As for public finances, public debt levels recorded a slight decrease of gross public debt (as a percentage of GDP) of 0.7 p.p. from 2016 to 2017, once again below 100% of GDP.

SPAIN – REAL GROWTH RATES (%)	2012	2013	2014	2015	2016	2017E
GDP	-2.9%	-1.7%	1.4%	3.2%	3.2%	3.1%
Private consumption	-3.5%	-3.1%	1.5%	3.0%	3.0%	2.6%
Public consumption	-4.7%	-2.1%	-0.3%	2.1%	0.8%	0.9%
Gross Fixed Capital Formation	-8.6%	-3.4%	4.7%	6.5%	3.3%	4.1%
GFCF – Construction	-12.3%	-8.6%	4.2%	3.8%	2.4%	3.8%
Exports	1.1%	4.3%	4.2%	4.9%	4.4%	5.9%
Imports	-6.4%	-0.5%	6.5%	5.6%	3.3%	4.7%
Inflation (HICP)	2.4%	1.4%	-0.1%	-0.5%	-0.2%	2.0%
Unemployment rate (% active pop.)	24.8%	26.1%	24.4%	22.1%	19.6%	17.1%
Gross Public Debt (% of GDP)	85.7%	95.5%	100.4%	99.8%	99.4%	98.7%

Source: IMF (Economic Outlook – October 2017), AMECO (February 2018).

Instability caused by the Catalan referendum penalized the risk premium of Spanish 10-year public debt, as measured by the spread (the difference between yields) against German public debt, which was, however, not enough to reverse the reduction that occurred compared to the beginning of the year. Major global rating agencies did not make any changes to the ratings of Spanish public debt in 2017, all of them considering Spain's sovereign debt *investment grade*.

SPREAD OF 10-YEAR T-BOND YIELDS VS GERMANY

(%)

Source: Bloomberg

RATINGS 2017

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 recorded, once again, a positive growth rate in 2017. GDP grew 2.2%, representing an increase of 0.7 p.p. year-on-year. The 2.6% increase in private consumption (albeit 0.1 p.p. below the growth rate of 2016) contributed largely to economic growth, due mainly to the strong labor market, which again showed strong momentum resulting in job creation and wage increases. Public consumption slowed, recording a growth rate of only 0.1%, thus continuing the heading's growth performance for three consecutive years. Gross fixed capital formation also saw positive performance, increasing significantly compared to the previous year, with growth of 3.1%, with the positive contribution of the construction sector being of particular note, where investment grew by 2.5% compared to that recorded in 2016 (reflecting an increase of 2.0 p.p.). As for international trade, an increase in imports of 2.9 percentage points was recorded, i.e., from 1.3% growth, in 2016, to a growth rate of 4.2% in 2017, and a significant improvement in exports which recorded a growth rate of 3.7% (4.0 percentage points above the growth rate of 2016).

The outlook for 2018 has the American economy continuing the positive performance recorded in recent years. Domestic demand will once again drive the economy, supported by the strong labor market. 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 Trump Administration, which should be reflected in public infrastructure projects, neither a crowding-out effect nor abrupt restrictions are expected on credit for 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). With the entry into force of the tax reform promoted by the Trump Administration, a positive effect is expected both at family level, and companies, with new opportunities for growth as a result of either a reduction of direct taxes, or the implementation of some of the envisaged tax measures.

In terms of price trends, the inflation rate in 2017 was 2.1%, representing an increase of 0.8 percentage points compared to the previous year. This revival of inflation results mainly from the continued recovery of the labor market and from inflationary pressure on wages and the sluggish recovery of raw material and energy prices.

With regard to the evolution of employment levels in the U.S., there was a 0.5 p.p. reduction in the unemployment rate to 4.4% in 2017, the lowest unemployment rate of the past nine years. Despite the reduction in the unemployment rate, there has been a slowdown in the creation of jobs, with job creation below expectations in December (approximately 148 thousand jobs were created compared to the 190 thousand jobs expected by analysts).

In terms of the indebtedness of the economy, public debt levels once again did not accompany the positive trend of economic activity, recording a significant increase in gross public debt (as a percentage of GDP) from 1.0 p.p. to 108.1%.

USA – REAL GROWTH RATES (%)	2012	2013	2014	2015	2016	2017E
GDP	2.2%	1.7%	2.6%	2.9%	1.5%	2.2%
Private consumption	1.5%	1.5%	2.9%	3.6%	2.7%	2.6%
Public consumption	-0.9%	-2.4%	-0.5%	1.3%	1.0%	0.1%
Gross Fixed Capital Formation	6.3%	3.0%	4.8%	3.5%	0.6%	3.1%
GFCF – Construction	6.8%	3.4%	5.2%	4.1%	0.5%	2.5%
Exports	3.4%	3.5%	4.3%	0.4%	-0.3%	3.7%
Imports	2.2%	1.1%	4.5%	5.0%	1.3%	4.2%
Inflation (HICP)	2.1%	1.5%	1.6%	0.1%	1.3%	2.1%
Unemployment rate (% active pop.)	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%
Gross Public Debt (% of GDP)	103.4%	105.4%	105.1%	105.2%	107.1%	108.1%

Source: IMF (Economic Outlook – October 2017), AMECO (February 2018).

Based on the macroeconomic indicators observed in 2017, the financing conditions of the American economy improved as a result of a decrease of almost 4 basis points in the yield of 10-year government bonds, as the US Dollar-denominated interest rates (LIBOR) increased by an average of 50 to 80 basis points during 2017. 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 major global agencies, with only S&P not assigning the highest rating to U.S. public debt.

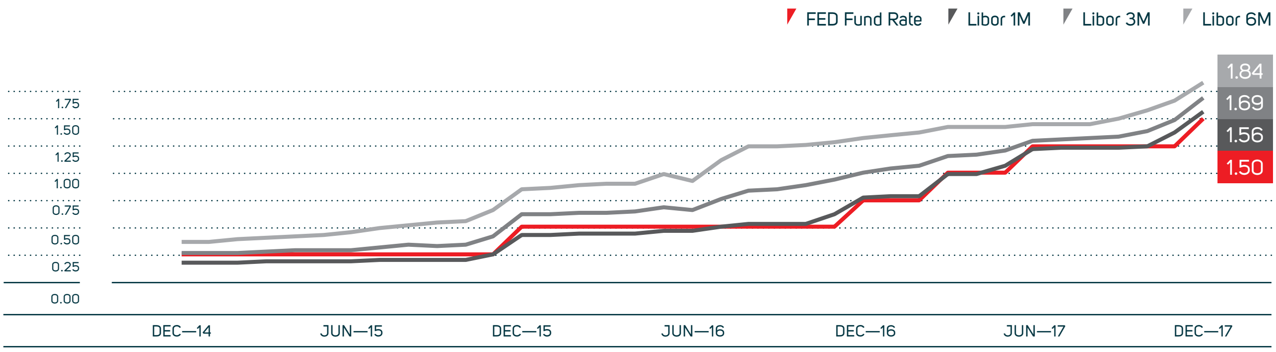
RATINGS 2016

MOODY'S	S&P	FITCH
Aaa	AA+	AAA

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

As for American monetary policy, the Federal Reserve increased the base rate three times, increasing from 0.75% at the beginning of the year to 1.5%. This increase reinforces the monetary policy normalization that began in 2014, when stimulus were 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 evident, indicating that investors anticipate new increases in the base rate in 2018.

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 5.1% GDP growth in 2017 (representing an acceleration of 1.9 percentage points compared to the growth rate recorded in 2016). This growth is due to high levels of public and private consumption, and is estimated to reach 8.5% and 3.9% in 2017, respectively, compared to the 9.5% and 3.7% recorded in 2016. Exports also saw a significant increase, reversing their downward trend, increasing by 13.5 percentage points (reaching 11.4% in 2017 against -2.1% in 2016). On the other hand, imports slowed, increasing by only 3.9% in 2017 compared to 4.6% in 2016. Investment (measured by gross fixed capital formation) recorded an increase of 0.6 percentage points over the same period, but, once again, do not reflect the significant contribution of the construction sector to this item, which recorded an increase of 11.1% (increase of 2 percentage points compared to 2016).

2017 was also marked by the continued effects of the failed coup attempt of 2016, as well as the victory of the "yes" vote in April's referendum on boosting presidential powers. To ensure some economic stability, the Turkish government has implemented various economic incentives, most notably the Credit Guarantee Fund. As regards revenue, the government increased some taxes, highlighting the corporate tax rate which increased from 20% to 22%, effective from 2018. In addition, in 2017, a strong depreciation of the Turkish lira against major currencies, and high inflation was once again recorded. On the other hand, unlike in 2016, the benchmark interest rate was not increased and remains at 8.0%. Moreover, geopolitical tensions in the Middle East continue, with increased conflict in Syria.

The outlook for 2018 predicts deceleration in Turkish economic growth, with confidence being essential to sustain growth, which could be ensured by effective progress in the proposed structural reforms, fiscal transparency and the disinflation objectives laid down in the 2018-20 economic program.

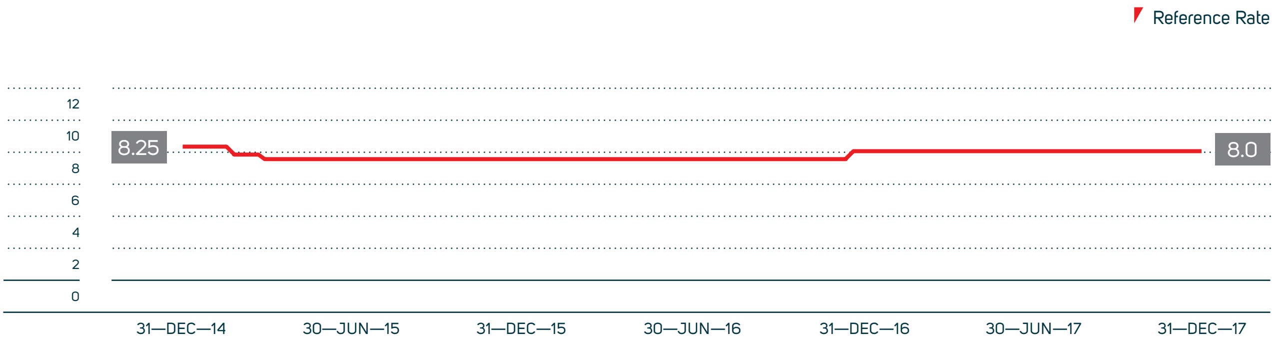
In terms of price trends, the 10.9% growth in 2017 represents a variation of 3.1 percentage points above the rate of 2016. With regard to the evolution of employment levels in Turkey, another increase of 0.3 percentage points was recorded in the unemployment rate to 11.2%. As for public finances, Turkish public debt was reduced by 0.2 percentage points in 2017, from 28.1% to 27.9% of GDP, accompanied by a positive trend in economic growth.

TURKEY – REAL GROWTH RATES (%)	2012	2013	2014	2015	2016	2017E
GDP	4.8%	8.5%	5.2%	6.1%	3.2%	5.1%
Private consumption	3.2%	7.9%	3.0%	5.4%	3.7%	3.9%
Public consumption	6.8%	8.0%	3.1%	3.9%	9.5%	8.5%
Gross Fixed Capital Formation	2.7%	13.8%	5.1%	9.3%	2.2%	2.8%
GFCF – Construction	-0.3%	-1.3%	9.4%	8.6%	9.1%	11.1%
Exports	13.2%	1.5%	6.1%	1.6%	-2.1%	11.4%
Imports	1.3%	8.6%	-0.5%	1.2%	4.6%	3.9%
Inflation (HICP)	8.9%	7.5%	8.9%	7.7%	7.8%	10.9%
Unemployment rate (% active pop.)	8.4%	9.0%	9.9%	10.3%	10.9%	11.2%
Gross Public Debt (% of GDP)	32.7%	31.3%	28.7%	27.5%	28.1%	27.9%

Source: IMF (Economic Outlook – October 2017), AMECO (February 2018).

EVOLUTION OF CENTRAL BANK OF TURKEY REFERENCE INTEREST RATE

(%)



Source: Global-rates.com

Regarding the rating assigned to Turkish sovereign debt, and in keeping with the positions taken in 2016 by Moody's and S&P, in 2017 it was Fitch's turn to shave off a level of rating, which means the three agencies rate Turkish sovereign debt as *non-investment grade.*

BEGINNING OF 2017

MOODY'S	S&P	FITCH
Ba1	BB	BBB-

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

CHANGES

MOODY'S	Change date	S&P	Change date	FITCH	Change date
—	—	—	—	BB+	27/01/17

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

2.1.6 MEXICO

In 2017, the Mexican economy expanded, with GDP growing 2.1% according to IMF estimates (albeit representing a slowdown of 0.2 percentage points compared to the growth rate recorded in 2016). The downturn in economic growth can be explained, mostly, by the stagnation of public consumption (0.3 percentage points below the previous year's growth rate) and low levels of investment, measured by gross fixed capital formation (growth of 0.5% in 2017, 0.1 p.p. below the growth rate recorded in 2016). As regards international trade, an increase in both exports and imports was recorded, exports increasing positively compared to imports. In 2017, exports recorded an increase of 5.7 p.p. compared to 2016, and are expected to reach 6.9% in 2017, while imports showed more modest performance, increasing just 1.3 p.p. from 1.1%, in 2016, to 2.4%, in 2017.

Regarding the outlook for 2018, uncertainty remains regarding the renegotiation of the terms of NAFTA (North American Free Trade Agreement) which can damage the long-term prospects of the Mexican economy. On the other hand, the strong economic growth expected for the United States should reflect positively on Mexico's economy. Even 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 increased purchasing power that the strong labor market supports. Despite these uncertainties, the Mexican economy is expected to continue expanding, with the positive effect resulting from the implemented tax reform and control of the inflation rate through the changes in interest rate policy being extremely important to ensure growth.

In terms of price trends, the inflation rate increased by 3.1 p.p. in 2017, reaching 5.9%, surpassing the target rate of the Central Bank of Mexico (3%) and reaching the levels of inflation recorded in 2008 and 2009.

With regard to the evolution of employment levels in Mexico, there was a 0.3 p.p. reduction in the unemployment rate to 3.6%, corresponding to the lowest unemployment rate in the past ten years.

As for the indebtedness of the economy, gross public debt (as a percentage of GDP) decreased 5.1 p.p. from 58.4%, in 2016, to 53.3%, in 2017.

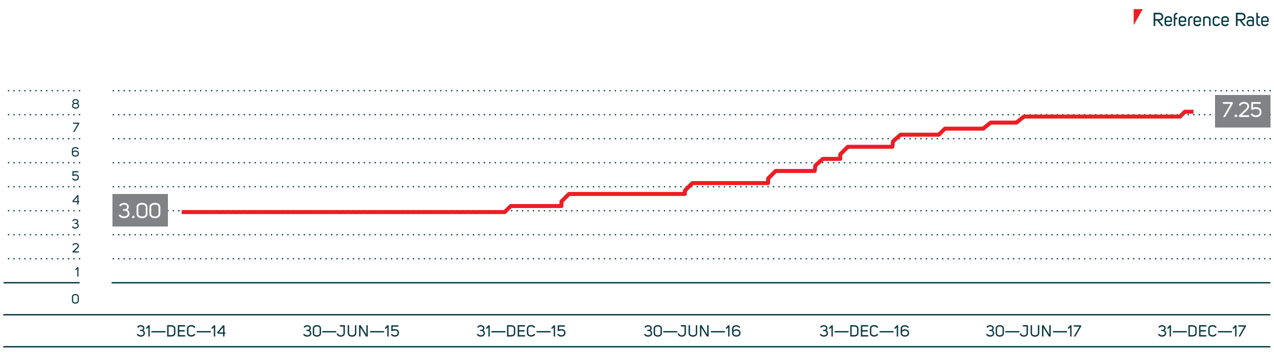
MEXICO – REAL GROWTH RATES (%)	2012	2013	2014	2015	2016	2017E
GDP	4.0%	1.4%	2.3%	2.6%	2.3%	2.1%
Private consumption	4.9%	2.1%	1.8%	2.3%	2.5%	2.2%
Public consumption	3.5%	1.0%	2.1%	2.3%	1.1%	0.8%
Gross Fixed Capital Formation	4.8%	-1.6%	3.0%	4.2%	0.4%	0.5%
GFCF – Construction	2.0%	-4.5%	1.4%	1.6%	3.5%	0.5%
Exports	5.8%	2.4%	7.0%	10.3%	1.2%	6.9%
Imports	5.5%	2.6%	6.0%	8.6%	1.1%	2.4%
Inflation (HICP)	4.1%	3.8%	4.0%	2.7%	2.8%	5.9%
Unemployment rate (% active pop.)	4.9%	4.9%	4.8%	4.4%	3.9%	3.6%
Gross Public Debt (% of GDP)	43.2%	46.4%	49.5%	53.7%	58.4%	53.3%

Source: IMF (Economic Outlook – October 2017), AMECO (February 2018).

Regarding monetary policy, the Central Bank of Mexico continued the trend of 2016, increasing the interest rate several times in 2017. The base rate, which closed at 5.75% in 2016, stood at 7.25% in December 2017. The decision was based on the need to stem inflationary pressures, which became increasingly stronger, due to increasing pressure on the exchange rate, particularly associated with the deadlock in the negotiations of the Free Trade Agreement (NAFTA).

EVOLUTION OF CENTRAL BANK OF MEXICO REFERENCE INTEREST RATE

(%)



Fonte: Global-rates.com

In terms of the rating assigned to Mexican sovereign debt, major global rating agencies maintained their classification in 2017, all of them considering the sovereign debt of Mexico *investment grade.*

RATINGS 2017

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 2017, consolidating the expansion observed in previous years and accelerating to the highest rate of the past six years. GDP increased 2.3% according to IMF estimates (0.8 percentage points above the growth rate recorded in 2016). The revival of private consumption as a result of increased employment contributed largely to this economic growth, a fact which is confirmed by the reduction of the unemployment rate, something which had not happened since 2011. An increase in investment (measured by gross fixed capital formation) was once again recorded, albeit slight compared to the same period last year, increasing from 3.7%, in 2016, to 3.9%, in 2017, with a substantial increase in investment recorded in the construction sector (8.2% in 2017). In terms of international trade, exports grew significantly, increasing by 2.2 p.p. compared to 2016 figures (estimated to reach 3.8% in 2017). Imports performed more modestly, increasing by just 0.1 p.p. compared to that recorded in 2016, and are expected to reach 3.2% in 2017.

The trajectory of GDP growth is expected to continue during 2018, sustained by the consolidation of investment and consumption, both in the public and private sectors. Increased employment will contribute positively to this trajectory, with exports also playing a key role in order for the Austrian economy to achieve expected growth.

As for price trends, the inflation rate increased 0.6 p.p. vis-à-vis the rate recorded in 2016, and is expected to reach 1.6% in 2017.

In relation to unemployment levels in Austria, unemployment fell in 2017, decreasing 0.6 percentage points to 5.4% compared to 2016.

With regard to public finances, Austrian public debt decreased once again as a percentage of GDP from 84.7%, in 2016, to 80.2%, in 2017, confirming the reversal of the trend of previous years following the restructuring of a financial institution.

AUSTRIA – REAL GROWTH RATES (%)	2012	2013	2014	2015	2016	2017E
GDP	0.7%	0.1%	0.6%	1.0%	1.5%	2.3%
Private consumption	0.5%	-0.1%	0.3%	0.5%	1.5%	1.4%
Public consumption	0.1%	0.8%	0.8%	1.5%	2.1%	1.3%
Gross Fixed Capital Formation	0.9%	1.6%	-0.7%	1.2%	3.7%	3.9%
GFCF – Construction	-20.0%	-12.1%	-3.7%	5.1%	-0.4%	8.2%
Exports	1.7%	0.5%	2.3%	3.6%	1.6%	3.8%
Imports	1.1%	0.7%	1.3%	3.4%	3.1%	3.2%
Inflation (HICP)	2.6%	2.1%	1.5%	0.8%	1.0%	1.6%
Unemployment rate (% active pop.)	4.9%	5.3%	5.6%	5.7%	6.0%	5.4%
Gross Public Debt (% of GDP)	82.0%	81.3%	84.4%	85.5%	84.7%	80.2%

Source: IMF (Economic Outlook – October 2017), AMECO (February 2018).

In terms of the rating assigned to Austrian sovereign debt, the three major agencies made no changes during 2017, with Austrian sovereign debt thus maintaining *investment grade* rating.

RATINGS 2017

MOODY'S	S&P	FITCH
Aa1	AA+	AA+

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

2.1.8 THE CZECH REPUBLIC

2017 reinforces the path of economic growth followed since 2014, with the Czech Republic's GDP increasing 3.5% according to IMF estimates (representing an increase of 0.9 p.p. compared to GDP in 2016). The 3.5% and 2.2% increase in private and public consumption, respectively, contributed mostly to economic growth, as did the reversal of the investment behavior of companies, public administration and families, which recorded positive values, increasing 7.2 p.p. compared to that recorded in 2016, ending 2017 at 4.9%. Regarding the trade balance, both exports and imports increased, however, at a different pace, leading to a negative net balance in 2017. Exports in 2017 recorded 4.0% growth year-on-year, which translates into a reduction of 0.5 p.p., while imports increased by 0.6 p.p., from 3.4%, in 2016, to 4.2%, in 2017.

As regards the outlook for 2018, the expansion of economic activity, observed since 2014, is expected to continue in the Czech Republic, albeit at a slower pace compared to the values estimated for 2017. Consolidation of domestic demand and the positive performance of the foreign market will drive the growth of the Czech economy. The labor market will continue to bring inflationary pressures, which will require monetary policy adjustments to less accommodating boundaries in the medium-term.

In terms of price trends, the inflation rate in 2017 stood at 2.3%, up 1.6 percentage points from the previous year, bolstered by an increase in domestic demand supported by the wage increases in recent years.

In relation to employment levels in the Czech Republic, once again and for the fourth consecutive year, the unemployment rate fell 1.2 p.p. to 2.8% (lowest rate in the past twenty years).

With regard to public finances, public debt again accompanied the positive trend of economic activity observed in 2017, recording a 2.3 p.p. reduction in public debt (as a percentage of GDP), from 36.8% in 2016 to 34.5% in 2017.

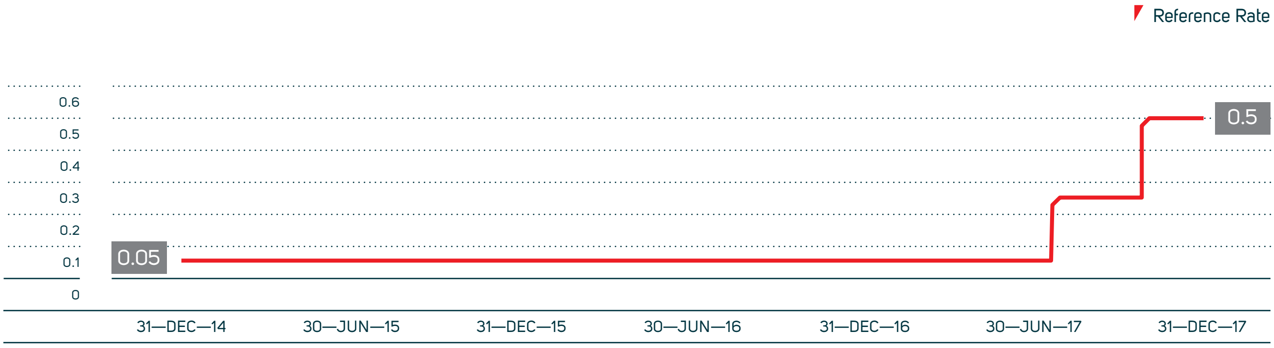
THE CZECH REP. – REAL GROWTH RATES (%)	2012	2013	2014	2015	2016	2017E
GDP	-0.8%	-0.5%	2.7%	5.3%	2.6%	3.5%
Private consumption	-1.2%	0.5%	1.8%	3.7%	3.6%	3.5%
Public consumption	-2.0%	2.5%	1.1%	1.9%	2.0%	2.2%
Gross Fixed Capital Formation	-3.1%	-2.5%	3.9%	10.2%	-2.3%	4.9%
GFCF – Construction	-2.9%	-4.9%	1.0%	9.7%	-5.8%	4.9%
Exports	4.3%	0.2%	8.7%	6.0%	4.5%	4.0%
Imports	2.7%	0.1%	10.1%	6.8%	3.4%	4.2%
Inflation (HICP)	3.3%	1.4%	0.3%	0.3%	0.7%	2.3%
Unemployment rate (% active pop.)	7.0%	7.0%	6.1%	5.0%	4.0%	2.8%
Gross Public Debt (% of GDP)	44.5%	44.9%	42.2%	40.0%	36.8%	34.5%

Source: IMF (Economic Outlook – October 2017), AMECO (February 2018).

As for monetary policy, the Central Bank of the Czech Republic increased the interest rate for the main refinancing operations twice, from the initial 0.05% to 0.5% at the end of 2017.

EVOLUTION OF CZECH NATIONAL BANK REFERENCE INTEREST RATE

(%)



Source: Global-rates.com

In terms of the rating assigned to the Czech Republic's sovereign debt, the major global rating agencies maintained their classification in 2017, all of them considering Czech sovereign debt *investment* grade.

RATINGS 2017

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 2017, recording growth of 5.5% (0.7 percentage points above growth in 2016), the 8.6% increase in private consumption (1.2 p.p. above the increase in 2016), leveraged by cuts in indirect taxes and increased wages in both the public and private sector, once again contributing positively to economic growth. The 1.6% increase in gross fixed capital formation (5.1 p.p. above the values recorded in 2016) also contributed, with the construction sector contributing positively to this recovery with a growth rate of 1.4% (which translates into an increase of 4.2 p.p. compared to the growth rate recorded in 2016). The reversal in the trade balance also contributed positively to growth, which went from a negative balance of 1.5%, in 2016, to a positive balance of 0.6% in 2017 (which translates into an increase of 2.1 p.p. year-on-year). With regard to exports, an increase of 2.9 p.p. was recorded vis-à-vis 2016 and, in 2017, is expected to close at around 11.2%. Imports, which also grew, increased at a lower rate compared to exports, ending 2017 at 10.6% (up 0.8 p.p. compared to 2016).

As regards the outlook for 2018, a slowdown in growth is expected, based on more modest private consumption as a result of the loss of real income due to inflationary pressures not reflected in real wage growth. Uncertainty remains with regard to the start of large projects financed by EU funds.

In terms of price trends, the inflation rate in 2017 should be positive, and is expected to close at 1.1%, reversing the deflation scenario observed in 2015 and 2016.

With regard to the evolution of employment levels in Romania, the unemployment rate decreased 0.6 p.p. to 5.3% in 2017.

In terms of public finances, gross public debt (as a percentage of GDP) showed a slight decrease of 0.2 p.p., i.e., from 39.1% in 2016 to 38.9% in 2017.

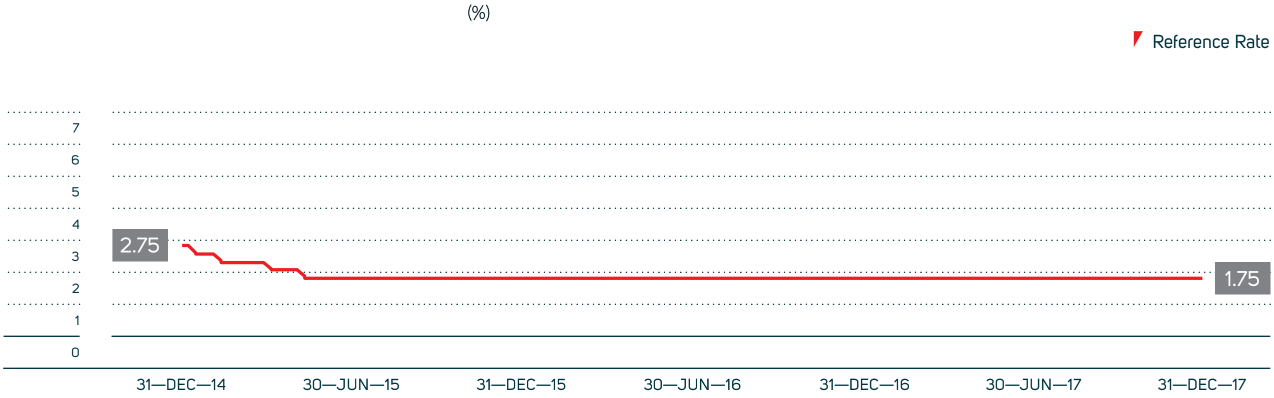
ROMANIA – REAL GROWTH RATES (%)	2012	2013	2014	2015	2016	2017E
GDP	0.6%	3.5%	3.1%	3.9%	4.8%	5.5%
Private consumption	1.2%	0.7%	4.7%	5.9%	7.4%	8.6%
Public consumption	0.4%	-4.6%	0.8%	0.2%	4.7%	3.0%
Gross Fixed Capital Formation	0.1%	-5.4%	3.2%	7.4%	-3.5%	1.6%
GFCF – Construction	15.2%	-15.0%	10.1%	20.9%	-2.8%	1.4%
Exports	1.0%	19.7%	8.0%	5.4%	8.3%	11.2%
Imports	-1.8%	8.8%	8.7%	9.2%	9.8%	10.6%
Inflation (HICP)	3.3%	4.0%	1.1%	-0.6%	-1.6%	1.1%
Unemployment rate (% active pop.)	6.8%	7.1%	6.8%	6.8%	5.9%	5.3%
Gross Public Debt (% of GDP)	37.7%	38.9%	40.5%	39.4%	39.1%	38.9%

Source: IMF (Economic Outlook – October 2017), AMECO (February 2018).

As for monetary policy, the Central Bank of Romania decided to keep the interest rate for the main refinancing operations in 2017 unchanged 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 major global rating agencies maintained their classification in 2017, all of them considering Romania *investment grade.*

RATINGS 2017

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

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

2.2. ASCENDUM PERFORMANCE IN 2017

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.

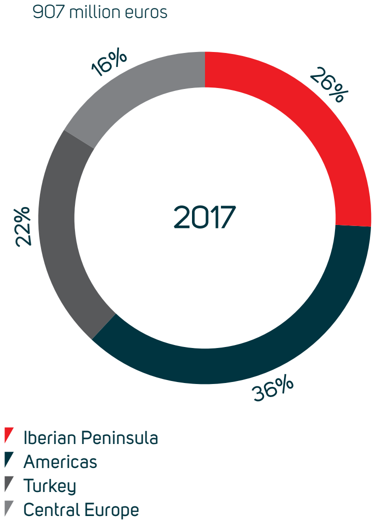
CONSTRUCTION AND INDUSTRIAL EQUIPMENT	INFRASTRUCTURE EQUIPMENT	VEHICLES (CARS AND TRUCKS)
Portugal, Spain, USA, Turkey, Mexico, Central Europe*	Portugal, Spain	Portugal

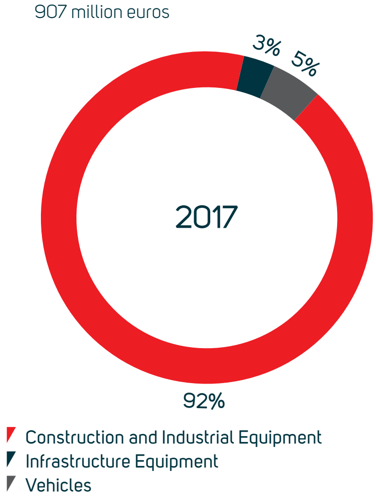
* Austria, the Czech Republic, Romania, Hungary, Croatia, Slovakia, Slovenia, Moldova and Bosnia and Herzegovina

In 2017, the Construction and Industrial Equipment segment, once again, positioned itself as the largest contributor to the Group's turnover, with a relative weight of 92%, and the Americas – USA and Mexico – stood out as the leading geographic platform in Ascendum operations (36%), followed by the Iberian Peninsula (26%), Turkey (22%) and Central Europe (16%).

BUSINESS AREA Unit: thousands of Euros	IBERIAN PENINSULA	AMERICAS	TURKEY	CENTRAL EUROPE	TOTAL
Construction and Industrial Equipment	158,067	326,200	203,438	144,649	832,354
Infrastructure Equipment	28,245	n.a.	n.a.	n.a.	28,245
Vehicles	46,624	n.a.	n.a.	n.a.	46,624
Total	**232,936**	**326,200**	**203,438**	**144,649**	**907,223**

TURNOVER (%)



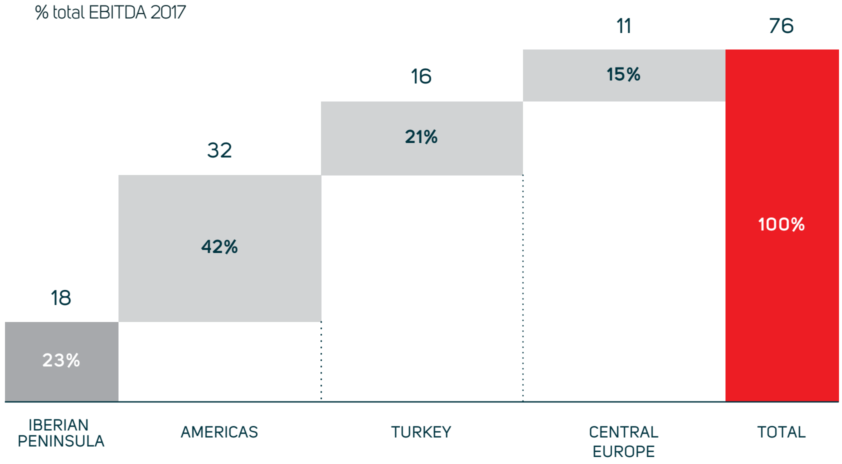


With regard to EBITDA, the Americas (USA and Mexico) were the main contributors to Ascendum's total EBITDA, with a relative weight of 42% in the Group's total EBITDA.

CONTRIBUTION OF EACH GEOGRAPHIC PLATFORM FOR ASCENDUM EBITDA

Million euros

% total EBITDA 2017



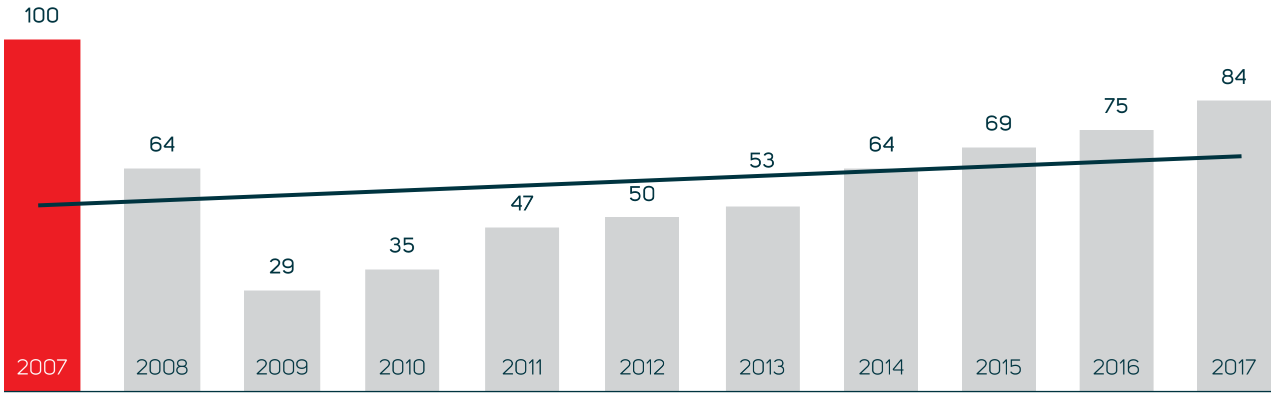
2.2.1 CONSTRUCTION AND INDUSTRIAL EQUIPMENT

The construction and industrial equipment markets in which Ascendum operates are recovering, albeit gradually, from the financial crisis felt worldwide between 2008 and 2010. In 2017, the Group's *addressable market*[2] accounted for 84% of the levels recorded in 2007, and recorded a growth of units sold of approximately 12%, compared to 2016.

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

ASCENDUM ADDRESSABLE MARKET INDEX EVOLUTION

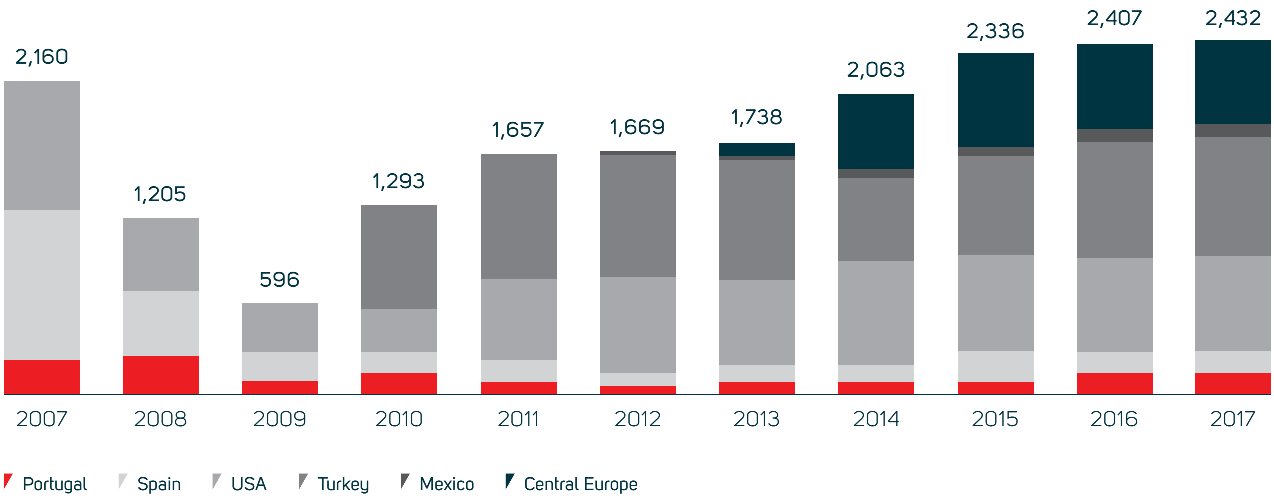
Historical peak year 2007 = 40,972 units (index 100 = 2007)



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.

According to the portfolio growth and diversification strategy, Ascendum recorded a total of 2,432 units sold[3] in 2017, 25 more than in 2016 (growth of 1%). Despite the modest growth in terms of units, it should be noted that there is unlimited potential for continued growth which will be driven by (i) market growth, which grew 12% in 2017 (3,646 more units sold than in 2016) (ii) increased market share, which in 2017 stood at approximately 7.1% (7.9% in 2016). Indeed, from a like-for-like perspective, that is, only taking into account the sales of the Iberian Peninsula and the USA, units sold in 2017 correspond to 55% of units sold in 2007 (peak year).

ASCENDUM UNITS SOLD



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

In terms of market share[4], and in relation to the GPE, CSE and Road Machinery segments, Ascendum recorded positive global performance in 2017, particularly in the GPE segment, in which it achieved a global market share of 16.6%:

2017	PORTUGAL(1)	SPAIN(2)	USA	TURKEY	MEXICO	CENTRAL EUROPE	TOTAL(3)
GPE	**986**	**2,201**	**18,863**	**6,017**	**1,439**	**4,784**	**34,290**
CSE	283	742	3,639	4,633	732	1,635	11,664
Road Machinery	647	1,203	14,604	861	536	2,680	20,531
Road Machinery	56	256	620	523	171	469	2,095
Ascendum units sold	**143**	**244**	**595**	**775**	**105**	**570**	**2,432**
GPE	79	165	509	696	96	389	1,934
CSE	61	76	44	53	7	166	407
Road Machinery	3	3	42	26	2	15	91
Market share	**14.5%**	**11.1%**	**3.2%**	**12.9%**	**7.3%**	**11.9%**	**7.1%**
GPE	27.9%	22.2%	14.0%	15.0%	13.1%	23.8%	16.6%
CSE	9.4%	6.3%	0.3%	6.2%	1.3%	6.2%	2.0%
Road Machinery	5.4%	1.2%	6.8%	5.0%	1.2%	3.2%	4.3%

Note: presented figures correspond, essentially, to new Volvo machines. Does not include backhoe loaders and motorgraders. The figures include estimates for the market in Portugal and in Mexico.
(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

Half of the new investment in the Portuguese economy in 2017 was made in the construction sector, which underwent a 15-year crisis. The new round of European funds, the explosion of tourism and the strong rise in housing prices, are behind this positive trend.

The residential building construction sector contributed most to the Sector's total production, approximately 8%, in particular rehabilitation works (+14%) as well as new construction (+5%).

Civil engineering works also recorded positive performance throughout the year, as a result of elections that triggered a considerable volume of works overseen by local authorities.

In 2017, cement consumption reached almost 2.7 million tons, the highest value since 2012, according to AICCOPN – Association of Civil Construction and Public Works Industrialists –, which represented a growth of 13.2% (-4.4% in 2016).

The Construction Confidence Indicator, which is the result of assessments carried out by entrepreneurs of the order books of their companies as well as the future level of employment in the sector, recorded a decline of 21.3% in 2017.

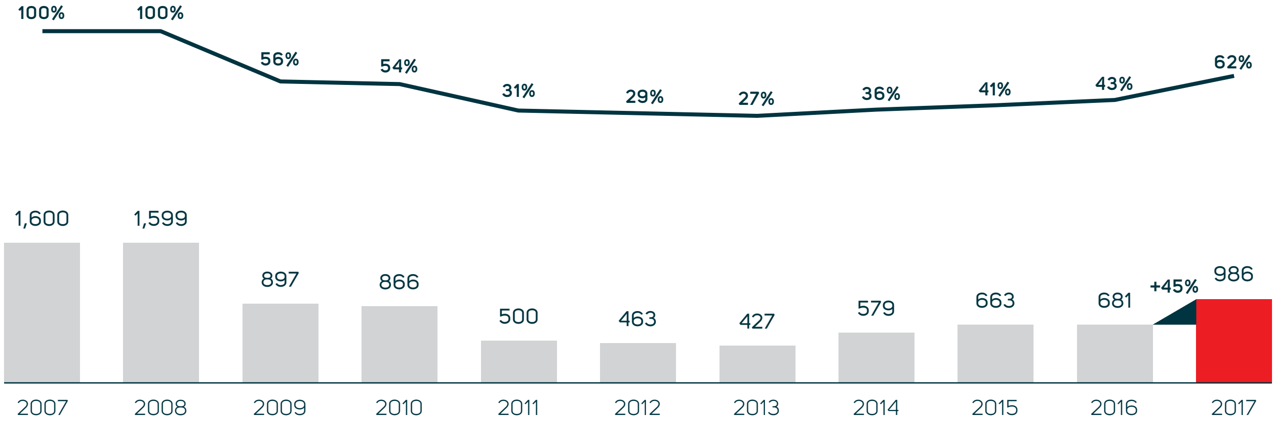
The Industry Confidence Indicator recorded 2.3% growth (-0.9% in 2016), accentuating the recovery trend, with global demand and the prospects of production contributing positively, while the opinions on the evolution of stocks of finished products had a negative contribution.

In 2017, the domestic market[5] for construction equipment similar to the product portfolio traded by Ascendum Máquinas recorded an increase of approximately 45% compared to 2016, representing 62% of the peak year (2007).

[4,5] 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



Source: ACAP (2007 to 2016)

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, load handling, etc. In parallel, Ascendum Máquinas also offers its customers rental services and after-sales assistance.

As with the increase in the construction equipment market, the company's turnover increased by approximately 32.5% compared to 2016, totaling nearly 47.8 million euros in 2017.

In terms of business segments, the commercial business area (new and used machines) recorded a year-on-year increase of approximately 39.5%, ending the year with a turnover of 32.9 million euros (approximately 69% of the company's total turnover). The commercial business area has been adjusting to the domestic market, and products lines are now more aligned with domestic economic activities. Ascendum Máquinas obtained representation of South Korean agricultural tractor brand Kioti, which represents a turnover of approximately 2.8 million euros and 226 units.

In 2017, the After-Sales business area reported a turnover of 12.2 million euros, 17.0% above sales recorded in 2016, thus contributing to 26% of Ascendum Máquinas' total turnover.

Rentals achieved a turnover of approximately 2.6 million euros, accounting for approximately 5% of Ascendum Máquinas' total turnover in 2017.

The following table provides a summary of Ascendum Máquinas' turnover performance in 2017:

Million Euros	2016	2017	Δ (2017/2016)
New machines	21.2	26.9	26.7%
Used machines	2.4	6.1	151.6%
After sales	10.5	12.2	17.0%
Rental	2.0	2.6	30.7%
Total Turnover	**36.1**	**47.8**	**32.5%**

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.

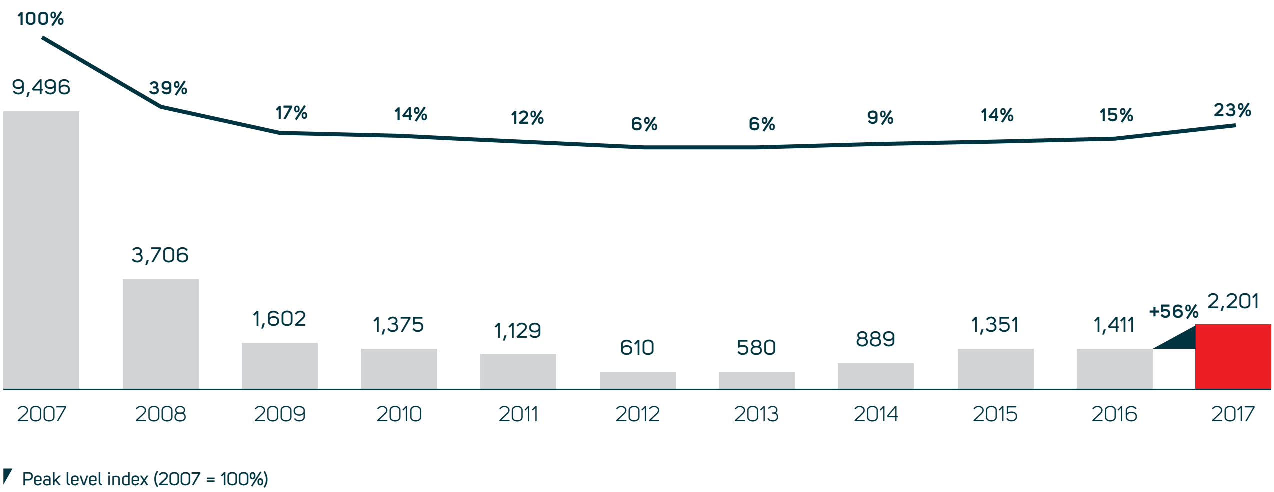
As in the three previous years, there was a trend of consolidation of economic growth in 2017, and gross fixed capital formation in the construction sector is estimated to have recorded an increase of 3.8% in 2017.

A year-on-year increase of approximately 28% in residential construction (between January and October) and non-residential construction, which in September 2017 had already exceeded levels observed in 2016 (10,300 m^2), contributed to this recovery. Conversely, public works performed negatively in the first half of 2017 as a result of the delayed approval of the State Budget and the need to reduce public deficit, with the second half of the year being driven by local authorities. Nevertheless, major public works are suspended, and the current expectation is that this will persist in 2018.

Thus, in 2017, there was a 56% increase in the demand for construction equipment similar to the product portfolio traded by Ascendum Maquinaria[6], compared to the previous year. Even so, the market represented 23% of the peak year in 2007 (2,201 machines in 2016 vs 9,496 machines in 2007).

EVOLUTION OF THE SPANISH MARKET WHERE ASCENDUM MAQUINARIA OPERATES

Units sold



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

In 2017, Ascendum Maquinaria focused its efforts on the following lines of action:

- **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, process improvement and optimization of working capital management;

- **Focus on the commercial segment:** (i) exploring market areas with low density and approaching smaller customers (ii) monitoring of market trends, focusing more on compact equipment and recycling (iii) developing a new strategy for compact equipment (iv) managing the rental business in order to maximize the sale of new equipment;

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

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

- **Suitability/restructuring of existing branches:** Galiza, Granada and Catalonia – in respect of their location and size;

- **Investment in human resources:** training plan in the sales and after-sales areas, retaining key personnel.

In terms of performance, Ascendum Maquinaria's turnover increased 30.3% compared to 2016, from 55.2 to 71.9 million euros:

Million Euros	2016	2017	Δ (2017/2016)
New machines	25.3	37.1	46.8%
Used machines	11.1	13.7	23.4%
Rental	2.7	2.8	1.3%
After sales	16.1	18.4	14.1%
Total Turnover	**55.2**	**71.9**	**30.3%**

Growth in all business areas is noteworthy, in particular in the new and used machines segments which grew approximately 46.8% and 23.4%, respectively, compared to 2016, essentially as a result of the wear of the equipment fleet on the market which occurred during the years of economic crisis (roughly half of the construction equipment fleet on the market is over 7 years old).

The other business areas also performed positively, in particular after-sales, which recorded 14.1% year-on-year growth to 18.4 million compared to 2016.

2.2.1.3 USA

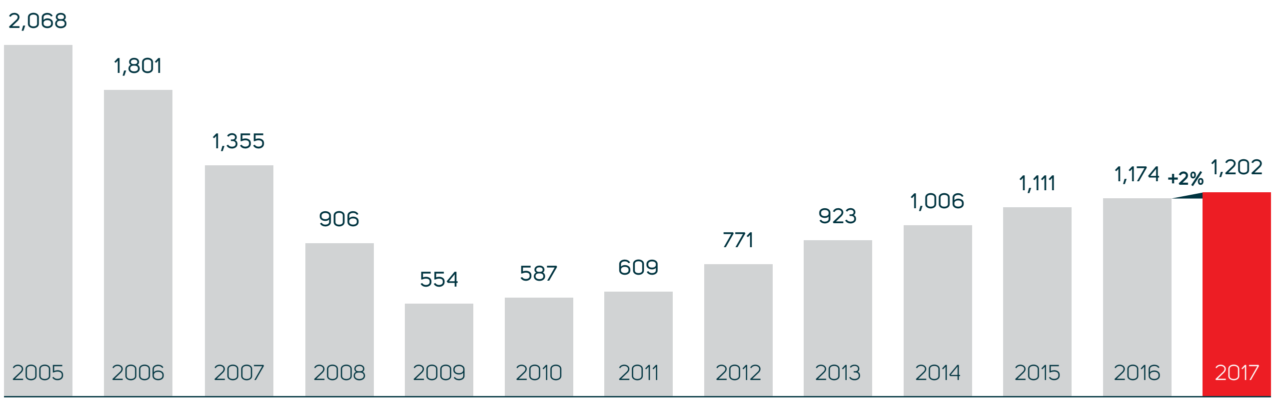
In the USA, Ascendum operates through Ascendum Machinery, Inc., formerly ASC Construction Equipment USA, Inc., a company established in 2004 after the Group acquired the assets of Saba Holding Company (a Volvo Group company), which, today, distributes Volvo construction equipment to an extensive part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

With activity in business segments relating 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 2017, the construction sector evolved favorably in the territories in which Ascendum is present, and the number of housing starts is expected to show 2% growth compared to the previous year, overcoming, for the fourth consecutive year, the threshold of one million new constructions. Despite the recorded growth, the number of housing starts, in 2017, was only 58% of the value recorded in 2005 (peak year).

NUMBER OF HOUSING STARTS EVOLUTION

Units (thousands)

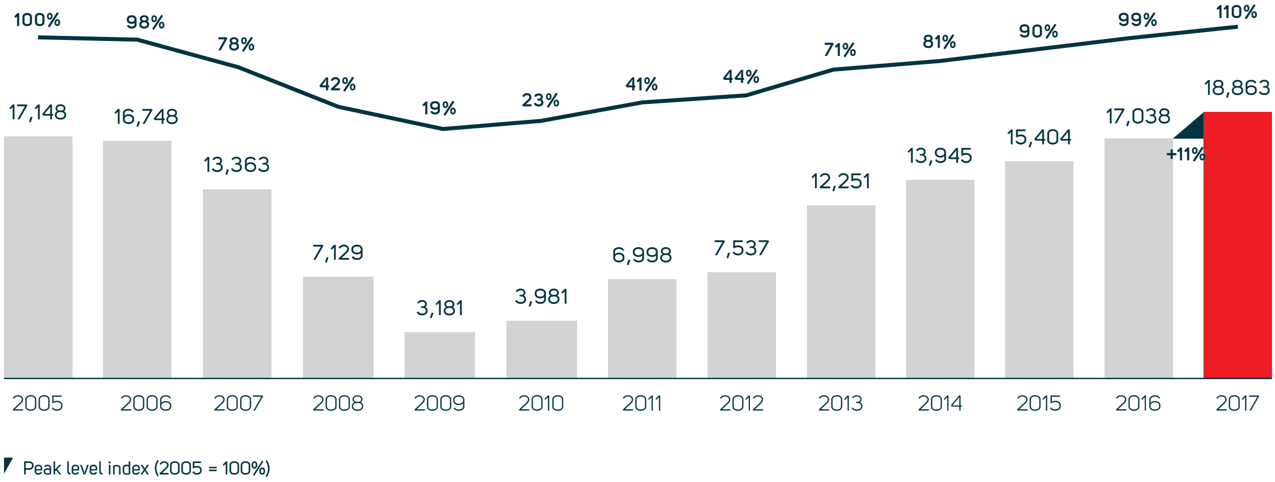


With regard to the territory in which Ascendum Machinery operates, the number of units sold[7] increased by approximately 11% in 2017 compared to 2016, and demand totaled approximately 18,863 units. Despite the recorded growth, the market is still a long way from the sales volume recorded between 2004 and 2007, with the number of units sold in 2017 accounting for, from a like-for-like perspective (excluding North Dakota), 99% of the value recorded in 2005 (peak year) (110% including North Dakota).

[7] 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



In 2017, Ascendum Machinery focused its efforts on the following lines of action:

- Focus on **increased market penetration** – with the aim of reaching smaller customers;
- **Focus on the after-sale segment:** increasing the portfolio of existing maintenance contracts;
- Roll-out of the **investment plan for existing branches** – acquiring facilities in Columbia, SC, that were being leased.

Ascendum Machinery's turnover fell 4.8% in 2017 compared to 2016, totaling 326.9 million US dollars (289.3 million euros):

Million US Dollars	2016	2017	Δ (2017/2016)
New and used machines	269.0	252.5	-6.2%
Rental	22.7	20.2	-11.0%
After sales	51.6	54.2	5.1%
Total Turnover	**343.3**	**326.9**	**-4.8%**

The sale of new machines recorded a year-on-year decrease of approximately 1.1% in 2017 as a result of the companies consolidating their construction equipment fleets in recent years, in order to address portfolio projects. In turn, the sales of used machines recorded an increase of approximately 16.8% compared to 2016.

With regard to the after-sales and rental segment, year-on-year turnover increased approximately 5% and 11%, respectively.

2.2.1.4 TURKEY

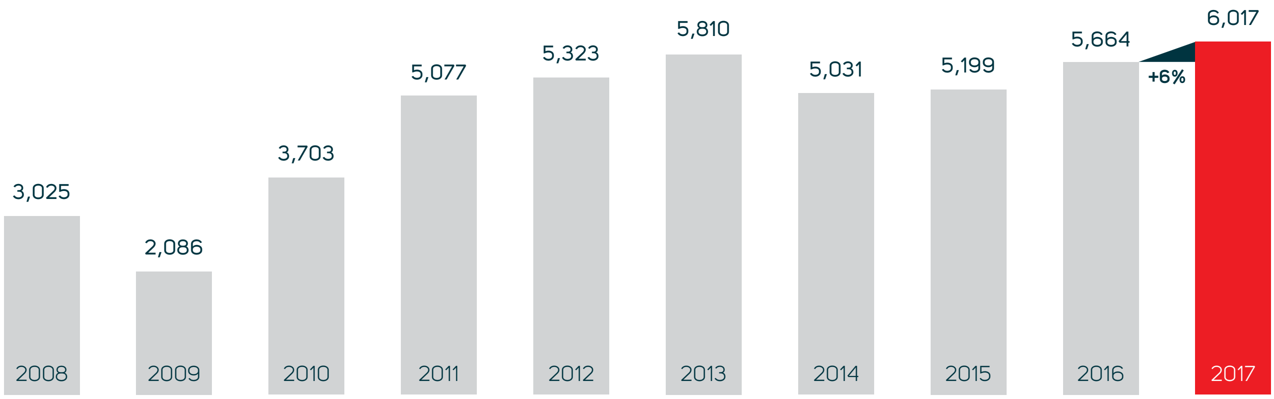
On June 30, 2010, Ascendum acquired the import and distribution of Volvo CE for all of Turkey from two Volvo Construction Equipment A.B subsidiaries (VTC Holding Holland N.V. and Volvo Automotive Holding B.V).

As was the case in recent years, Ascendum Makina's operation was influenced by a number of factors such as (i) the geopolitical situation in the Middle East, in particular the escalation of armed conflict in Syria, with no end in sight (ii) the sharp depreciation of the Turkish lira against major currencies (depreciation of 23% in 2017 against the Euro), (iii) high inflation that hit the 10.9% mark (the highest value since 2004) and (iv) the 2 p.p. hike in the corporate tax rate.

Despite the difficult geopolitical climate, the demand for construction equipment[8], similar to the product portfolio marketed by Ascendum Makina, increased by approximately 6% compared to 2016, totaling around 6,017 units sold (compared to 5,664 units sold in 2016).

EVOLUTION OF THE TURKISH MARKET WHERE ASCENDUM MAKINA OPERATES

Units sold



As a result, in 2017, Ascendum Makina's turnover increased approximately 35.7% compared to 2016, totaling approximately 840.6 million Turkish lira (203.9 million euros):

Million Turkish Liras	2016	2017	Δ (2017/2016)
Construction Equipment – new and used	456.3	642.8	40.9%
Construction Equipment – rental	9.4	18.6	2.0x
Construction Equipment – after sales	146.3	179.0	22.3%
Agriculture Equipment	7.2	0.1	-98.4%
Total Turnover	**619.2**	**840.6**	**35.7%**

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

With regard to business areas, the 40.9% increase in the sales of construction equipment (new and used) compared to 2016 is of note, with Ascendum Makina selling 775 new Volvo units excluding backhoe loaders and motorgraders. During 2017, a new branch was opened in Samsun, with the Turkish operation now comprising a total of five branches as at December 31, 2017.

In parallel, it is important to highlight that turnover in the rental segment doubled compared to 2016 (18.6 million Turkish lira in 2017 compared to 9.4 million Turkish lira in 2016).

In addition, the 22.3% year-on-year increase in construction equipment after-sales turnover reflects Ascendum Makina's efforts, as in previous years, 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.

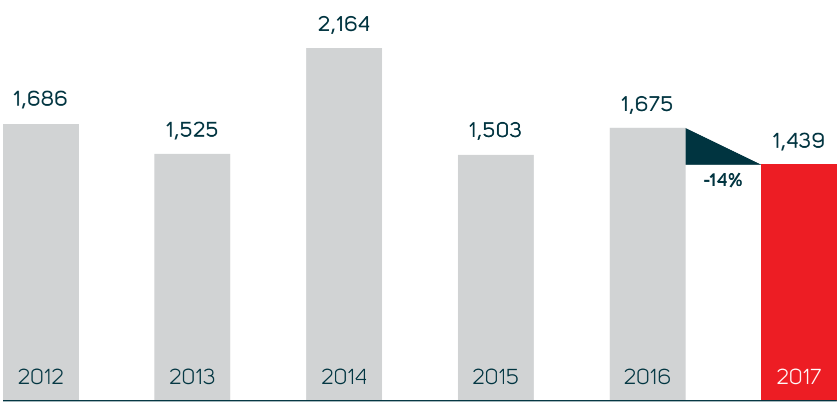
In 2017, Ascendum continued its strategy to consolidate the Mexican market operation, focusing on process improvement, optimization of the operational structure and the enhancement of employee skills.

Thus, and despite the macroeconomic and operational climate still not being favorable for Ascendum Maquinaria México's operations, efforts to adapt the structure to market reality resulted in a 19.2% increase in turnover compared to 2016, totaling approximately 42.0 million US dollars (37.1 million euros).

With regard to the territory in which Ascendum Maquinaria México operates, the number of units sold[9] decreased by approximately 14% in 2017 compared to 2016, and demand totaled approximately 1,439 units (1,675 units in 2016).

EVOLUTION OF THE MEXICAN MARKET WHERE ASCENDUM MAQUINARIA MEXICO OPERATES

Units sold



Note: Information on units sold in 2017 is not yet available, and as such the amounts shown are estimates.

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

Ascendum Maquinaria México recorded a 19.2% increase in turnover compared to 2016, from 35.2 to 42.0 million US dollars (37.1 million euros):

Million US Dollars	2016	2017	Δ (2017/2016)
New and used equipment	24.8	30.1	21.4%
Rental	4.0	4.7	18.6%
After sales	6.4	7.1	11.3%
Total Turnover	**35.2**	**42.0**	**19.2%**

Of note is the 21.4% increase in the sale of construction equipment in 2017 to 30.1 million dollars, related to the increased focus on premium equipment.

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 Austrian company Volvo Baumaschinen Österreich GmbH, which held 100% of the companies in the 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[10] included in the Central European operation, the Austrian market contributed the most, accounting for approximately 45% of total units sold in 2017, followed by the Czech Republic (27%) and Hungary (9%). Ascendum sold 570 units during the year, of note GPE equipment sales, which accounted for approximately 68% of total sales (with Austria once again dominating, accounting for approximately 56% of total Group sales in Central Europe in 2017).

2017	AUSTRIA	THE CZECH REP.	ROMANIA	HUNGARY	CROATIA	SLOVAKIA	TOTAL[1]
Total market	**2,140**	**1,286**	**365**	**411**	**290**	**292**	**4,784**
Ascendum units sold	**320**	**117**	**21**	**50**	**30**	**32**	**570**
GPE	223	76	16	39	15	20	389
CSE	88	40	3	10	15	10	166
Road Machinery	9	1	2	1	0	2	15
Market share	**15.0%**	**9.1%**	**5.8%**	**12.2%**	**10.3%**	**11.0%**	**11.9%**
GPE	28.4%	20.8%	13.2%	23.5%	16.3%	19.2%	23.8%
CSE	8.3%	4.3%	1.7%	5.1%	9.6%	5.7%	6.2%
Road Machinery	3.1%	-	2.9%	2.0%	0.0%	15.4%	3.2%

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 2017, the Central European operation recorded a turnover of approximately 144.6 million euros (an 8% increase in turnover compared to 2016), with Austria being the main contributor (61% of total turnover for Central Europe), followed by the Czech Republic (19% of total turnover for Central Europe) and Slovakia (6% of total turnover for Central Europe).

The year-on-year increase in turnover was due to market[11] recovery, which showed an increase of 15% compared to 2016 and the consequent reflection on the Ascendum operation.

[10, 11] 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 Automóveis and Ascendum Camiões, respectively, representing the Volvo and Mitsubishi brands in Coimbra, Viseu, Leiria, Sacavém and Albergaria.

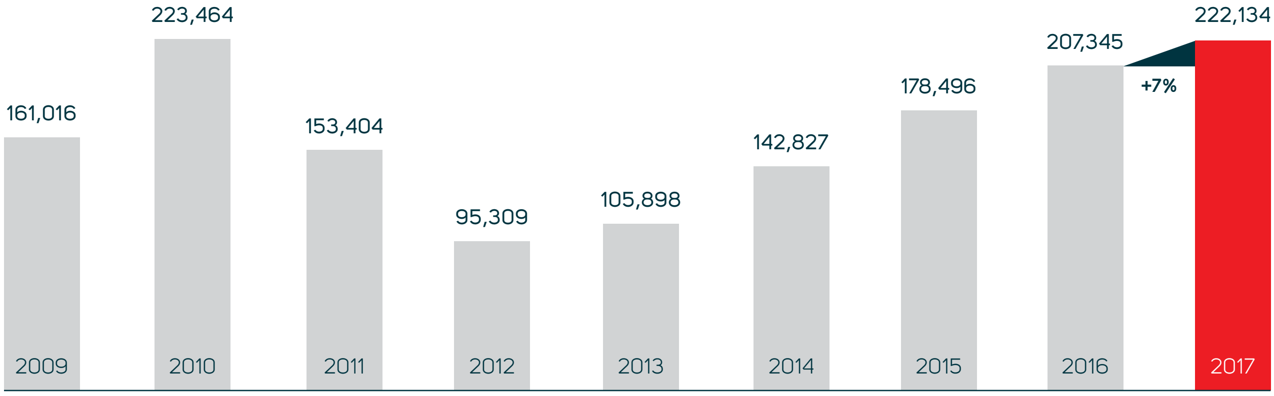
In 2017, the Passenger Car Market recorded 7% growth, with 222,134 units sold (207,345 units sold in 2016). In spite of the December market reflecting a slowdown in demand (up just 0.4% compared to the same month of the previous year), consolidated growth during the year recorded the best vehicle registration volumes since 2010.

This growth, in 2017, was mainly driven by the rent-a-car market, but also by the "kilometer zero car" phenomenon, cars registered without a customer, according to information from ARAN (Portuguese National Automobile Association).

Rent-a-car growth was due essentially to momentum in the tourism sector in Portugal. This has, in fact, changed the profile of rent-a-car sales, which, before, peaked between Easter and summer, but now extend over a longer period of time. Increased city tourism in Portugal contributed to this change.

EVOLUTION OF THE PORTUGUESE LIGHT PASSENGER CARS MARKET

Units



Source: ACAP

According to ACAP (Automobile Association of Portugal) data, the three-figure growth recorded in electric and plug-in hybrid vehicles is indicative of the increasing demand in this segment. In terms of size, in 2010, five plug-in hybrid vehicles were sold, whereas, in 2017, sales amounted to 2,442 units. Growth in electric vehicles was 117% in 2017. Electrification of the car fleet is an inescapable reality in the near future.

Another noteworthy phenomenon is the continuous growth of the SUV in recent years, and of gasoline engines.

At the end of 2017, Ascendum Automóveis represented the Volvo and Mitsubishi brands in the car business.

In Portugal, the Volvo brand posted an annual record in the country, with 4,605 new vehicle registrations, representing a year-on-year growth of approximately 5.5%. The V40 model continued to lead sales, accounting for over 55% of the Volvo units sold.

The Mitsubishi brand recorded increased growth in Portugal, with 3,655 units sold compared to 3,453 units in 2016, representing growth of approximately 5.8%. Sales were essentially of the L200 and Canter models.

Ascendum Automóveis conducts its operations through business units located in Lisbon, Coimbra, Viseu, Leiria and Viseu. In terms of market share, Ascendum Automóveis had a 9.6% weight in Volvo sales (12.1% in 2016) and 2.6% in Mitsubishi sales (2.2% in 2016).

Ascendum Automóveis' turnover totaled approximately 24.0 million euros, 16.2% less than turnover recorded in the car segment in 2016 (28.7 million euros).

Commercial activity sales totaled 19.5 million euros, representing a decrease of 18.9% compared to 2016. The After-Sales department – components and assistance – recorded a turnover of approximately 4.5 million euros (down by about 1.7% compared to 2016).

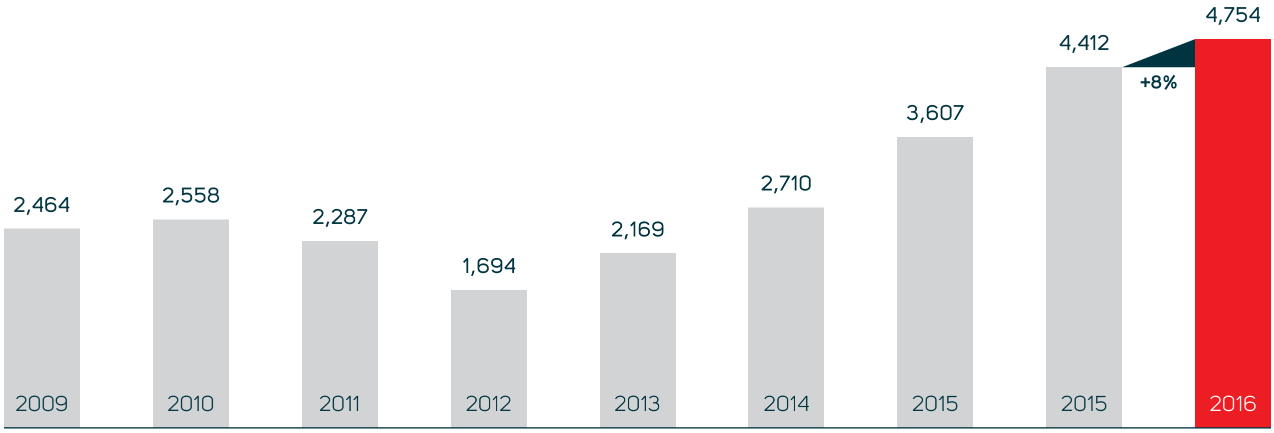
The following table presents a summary of car sales performance:

Million Euros	2016	2017	Δ (2017/2016)
New cars	21.1	15.9	-24.7%
Used cars	3.0	3.7	21.8%
After sales	4.6	4.5	-1.7%
Total Turnover	**28.7**	**24.0**	**-16.2%**

The evolution of the domestic market of heavy goods vehicles – with a gross weight exceeding 10 tons – has recorded positive growth since 2012. In 2017, 8% growth was recorded with 4,754 units sold (4,412 units in 2016), albeit still lower than in 2008.

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

Units



Source: Nors

In this segment – Gross weight > 10 Tons – Volvo's market share was 13.3% (13.6% in 2016) with 632 units, 598 units in 2016. Ascendum Camiões maintained its weight in the Volvo brand, with approximately 24%.

Ascendum's truck business recorded a turnover of 15.5 million euros, representing a 7% year-on-year increase, with 150 units sold (146 units in 2016). The positive performance of the used trucks heading is particularly of note, with 63 units sold (45 units in 2016) and a turnover of 1.3 million euros (652 thousand euros in 2016), representing approximately 100% growth.

The following table is a summary of truck sales performance:

Million Euros	2016	2017	Δ (2017/2016)
New trucks	13.8	14.2	2.6%
Used trucks	0.7	1.3	2.0x
After sales	7.3	7.7	5.3%
Total Turnover	**21.7**	**23.1**	**6.4%**

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 equity holdings (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 2017, Ascendum turnover in the infrastructure equipment business segment totaled approximately 28.2 million euros (representing approximately 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 five islands of the autonomous regions.

This year, as part of the 300th anniversary celebration of the heritage of Mafra, EPIS (Association of Entrepreneurs for Social Inclusion) held the largest volunteer initiative for forest cleaning and the eradication of invasive species in the Mafra Wildlife Park (*Tapada de Mafra*). Fourteen EPIS partner entities participated in the initiative along with students and teachers from EPIS schools in 8 municipalities: Almada, Amadora, Lisbon, Loures, Odivelas, Seixal, Setúbal and Sintra.

The challenge was to clean up the most hectares with the largest number of volunteers. To this end, Ascendum provided two machines – a VOLVO ECR 88 and a TEREX TLB 840 –, to clean up the various hectares of the Park.

Nearly 50 employee-volunteers from Ascendum also participated in the removal of wood, gathering materials for burning and the leveling of a path between Tanques dos Infantes and Rua das Taipas. This initiative, which falls within the scope of Social and Environmental Responsibility, provided a unique opportunity for Ascendum employees from various locations in Portugal to share different experiences from their daily professional lives and strengthen the ties that bind us to this great team.

In addition to this Ascendum initiative, during 2017, the geographic platforms also held local activities focused on corporate responsibility, in order to promote the well-being of the communities they are a part of. The four key activities carried out during the year are described below.

In the United States, Ascendum Machinery continued to support needy children and activities for the vocational orientation of young adults. In Charlotte, North Carolina, approximately 20 employee-volunteers supported a program in partnership with a local charity organization by collecting clothes and toys for underprivileged children. Employees also collected school materials and donated coats for children throughout the year.

To promote the vocational orientation of young adults, Ascendum sponsored an open day for students and parents at its facilities in Charlotte. Students interested in developing careers in heavy equipment and diesel mechanics were invited through a partnership established with a technical university. The company also provided volunteers to work at the skills competition for young adults in Georgia, which helped to promote careers in heavy construction and in the aggregates industry.

In Mexico, Ascendum Maquinaria undertook to develop social activities in 2017, with employees participating in several initiatives with different social objectives, such as "The Heroes Run", which aims to raise funds to distribute among disadvantaged communities in San Luis Potosi. Initiatives which provide an opportunity to support a social cause and encourage employees to be socially responsible are the types of initiatives that are very important to us.

In Turkey, collaboration with “TEMA – the Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats” continues. Ascendum Turkey plants a tree for each new machine sold and for every employee birthday.

In Austria, a monetary donation has been made since 2011 to the *Licht ins Dunkel* charity association which shelters women and children, victims of abuse in Salzburg. The mothers and children affected receive shelter, psychological, social, educational and legal support – often with 24-hour services operated by certified professionals. The donation from Ascendum was channeled toward financing entrance fees into museums, theaters, cinema, tickets for puppets theater, public transport, birthday presents, etc. In addition to financial donations, the association also receives other types of aid: children's clothing, toys, bed linen, computers or screens.

As is tradition, all participants of the Ascendum Golf Trophy in Austria were invited to make donations to HOME from HOME, a charity in South Africa that cares for needy children. Ten homes for children were financed by these donations in recent years.

In a year in which several natural phenomena occurred, severely afflicting some of the geographic platforms in which Ascendum operates, the main concern was to ensure the health and well-being of all employees affected. In addition to all the internal solidarity initiatives and donations, efforts were also made to support local communities, particularly in Portugal, Mexico and the United States. In Portugal, following the devastation caused by the fires in the northern region of the country, Ascendum established a partnership with NGO Doctors of the World to provide equipment to clear roads and rubble from areas and burned houses.

In Mexico, Ascendum provided equipment and volunteers to remove debris and rescue survivors. In the United States, Ascendum helped employees affected by hurricanes and floods which devastated many parts of the country.

Environment, Quality and Safety

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 2017 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.

Moreover, the Group's entire operation strictly complies with the environmental legislation in force in the various regions and countries.

Portugal, Spain, Turkey, Austria, Slovakia and Hungary maintained the procedures already implemented as part of their certified Quality Management Systems (ISO 9001 and ISO 10002:2004 in Turkey) performing their internal and external audits during the year, in order to ensure sustainability, customer satisfaction and Ascendum's continuous efficiency.

The health and safety of employees is an ongoing concern at Ascendum, which has initiatives to raise awareness among employees about the risks to which they are exposed, as well as the preventive measures available, in order to reduce the number of incidents and/or minimize the consequences thereof.

2.4. RISKS AND UNCERTAINTIES

2.4.1 LIQUIDITY RISK

Liquidity risk is defined as the risk to settle or meet financial 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 said 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 amount of 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) Negociation 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, 2017 and 2016, the Group had a net debt of 132,652,833 euros and 142,713,286 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 financial holdings in BPI and BCP). The Group has lines of credit in the amount of 623 million euros.

Moreover, it should be noted that as at December 31, 2017, Current Assets was much higher (+44%, + 108 million euros) than Current Liabilities, thereby minimizing this risk.

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 is the result of (i) subsidiaries located in countries in which the functional currency is not the Euro (namely the USA, Turkey, Mexico, the Czech Republic, Hungary, Romania and Croatia), (ii) the transactions carried out between these subsidiaries and other ASCENDUM companies, (iii) the financial/operational transactions carried out in a currency other than the local/functional currency (bank loans, trade payables, trade receivables), leading to foreign exchange gains/losses due to the variation of this credit/debt and payment/receipt contraction, and (iv) the companies with a reporting currency that is not the same as the currency the Group uses for consolidation (Euro).

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:

HISTORY OF EXCHANGE RATES EUR/Currency	2013	2014	2015	2016	2017
USD	1.379	1.214	1.089	1.054	1.199
TRY	2.961	2.832	3.177	3.707	4.546
MXN	18.073	17.868	18.915	21.772	23.661
CZK	27.427	27.735	27.023	27.021	25.535
HUF	297.04	315.54	315.98	309.83	310.33
RON	4.471	4.483	4.524	4.539	4.659
HRK	7.627	7.658	7.638	7.560	7.440

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.

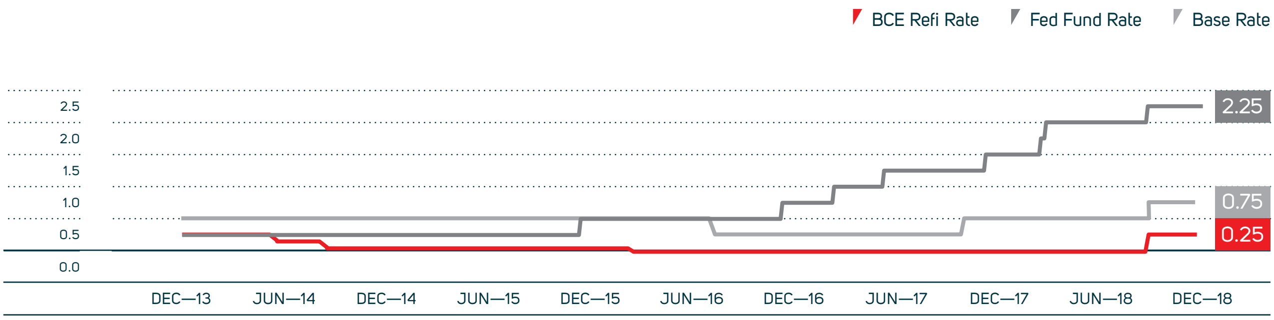
In this context, and due to the uncertainty as to the evolution of the price of the US dollar, Turkish lira, Czech koruna, Hungarian forint, Romanian leu, and Croatian kuna against the euro in the coming years, the exchange rate risk management policy followed by the Ascendum Group will aim to reduce, 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 charges on loans taken out, due to changes in market interest rates, which may adversely affect the ASCENDUM Group's results.

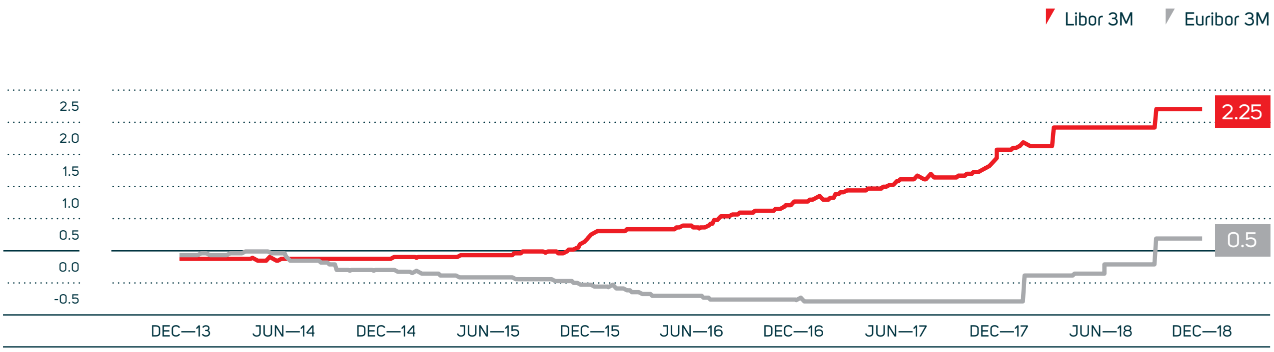
PROJECTED EVOLUTION OF REFERENCE INTEREST RATES

(%)



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

(%)



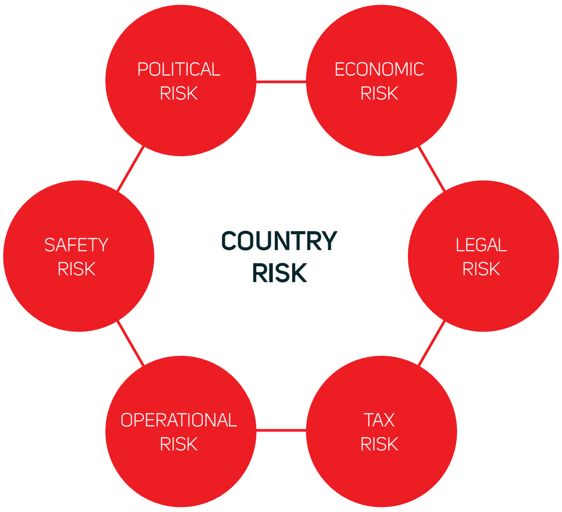
Source: Bloomberg

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, 2017, the ratings of countries in which the Group operates directly (Portugal, Spain, USA, Turkey, Mexico, Austria, the Czech Republic, Hungary, Romania, Slovakia and Croatia) were the following:

RATINGS AS OF 31/12/2017

COUNTRY	MOODY'S	STANDARD & POOR'S	FITCH
PORTUGAL	BA1	BBB- (*)	BBB (**)
SPAIN	BAA2	BBB+	BBB+
USA	AAA	AA+	AAA
TURKEY	BA1	BB	BB+ (***)
MEXICO	A3	BBB+	BBB+
AUSTRIA	AA1	AA+	AA+
THE CZECH REPUBLIC	A1	AA-	A+
HUNGARY	BAA3	BBB-	BBB-
ROMANIA	BAA3	BBB-	BBB-
SLOVAKIA	A2	A+	A+
CROATIA	BA2	BB	BB

Source: Bloomberg

Investment grade
Non investment grade

(*) Upgrade to BB+ on September 15, 2017;
(**) Upgrade to BB+ on December 15, 2017;
(***) Downgrade to BBB- on January 27, 2017.

During 2018, Fitch changed its rating of Spain from BBB+ to A- (19 January 2018) and Croatia from BB to BB+ (12 January 2018).

RATING SCALE

MOODY'S	STANDARD & POOR'S	FITCH	GRADE
AAA	AAA	AAA	INVESTMENT GRADE
AA1	AA+	AA+	
AA2	AA	AA	
AA3	AA-	AA-	
A1	A+	A+	
A2	A	A	
A3	A-	A-	
BAA1	BBB+	BBB+	
BAA2	BBB	BBB	
BAA3	BBB-	BBB-	
BA1	BB+	BB+	NON INVESTMENT GRADE
BA2	BB	BB	
BA3	BB-	BB-	
B1	B+	B+	
B2	B	B	
B3	B-	B-	
CAA1	CCC+	CCC	
CAA2	CCC	DDD	
CAA3	CCC-	DD	
CA	CC	D	
-	D	-	

Source: Bloomberg

2.5. FINAL CONSIDERATIONS

2.5.1 2018 OUTLOOK

As in 2017, which focused on consolidating current operations, after a period of strong growth between 2010 and 2013 with the acquisition of operations in Turkey, Central Europe, and entry into the Mexican market, Ascendum will continue to prioritize operational and business process optimization in 2018, so as to maximize capacity for the future growth of the company. In parallel, Ascendum will analyze new investment opportunities, in order to prepare a new period of growth in the medium/long-term.

Thus, in 2018 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 knowledge and the working capital and cash management processes, maximizing the efficiency of the Company's operations in the various countries in which it operates.

b) Maximizing synergies

Additionally, and in order to maximize the size 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 implemented across the multiple geographic platforms that seek to take advantage of the global dimension of operations.

2.5.2 EVENTS THAT OCCURRED AFTER YEAR END

Between December 31, 2017, and the date this consolidated management report was issued, no relevant events likely to have a material effect on the financial position of the company occurred, as can be seen in the financial statements reported as at December 31, 2017, presented herein.

2.5.3 DATE OF THE ANNUAL REPORT

March 14, 2018
THE BOARD OF DIRECTORS

WE INSPIRE TRUST

BECAUSE WE ARE SOLID, WE WORK AS A TEAM WITH DISCIPLINE AND KNOW-HOW, OVERCOMING THE ADVERSITIES AND EXPECTATIONS.

03.

FINANCIAL STATEMENTS AND ANNEX

2017

ANNUAL REPORT

ASCENDUM

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (BALANCE SHEET) AT DECEMBER 31, 2017 AND 2016

Amounts expressed in Euros

	NOTES	DATES 31/12/17	31/12/16
ASSETS			
Non current Assets			
Property, plant and equipment	7 and 32	126,466,125	140,244,244
Investment properties	8	3,323,420	2,998,953
Goodwill	9	33,941,271	36,329,314
Intangible assets	6	9,669,038	9,056,689
Financial Investments – Equity method	10	130,999	151,811
Financial Investments – Other methods	10	4,489	12,795,958
Other accounts receivable	13	731,387	990,161
Other financial assets	10	224,538	219,440
Deferred income tax assets	15	11,966,323	15,291,127
		186,457,591	**218,077,697**
Current Assets			
Inventories	11 and 32	189,577,480	173,407,480
Trade and other receivables	12 and 32	111,258,888	105,295,813
Prepayments to suppliers	13	5,095,724	3,633,831
Income tax	23	3,919,711	1,521,057
State and other public entities	23	15,621,165	13,690,926
Other Accounts receivables	13 and 32	5,640,862	5,587,651
Deferrals	14	2,038,369	2,248,797
Other financial assets	10	5,455,039	6,206,459
Cash and bank deposits	16	16,406,113	12,922,460
		355,013,350	**324,514,473**
Total Assets		**541,470,941**	**542,592,170**
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	8,452,271	8,373,768
Retained earnings	17	83,308,843	80,373,172
Fair value reserves	17	(3,820,996)	(2,303,989)
Other reserves	17	19,160,850	26,660,850
Profit for the year	17	27,340,471	17,250,623
		152,441,439	**148,354,425**
Non-controlling interests	19	4,104,212	4,093,472
Total Equity	18	**156,545,651**	**152,447,897**
Liabilities			
Non current liabilities			
Provisions	25 and 32	6,587,316	4,615,946
Borrowings	20 and 32	74,391,847	82,522,961
Deferred income tax liabilities	15 and 32	16,524,899	22,379,596
Other liabilities	22 and 32	40,632,790	43,678,338
		138,136,852	**153,196,842**
Current liabilities			
Trade and other payables	21 and 32	114,610,543	95,835,682
Prepayments from customers	12	2,830,216	2,552,946
Income tax	23	978,884	2,524,524
State and other public entities	23	8,805,603	7,575,894
Borrowings	20 and 32	80,122,962	91,856,637
Other liabilities	22 and 32	31,267,580	34,142,031
Deferrals	24	8,172,649	2,459,719
		246,788,437	**236,947,431**
Total Liabilities		**384,925,289**	**390,144,273**
Total Equity and Liabilities		**541,470,941**	**542,592,170**

The notes to the consolidated financial statements are an integral part of this statement at December 31, 2017

CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

CONSOLIDATED STATEMENT OF INCOME (PROFIT AND LOSSES) AT DECEMBER 31, 2017 AND 2016

Amounts expressed in Euros

		DATES	
	NOTES	31/12/17	31/12/16
INCOME AND EXPENSES			
Sales and services rendered	32	907,223,119	862,402,369
Changes in inventories of production	11	234,423	710,417
Works for the entity		325,417	208,008
Cost of sales	11 and 32	(697,462,426)	(662,313,319)
Gross Profit		**210,320,534**	**201,007,474**
External supplies and services	32 and 40	(63,837,296)	(59,933,831)
Personnel expenses	31, 32, and 41	(73,303,214)	(70,089,737)
Inventories impairments (losses/reversals)	25	(1,062,359)	(243,221)
Accounts receivable impairments (losses/reversals)	25	(357,501)	(139,736)
Provisions (increase/decrease)	25	(2,519,612)	701,568
Fair value (increase/decrease)	10.2	(2,421)	(7,867)
Operating subsidies		219,087	175,006
Gains/losses on subsidiaries, associated companies and joint ventures	10.1	68,192	52,670
Other income and gains	33	11,217,748	9,199,150
Other expenses and losses	42	(8,880,356)	(7,204,473)
Depreciation and amortization expenses/reversals	6 and 7	(25,890,437)	(30,142,679)
Impairment of depreciable/amortizable investments (losses/reversals)		(404,312)	(49,066)
Operating profit (before finance results and income tax)		**45,568,053**	**43,325,258**
Interest and similar finance incomes	35	559,629	389,354
Interest and similar finance costs	35	(12,846,932)	(14,765,850)
Profit before income tax		**33,280,749**	**28,948,762**
Income tax expense	28	(5,617,394)	(11,359,077)
Profit for the year	32	**27,663,355**	**17,589,685**
Attributable to:			
Owners of the parent		27,340,472	17,250,623
Non-controlling interests	19	322,883	339,061
	32	27,663,355	17,589,685
Earnings per share	29	1.84	1.17

The notes to the consolidated financial statements are an integral part of this statement at December 31, 2017

CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AT DECEMBER 31, 2017 AND 2016

	SHARE CAPITAL	RESERVES		
		LEGAL RESERVES	REVALUATION RESERVES	RETAINED EARNINGS
As at January 1, 2016	**15,000,000**	**3,000,000**	**8,373,768**	**67,176,986**
Changes in the period:				
Consolidated profit application – 2015	0	0	0	15,818,739
Fair value variation on available for sale financial assets	0	0	0	0
Tax impact – Fair value variation on available for sale financial assets	0	0	0	0
Goodwill exchange differences	0	0	0	(1,065,877)
Financial statments exchange differences	0	0	0	(988,630)
Transfer of retained earnings to other reserves	0	0	0	0
Others	0	0	0	(568,045)
	0	**0**	**0**	**13,196,187**
Profit for the Year				
Comprehensive income for the year				
Operations with shareholders in the period:				
Distributions	0	0	0	0
	0	**0**	**0**	**0**
As at December 31, 2016	**15,000,000**	**3,000,000**	**8,373,768**	**80,373,172**
As at January 1, 2017	**15,000,000**	**3,000,000**	**8,373,768**	**80,373,172**
Changes in the period:				
Consolidated profit application – 2016				17,250,623
Fair value variation on available for sale financial assets				
Tax impact – Fair value variation on available for sale financial assets				
Goodwill exchange differences				(1,177,619)
Financial statments exchange differences				(12,235,776)
Others			78,503	(901,559)
	0	**0**	**78,503**	**2,935,670**
Profit for the Year				
Comprehensive income for the year				
Operations with shareholders in the period:				
Distributions				
	0	**0**	**0**	**0**
As at December 31, 2017	**15,000,000**	**3,000,000**	**8,452,271**	**83,308,843**

The notes to the consolidated financial statements are an integral part of this statement at December 31, 2017

CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

RESERVES						
FAIR VALUE RESERVES	OTHER RESERVES	TOTAL RESERVES	PROFIT FOR THE YEAR	SUBTOTAL	NON-CONTROLLING INTERESTS	TOTAL
276,924	**42,660,850**	**121,488,528**	**15,818,739**	**152,307,267**	**4,008,385**	**156,315,653**
0	0	15,818,739	(15,818,739)	0	0	0
454,474	0	454,474	0	454,474	0	454,474
(3,035,387)	0	(3,035,387)	0	(3,035,387)	0	(3,035,387)
0	0	(1,065,877)	0	(1,065,877)	0	(1,065,877)
0	0	(988,630)	0	(988,630)	111,591	(877,039)
0	0	0	0	0	0	0
0	0	(568,045)	0	(568,045)	(365,564)	(933,609)
(2,580,913)	**0**	**10,615,274**	**(15,818,739)**	**(5,203,465)**	**(253 973)**	**(5,457,438)**
			17,250,623	17,250,623	339,061	17,589,685
			12,615,203	12,615,203	450,652	13,065,855
0	(16,000,000)	(16,000,000)	0	(16,000,000)	0	(16,000,000)
0	**(16 000 000)**	**(16 000 000)**	**0**	**(16 000 000)**	**0**	**(16,000,000)**
(2,303,989)	**26,660,850**	**116,103,802**	**17,250,623**	**148,354,425**	**4,093,472**	**152,447,897**
(2,303,989)	**26,660,850**	**116,103,802**	**17,250,623**	**148,354,425**	**4,093,472**	**152,447,897**
		17,250,623	(17,250,623)	0		0
(1,517,007)		(1,517,007)		(1,517,007)		(1,517,007)
		0		0		0
		(1,177,619)		(1,177,619)		(1,177,619)
		(12,235,776)		(12,235,776)	(408,701)	(12,644,477)
		(823,055)		(823,055)	96,558	(726,497)
(1,517,007)	**0**	**1,497,166**	**(17,250,623)**	**(15,753,457)**	**(312,143)**	**(16,065,600)**
			27,340,471	27,340,471	322,883	27,663,355
			12,410,070	12,410,070	(85,818)	12,324,252
	(7,500,000)	(7,500,000)		(7,500,000)		(7,500,000)
0	**(7 500 000)**	**(7 500 000)**	**0**	**(7 500 000)**	**0**	**(7,500,000)**
(3,820,996)	**19,160,850**	**110,100,969**	**27,340,471**	**152,441,439**	**4,104,212**	**156,545,651**

CONSOLIDATED STATEMENT OF CASH FLOWS AT DECEMBER 31, 2017 AND 2016

Amounts expressed in Euros

	NOTES	DATES	
		31/12/17	31/12/16
CASH FLOWS FROM OPERATING ACTIVITIES			
Accounts receivables		908,076,452	859,515,674
Accounts payables		(766,817,328)	(709,739,923)
Staff payables		(70,361,544)	(70,089,737)
Operating cash flows		**70,897,580**	**79,686,013**
Income tax payable/receivable		(11,973,453)	(23,165,250)
Other receivables/payables		6,989,769	8,541,688
Cash flows from operating activities (1)		**65,913,897**	**65,062,451**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Property, plant and equipment		(35,755,218)	(13,145,278)
Intangible assets		(1,931,132)	(1,884,202)
Other assets			(6,197,211)
Receipts:			
Property, plant and equipment		(7,156,422)	4,871,117
Financial Investments		12,536,835	0
Interest and similar income		322,514	389,354
Cash flows from investing activities (2)		**(24,827,001)**	**(15,966,220)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments			
Borrowings		0	0
Receipts:			
Borrowings		(19,864,789)	(19,019,442)
Interest and similar costs		(8,920,144)	(14,765,850)
Dividends		(7,500,000)	(16,000,000)
Cash flows from financing activities (3)		**(36,284,933)**	**(49,785,292)**
Net increase/decrease in cash and cash equivalents (1+2+3)		**4,801,963**	**(689,061)**
Net foreign exchange difference		(1,318,311)	(1,467,132)
Cash and cash equivalents at 1 January			
Cash and cash equivalents at 31 December	16	**12,922,461**	**15,078,654**
	16	**16,406,112**	**12,922,461**

The notes to the consolidated financial statements are an integral part of this statement at December 31, 2017

CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT DECEMBER 31, 2017 AND 2016

	31/12/17	31/12/16
Consolidated profit for the year including non-controlling interests	**27,663,355**	**17,589,685**
Fair value variation on available for sale financial assets	(1,517,007)	454,474
Tax impact of changes in fair value on available for sale financial assets	0	(3,035,387)
Goodwill exchange differences	(1,177,619)	(1,065,877)
Financial statements exchange differences	(12,644,477)	(877,039)
Comprehensive income for the year	**12,324,252**	**13,065,855**
Owners of the parent	12,410,070	12,615,203
Non-controlling interests	(85,818)	450,652

The notes to the consolidated financial statements are an integral part of this statement at December 31, 2017

CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

ANNEX – NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2017

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 head-qwuarters 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.

At December 31, 2017, the ASCENDUM Group Companies, and their headquarters were 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 – Portugal	33.3%
ARNADO – SOCIEDADE DE EXPLORAÇÃO E ADMINISTRAÇÃO DE IMÓVEIS, S.A.	R. João de Ruão 12 – 3000-229 Coimbra – Portugal	5%
ASCENDUM AUTOMÓVEIS, UNIPESSOAL, LDA	R. Manuel Madeira, Marcos da Pedrulha, 3021-901 Coimbra – Portugal	100%
ASCENDUM CAMIÕES, 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 – Portugal	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 – Portugal	100%
HEADQUARTERED IN OTHER COUNTRIES:		
AIR RAIL MAROC, S.A.R.L.A.U.	4 Lotissement La Coline – Sidi Maarouf – 20270 – Casablanca – Morocco	50%
AIR-RAIL POLSKA, SP. Z.O.O.	Ul. Szpitalna 8 lokal 9, 00-0031 Warsawa – Poland	25%
AIR-RAIL, S.L.	Calle Alsasua, 16, 28023 Madrid – Spain	50%
ART HAVA VE RAY EKIPMANLARI LTD. STI	Fatih Mahallesi Katip Çelebi Caddesi, nº 43, 34956 – Tuzla, Istanbul – Turkey	50%
ASCENDUM MACHINERY, 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 – Mexico	100%

COMPANY	HEADQUARTERS	% SHAREHOLDING
ASCENDUM MAKÍNA TÍCARET, A.Ş.	Fatih Mahallesi Katip Çelebi Caddesi, nº 43, 34956 – Tuzla, Istanbul – Turkey	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 – Spain	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 ŞÍRKETÍ	Fatih Mahallesi Katip Çelebi Caddesi, nº 43, 34956 – Tuzla, Istanbul – Turkey	100%
ASCENDUM STAVEBENI STROJE CZECH S.R.O	Plzeňská 430, 267 12 Loděnice, Czech Republic	100%
ASCENDUM STRAVEBENE STROJE SLOVENSKO S.R.O	Pestovatel'ská 10, 821 04 Bratislava – Slovakia	100%
HARDPARTS MOÇAMBIQUE, LIMITADA	Avenida Julius Neyerere, 2399, Maputo – Mozambique	100%
IMPORTADORA DISTRIBUIDORA DE MAQUINARIA INDUSTRIAL ZEPHIR, S.L.	Calle Alsasua, 16, 28023 Madrid, Spain	50%
TEA ALOYA INMOBILIARIA, S.A.U.	Parque Empresarial San Fernando, Edificio Munich, Planta 3, 28830 Madrid – Spain	100%
ASCENDUM MAQUINARIA, S.A.U.	Parque Empresarial San Fernando, Edificio Munich, Planta 3, 28830 Madrid – Spain	100%
VOLRENTAL ATLÁNTICO, S.A.U.	Carretera de Castilla nº 167, BETANZOS (La Coruña) – Spain	68.89%

The accompanying financial statements are presented in euros (rounded 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 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 on January 1, 2017.

2.1.1. The impact of the adoption of the amendments to standards that became effective as of 1 January 2017 is as follows:

a) IAS 7 (amendment), 'Cashflow statement – Disclosure initiative' (effective for annual periods beginning on or after 1 January 2017). 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. Normally in financial liabilities variations give rise to cash movements, evidenced in the cash flows statement. The adoption of this amendment will have no material 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 1 January 2017). 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 had no material impact on the company`s financial statements.

2.1.2. Standards (new and amendments) that have been published and are mandatory for the accounting periods beginning on or after 1 January 2018, endorsed by the EU:

a) IFRS 9 (new), 'Financial instruments' (effective for annual periods beginning on or after 1 January 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 material impact on the company`s financial statements.

b) IFRS 15 (new), 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 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 material impact on the company`s financial statements.

c) IFRS 16 (new), 'Leases' (effective for annual periods beginning on or after 1 January 2019). 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". This standard will affect the financial statements in result of the premises leasing contracts related to the operational activity of the company, basic equipment etc., whose impacts are being assessed.

d) 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 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 material impact on the company`s financial statements.

e) Amendments to IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2018). 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 material 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 1 January 2017, but are not yet endorsed by the EU:

2.1.3.1. Standards

a) Annual Improvements 2014 – 2016, (generally effective for annual periods beginning on or after 1 January 2017). The 2014-2016 annual improvements impacts:

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

- **IFRS 12**, 'Disclosure of interest in other entities' (effective for annual periods beginning on or after 1 January 2017). This improvement is still subject to endorsement by the 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 material impact on the company`s financial statements.

- **IAS 28**, 'Investments in associates and joint ventures' (effective for annual periods beginning on or after 1 January 2018). This improvement is still subject to endorsement by the 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 standalone 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 material impact on the company`s financial statements.

b) IAS 40 (amendment), 'Transfers of Investment property' (effective for annual periods beginning on or after 1 January 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 material impact on the company`s financial statements.

c) IFRS 2 (amendment), 'Classification and measurement of share-based payment 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 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 material impact on the company`s financial statements.

d) IFRS 9 (amendment), 'Prepayment features with negative compensation' (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. The amendment introduces the possibility to classify certain financial assets with negative compensation features at amortized cost, provided that specific conditions are fulfilled, instead of being classified at fair value through profit or loss. The adoption of this amendment will have no material impact on the company`s financial statements.

e) IAS 28 (amendment), 'Long-term interests in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. The amendment clarifies that long-term investments in associates and joint ventures (components of an entity's investments in associates and joint ventures), that are not being measured through the equity method, are to be measured in accordance with IFRS 9, being subject to impairment expected credit loss model, prior to any impairment test of the investment as a whole. The adoption of this amendment will have no material impact on the company`s financial statements.

f) Improvements to the 2015 – 2017 (generally effective for annual periods beginning on or after 1 January 2019). These improvements are still subject to endorsement by the European Union. The 2015-2017 annual improvements impact: IAS 23, IAS 12, IFRS 3 and IFRS 11.

IAS 23, 'Borrowing costs' (effective for annual periods beginning on or after 1 January 2019). This improvement is still subject to endorsement by the European Union. This improvement clarifies that specific borrowing that remain outstanding, after the related qualifying asset being ready for its intended use or sale, it becomes part of the general borrowings considered when calculating the interest average rate on general borrowings to be capitalized in other qualifying assets. This amendment will have no material impact on the company's financial statements.

IAS 12, 'Income Taxes' (applicable to financial years that begin on or after January 1, 2019). This round of improvements is still subject to endorsement by the European Union. This improvement clarifies that the tax impacts of dividends are recognized on the date on which the entity posts the responsibility for the payment of dividends, which are recognized in profit or loss for the financial year, in other comprehensive income or in equity, depending on the transaction or event that gave rise to the dividends. This amendment will have no material impact on the company's financial statements.

IFRS 3, 'Business combinations', and IFRS 11, 'Joint arrangements' (effective for annual periods beginning on or after 1 January 2019). This improvement is still subject to endorsement by the European Union. These improvements clarify that: i) when a party to a joint operation, that is a business, obtains control of the joint operation, it shall remeasure its entire previously held interest in the joint operation at fair value; and ii) when a party that participates in, but does not have joint control of, a joint operation, obtain control of the joint operation, the previously held interest is not remeasured. This amendment will have no material impact on the company's financial statements.

g) IFRS 17 (new), 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2021). This standard is still subject to endorsement by European Union. This new standard replaces IFRS 4 and applies to all entities issuing insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics. IFRS 17 is based on the current measurement of technical liabilities at each reporting date. The current measurement can be based on a complete "building block approach" or "premium allocation approach". The recognition of the technical margin is different depending on whether it is positive or negative. IFRS 17 is of retrospective application. The adoption of this amendment will have no material impact on the company`s financial statements.

2.1.3.2. Interpretations

a) IFRIC 22 (new), 'Foreign currency transactions and advance consideration' (effective for annual periods beginning on or after 1 January 2018). This interpretation is still subject to endorsement by European Union. An Interpretation of 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 material impact on the company`s financial statements.

b) IFRIC 23 (new), 'Uncertainty over income tax treatment' (effective for annual periods beginning on or after 1 January 2019). This interpretation is still subject to endorsement by European Union. This is an interpretation of IAS 12 – 'Income tax', referring to the measurement and recognition requirements to be applied when there is uncertainty as to the acceptance of an income tax treatment by the tax authorities. In the event of uncertainty as to the position of the tax authority on a specific transaction, the entity shall make its best estimate and record the income tax assets or liabilities under IAS 12, and not under IAS 37 – "Provisions, contingent liabilities and contingent assets ", based on the expected value or the most probable value. The application of IFRIC 23 may be retrospective or retrospective modified. The adoption of this amendment will have no material impact on the company`s financial statements.

Summary table of new standards:

DESCRIPTION	CHANGES	EFFECTIVE DATE
1. Effective amendments to standards as at 1 January 2017		
IAS 7 – Cash flow statement	Reconciliation of changes in financing liabilities with Cash flows for financing activities	1 January 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	1 January 2017
2. Standards (new and amendments) that will become effective, on or after 1 January 2018, endorsed by the EU		
IFRS 9 – Financial instruments	New standard for the accounting of financial instruments'	1 January 2018
IFRS 15 – Revenue from contracts with customers	Revenue recognition for the provision of goods or services, following a five-step approach	1 January 2018
IFRS 16 – Leases	New definition of lease. New accounting of lease contracts to lessees. No major changes to lessors' lease accounting.	1 January 2019
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.	1 January 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	1 January 2018
3. Standards (new and amendments) and interpretations that will become effective, on or after 1 January 2018, not yet endorsed by the EU		
3.1 – Standards		
Annual improvements to IFRS 2014 – 2016	Clarifications to IFRS 1, IFRS 12 and IAS 28	1 January 2017, 1 January 2018
IAS 40 – Investment property	Clarification that evidence of the change in use is required, when assets are transferred to, or from investment properties category	1 January 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	1 January 2018
IFRS 9 – Financial instruments	Accounting treatment options for financial assets with negative compensation features	1 January 2019
IAS 28 – Investments in Associates and Joint Ventures	Clarification regarding long-term investments in associates and joint ventures that are not being measured through the equity method	1 January 2019
Annual improvements to IFRS 2015 – 2017	Clarifications: IAS 23, IAS 12, IFRS 3, IFRS 11	1 January 2019
IFRS 17 – Insurance contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics.	1 January 2021
3.2 – Interpretations		
IFRIC 22 – Foreign currency transactions and advance consideration	Foreign exchange rate to apply when consideration is paid or received in advance	1 January 2018
IFRIC 23 – Uncertainty over income tax treatments	Clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments	1 January 2019

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 and 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 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 indicators 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 in the fair value of acquired assets and liabilities (including contingent liabilities) or alternatively, plus 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 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 of 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 2017 and 2016 financial years, the rates used in the conversion of financial statements of foreign subsidiaries into Euros were the following:

2017	CURRENCY	YEAR END EXCHANGE RATE 2017	AVERAGE HISTORICAL EXCHANGE RATE 2017	EXCHANGE RATE ESTABLISHMENT DATE/ACQUIRED	YEAR END EXCHANGE RATE 2016
ASCENDUM MACHINERY, INC.	USD	1.20	1.13	1.36	1.05
ASCENDUM MAKÍNA TÍCARET, A.Ş.	TRY	4.55	4.12	1.94	3.71
ASCENDUM TÜRKÍYE YATIRIM HOLDÍNG ANONÍM ŞÍRKETÍ	TRY	4.55	4.12	1.94	3.71
ART HAVA VE RAY EKIPMANLARI LTD. STI	TRY	4.55	4.12	1.94	3.71
HARDPARTS MOÇAMBIQUE, LIMITADA	MZN	70.70	71.64	39.75	75.05
AIR RAIL POLSKA	PLN	4.18	4.26	4.18	4.41
ASCENDUM MAQUINARIA MEXICO	USD	1.20	1.13	1.36	1.05
AIR-RAIL MAROC	MAD	11.19	10.93	11.16	10.65
ASCENDUM ÉPÍTOGÉPEK HUNGÁRIA KERESKEDELMI KFT	HUF	310.33	309.20	298.15	309.83
ASCENDUM GRADEVINSKI STROJEVI HRVATSKA D.O.O	HRK	7.44	7.46	7.62	7.56
ASCENDUM MACHINERY SRL	RON	4.66	4.57	4.46	4.54
ASCENDUM STAVEBENI STROJE CZECH S.R.O	CZK	25.54	26.32	25.73	27.02
Applicability		**Statement of financial position accounts except for equity**	**P&L**	**Issued Capital**	**Retained earnings**

2016	CURRENCY	YEAR END EXCHANGE RATE 2016	AVERAGE HISTORICAL EXCHANGE RATE 2016	EXCHANGE RATE ESTABLISHMENT DATE/ACQUIRED	YEAR END EXCHANGE RATE 2015
ASCENDUM MACHINERY, 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**

Regarding the context of the Mexican economy in which the U.S. dollar took over as the main reference currency in which are carried out business transactions, it was decided to adopt the U.S. dollar as functional currency in the subsidiary Ascendum Maquinaria Mexico, from 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) Fixed tangible 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 with the conditions 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 continuing 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 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:

- Tthe 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 inventories 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 related 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, 2017 and 2016, 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 above mentioned 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, 2017, ASCENDUM held investments in this category corresponding to shares in entities listed on the Lisbon Stock Exchange (Lisbon Euronext).

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 are 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 enteredwith the above mentioned 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, 2017 and December 31, 2016, 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 to occur and the asset (and other related assets and liabilities to be disposed) 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, 2017 and 2016, there were no non-current assets held for sale.

2.4. JUDGMENTS AND ESTIMATES

The Board of Directors of ASCENDUM 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, 2017 and 2016 include:

a) Useful lives of tangible and intangible assets;

b) Recording of adjustments in the value of assets (accounts receivable and inventories) and provisions;

c) 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.

2.5. RISK MANAGEMENT

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.

a) Exchange rate risk

As mentioned in Note 2.2d) 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 conversion of Financial Statements in currencies other than the Euro, are summarized as follows:

	ASSETS				LIABILITIES			
	DEC-17	%	DEC-16	%	DEC-17	%	DEC-16	%
Turkish Lira (TRY)	94,781,495	18%	91,083,109	17%	50,025,830	13%	52,679,543	14%
US Dollar (USD)	169,382,312	31%	138,419,268	26%	150,590,716	39%	132,883,843	34%
Polish Zloty (PLN)	(3,821)	0%	8	0%	626	0%	593	0%
New Romanian Leu (RON)	2,999,473	1%	4,184,844	1%	3,334,058	1%	3,816,877	1%
Moroccan Dirham (MAD)	651,368	0%	684,959	0%	608,871	0%	639,872	0%
Hungarian Forint (HUF)	1,706,052	0%	2,224,249	0%	1,287,088	0%	2,201,460	1%
Croatian Kuna (HRK)	898,273	0%	112,338	0%	630,986	0%	93,794	0%
Czech Koruna (CZK)	6,627,457	1%	5,236,163	1%	5,989,345	2%	3,659,112	1%
Sub-Total	**277,042,609**	**51%**	**241,944,938**	**45%**	**212,467,519**	**55%**	**195,975,094**	**50%**
Total – Consolidated Balance Sheet – IFRS	**541,470,941**		**542,592,170**	**100%**	**384,925,289**		**390,144,273**	**100%**

Considering the impact that foreign subsidiaries, with a functional currency different from Euro, have in consolidated financial statements, it was conducted a test of sensitivity to exchange rate variability, assuming a variation of +2% and -2%, to all currencies other than the Euro, with the results below:

	VAR. EFFECT +2%	VAR. EFFECT -2%
Assets	6,503,928	(6,503,928)
Profit for the year	254,218	(254,218)
Equity	1,879,298	(1,879,298)
Liabilities	4,624,630	(4,624,630)

b) 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. The 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.

c) 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. 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-17 P&L	DEC-16 P&L
Bank loans	1 p.p	1,789,773	2,095,965
Bank loans	(1 p.p)	(1,789,773)	(2,095,965)

d) Liquidity risk

Liquidity risk is defined as the risk of 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 any 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 the 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 became payable.

At December 31, 2017 and 2016, the Group had net debt of 132,652,833 euros and 142,713,286 euros, respectively, divided between current and non-current loans (Note 20) and cash and cash equivalents (Note 16) taken on through several institutions.

e) 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, 2017 and 2016 are disclosed in Note 25.

At December 31, 2017 and 2016, 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

In the year ended December 31, 2017, 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, 2017 and 2016 are as follows:

COMPANY	EFFECTIVE SHAREHOLDING PERCENTAGE		CONSOLIDATION METHOD
	DEC-17	DEC-16	
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.	25%	25%	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 AUTOMÓVEIS, UNIPESSOAL, LDA	100%	100%	Full
ASCENDUM CAMIÕES, UNIPESSOAL, LDA	100%	N/A	Full
ASCENDUM MACHINERY, 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 TÜRKÍYE YATIRIM HOLDÍNG ANONÍM ŞÍRKETÍ	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%	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 year ended 31 December 2017 the following changes occurred within the consolidation perimeter:

- In ASCENDUM II – Veículos, Unipessoal, Lda., the division of the trucks was spin-off to a new company, incorporated for this purpose, with the name of ASCENDUM CAMIÕES, Unipessoal, Lda. Still in the context of the operation, the corporate name of ASCENDUM II, was changed to ASCENDUM AUTOMÓVEIS, Unipessoal, Lda;

- In Turkey, a merging was made during 2017, whereby the entire assets of the subsidiary TRP-YEDEK PLACE ITHALAT LIMITED SIRKETI were integrated in the subsidiary ASCENDUM MAKINA TICARET A.S.

In the financial year ended 31 December 2016 there were no changes to the consolidation perimeter.

6. INTANGIBLE ASSETS

During the financial years ended December 31, 2017 and 2016, movements in intangible assets and in the respective amortizations and accumulated impairment losses, were as follows:

2017	INDUSTRIAL PROPERTY AND OTHER RIGHTS	COMPUTER PROGRAMS	INTANGIBLE ASSETS IN PROGRESS	TOTAL
Gross assets:				
2017 Opening balance	7,420,018	2,882,795	1,941,415	12,244,229
Additions	284,051	792,600	854,482	1,931,132
Translation differences	(836,445)	(184,706)	0	(1,021,151)
Transfers and write-offs	0	1,530,143	(1,530,143)	0
December 31, 2017 Final balance	**6,867,624**	**5,020,832**	**1,265,754**	**13,154,211**
Amortizations and accumulated impairment losses:				
2017 Opening balance	(585,480)	(2,602,059)	0	(3,187,539)
Amortization for the year	(128,038)	(366,952)	0	(494,990)
Translation differences	37,508	159,850	0	197,357
Disposals, transfers and write-offs	0	0	0	0
December 31, 2017 Final balance	**(676,010)**	**(2,809,162)**	**0**	**(3,485,172)**
Net Value	**6,191,614**	**2,211,670**	**1,265,754**	**9,669,038**

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	(251,657)
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**	**(3,187,540)**
Net Value	**6,834,538**	**280,736**	**1,941,415**	**9,056,689**

In 2017 and 2016 the most significant investment is related to the acquisition of software licenses, disclosed in "Additions" in the column of "computer programs", and the investment in new ERP AsSAP, disclosed in the column of "intangible assets in progress", which will become the new ERP system for all the Group companies and that at December 31, 2016 was in the final stages of parameterization.

7. TANGIBLE FIXED ASSETS

During the financial years ended December 31, 2017 and 2016, movements in tangible fixed assets and in respective depreciations and accumulated impairment losses, were as follows:

2017	LAND AND NATURAL RESOURCES	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	ADMINISTRATIVE EQUIPMENT	OTHER FIXED ASSETS	FIXED ASSETS IN PROGRESS	TOTAL
Gross Assets:								
2017 Opening 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
Additions	923,411	3,018,184	26,929,222	3,122,628	858,143	120,001	783,629	35,755,218
Disposals, transfers and write-offs	0	(1,110,969)	(13,295,621)	(2,004,909)	(494,679)	(107,647)	(1,349,129)	(18,362,954)
Translation differences	(839,243)	(2,179,803)	(6,042,868)	(431,441)	(728,376)	(36,353)	(86,281)	(10,344,365)
December 31, 2017 Final balance	**25,400,274**	**55,169,205**	**157,774,175**	**14,272,366**	**15,049,843**	**1,319,436**	**1,263,138**	**270,248,437**
Depreciations and accumulated impairment losses:								
2017 Opening balance	0	(29,181,028)	(72,300,591)	(7,382,136)	(13,029,066)	(1,063,473)	0	(122,956,294)
Depreciation for the year	0	(1,635,437)	(21,926,063)	(1,095,694)	(522,339)	(215,914)	0	(25,395,447)
Disposals, transfers and write-offs	0	(149,764)	1,171,361	1,025,728	222,823	49,502	0	2,319,650
Translation differences	0	746,450	595,966	341,380	602,604	27,590	0	2,313,990
Impairment losses	0	0	(64,212)	0	0	0	0	(64,212)
December 31, 2017 Final balance	**0**	**(30,219,779)**	**(92,523,538)**	**(7,110,722)**	**(12,725,978)**	**(1,202,296)**	**0**	**(143,782,313)**
Net Value	**25,400,274**	**24,949,426**	**65,250,637**	**7,161,644**	**2,323,865**	**117,140**	**1,263,138**	**126,466,125**

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**	**(122,956,294)**
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**

In 2017 and 2016 the “basic equipment” and “transportation equipment” were the main responsible for the investment in tangible fixed assets.

8. INVESTMENT PROPERTIES

At December 31, 2017 and 2016, “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 re-valued 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 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, 2017, (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 2017 and 2016 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 2017 and 2016:

	DEC-16 OPENING BALANCE	INCREASES	DECREASES	DEC-17 FINAL BALANCE
AIR RAIL, S.L.	43,639	140,964	14,546	170,057
ASCENDUM, S.A.	2,739,768	0	352,109	2,387,659
GLOMAK, S.G.P.S, S.A.	137,286	669,791	119,633	687,444
ASCENDUM III – MÁQUINAS, LDA	0	0	0	0
TEA ALOYA INMOBILIARIA, S.A.	78,260	0	0	78,260
Total	**2,998,953**	**810,755**	**486,288**	**3,323,420**

	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**

During the 2017 and 2016 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 2017 and 2016 financial years under Goodwill.

GOODWILL	2017	2016
Gross Assets:		
Opening balance	38,421,501	40,296,379
Transfers, write-offs and adjustments	(2,388,044)	(1,874,878)
Final balance	**36,033,457**	**38,421,501**
Amortizations and accumulated impairment losses:		
Opening balance	(2,092,186)	(1,792,186)
Impairment of the year	0	0
Transfers, write-offs and adjustments	0	(300,000)
Final balance	**(2,092,186)**	**(2,092,186)**
Net Value	**33,941,271**	**36,329,314**

The reduction of the value of Goodwill in 2017 and in 2016 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, 2017 and 2016 is presented in the following tables, as well as the methods and assumptions used to determine whether they are impaired:

2017	ASCENDUM MÁQUINAS	ASCENDUM MACHINERY, INC.	ASCENDUM TURK	ASCENDUM MEXICO	ASCENDUM GMBH	ASCENDUM ROMANIA	TRACTORRASTOS
Goodwill	7,923	539,580	9,510,723	1,035,191	8,898,227	989,830	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%	19.4%	12.60%	6.4%	6.4%	6.70%

2017 (Continuation)	ASCENDUM PORTUGAL	GLOMAK S.G.P.S.	AIR-RAIL – SPAIN	GRANADA – SPAIN	ZEPHIR	VOLCATALAN	TOTAL
Goodwill	155,000	202,085	6,053,838	2,255,828	2,620,298	736,897	**33,941,270**
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%	2%	0%	2%	0%	
Applied discount rate (2)	9.6%	8.0%	5.7%	9.1%	5.7%	9.1%	

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

2016	ASCENDUM MÁQUINAS	ASCENDUM MACHINERY, INC.	ASCENDUM TURK	ASCENDUM MEXICO	ASCENDUM GMBH	ASCENDUM ROMANIA	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 – SPAIN	GRANADA – SPAIN	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

The Board of Directors, based on the projected cash flows, discounted at the deemed applicable rate, concluded that, at December 31, 2017, 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.

In the impairment tests performed, it was concluded that the recoverable value in major CGU is quite above the Goodwill.

Sensitivity tests performed for the variation of + or – 0.5% of the WACC and Perpetuity Rate, haven't resulted out in evidences of impairment.

10. FINANCIAL INVESTMENTS AND OTHER FINANCIAL ASSETS

10.1. FINANCIAL INVESTMENTS – EQUITY METHOD

2017	TOTAL EQUITY	NET PROFIT FOR THE YEAR	% SHARE CAPITAL HELD	PARTICIPATION BOOK VALUE	APPROPRIATED RESULT
Amplitude Seguros – Corretores de Seguros S.A.	393,037	204,596	33,33%	130,999	68,192

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

10.2. FINANCIAL INVESTMENTS – OTHER METHODS AND OTHER FINANCIAL ASSETS

	2017	2016
Financial Investments – Other methods	4,489	12,795,958
Other non-current financial assets	224,538	219,440
Other current financial assets	5,455,039	6,206,459

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

In the financial years ended December 31, 2017 and 2016, the Group held the following securities portfolio available for sale:

	SHARES	SHARE VALUE 31.12.17	VALUE AT 31.12.17
BCP	3,030	0,272	824
ESFG	1,020,000	0,000	0
Totals			**824**

	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**

The reduction occurred in the year 2017 resulted of the shares disposal, held in Banco BPI.

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-17	DEC-16
Fair Value on January, 1st	12,540,079	12,093,543
Acquisitions during the year	0	0
Increase/(decrease) in Fair Value – Equity	0	454,474
Increase/(decrease) in Fair Value – P&L	(2,420)	(7,867)
Impairment losses in available for sale financial assets	0	0
Disposals during the Year	(12,536,834)	0
Other adjustments	0	(71)
Fair Value on December, 31st	**824**	**12,540,079**
Non current assets	824	12,540,079
Total	**824**	**12,540,079**

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 2017 and 2016 financial years on Investments held for sale at their fair value can be summarized as follows:

	DEC-17	DEC-16
Fair Value adjustments	0	454,474
Deferred Income Tax Assets	0	(3,035,387)
Others	0	0
Equity effect	**0**	**(2,580,913)**
Increase/(decrease) in Fair Value	(2,420)	(7,867)

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 España, 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-17 GLOBAL BOOK VALUE	DEC-16 GLOBAL BOOK VALUE	VARIATION
Arnado, Lda	5%			
Garval, Lisgarnte, Norgarante	-	3,666	255,879	(252,212)
Vortal, SGPS S.A.	-			

The reduction occurred in the year 2017 resulted from the disposal of 1.23% stake held in Vortal, SGPS, S.A.

c) Other financial assets

The balance recorded in 2017 and 2016 in "non-current" mainly corresponded to collateral related to our facilities in Spain. The balance in 2017 and 2016, under the heading of "Other current financial assets" refers to investment made in Angola State Treasury bonds. In the current context, there are perspectives of disposal in the next 12 months.

11. INVENTORIES

At December 31, 2017 and 2016, this heading had the following composition:

	DEC-17	DEC-16
Raw Materials, Subsidiaries, and Consumption Materials		
Products and works in progress	1,773,584	2,905,771
Finished and intermediate products	10,012	8,495
Goods	196,879,166	178,002,941
Advances on account of purchases	0	0
Inventories Impairments (Note 25)	(9,085,281)	(7,509,727)
Total	**189,577,480**	**173,407,480**

The cost of sales in the financial years ended at December 31, 2017 and 2016 is the following:

	DEC-17			DEC-16		
	GOODS	RAW MATERIALS, SUBSIDIARY, AND CONSUMPTION MATERIALS	TOTAL	GOODS	RAW MATERIALS, SUBSIDIARY, AND CONSUMPTION MATERIALS	TOTAL
Opening inventories	178,002,941	0	178,002,941	163,280,492	0	163,280,492
Net purchases	716,338,651	0	716,338,651	677,035,768	0	677,035,768
Final inventories	196,879,166	0	196,879,166	178,002,941	0	178,002,941
Total	**697,462,426**	**0**	**697,462,426**	**662,313,319**	**0**	**662,313,319**

Changes in inventories of production for the financial years ended at December 31, 2017 and 2016 is the following:

	FINISHED, INTERMEDIATE PRODUCTS, AND WORKS IN PROGRESS	
	DEC-17	DEC-16
Final inventories	1,783,595	2,914,266
Inventory adjustments	(1,365,093)	276,265
Opening inventories	2,914,266	1,927,583
Total	**234,423**	**710,417**

12. TRADE RECEIVABLES

At December 31, 2017 and 2016, this heading had the following composition:

	ASSETS	
	DEC-17	DEC-16
Customers – current	97,570,913	95,189,219
Customers – trade bills receivable	16,856,540	12,871,375
Customers – doubtful debts	16,496,559	18,343,504
	130,924,012	**126,404,098**
	(19,665,124)	(21,108,285)
Accumulated impairment losses – doubtful debts (Note 25)		
	111,258,888	**105,295,813**

The amounts presented in the statement of financial position are net of accumulated impairment losses for bad debts, which the Group 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 2017 and 2016 totaled 2,830,216 euros and 2,552,946 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 the customer's item represents claims with agreed maturity of up to 12 months.

13. OTHER ACCOUNTS RECEIVABLES AND PREPAYMENTS TO SUPPLIERS

At December 31, 2017 and 2016, this heading had the following composition:

	DEC-17		DEC-16	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Prepayments to suppliers	5,095,724	-	3,633,831	-
Sub-total	**5,095,724**	**-**	**3,633,831**	**-**
Other accounts receivables	3,570,094	731,387	3,915,987	990,161
Accrued income	2,070,767	-	1,671,663	-
Sub-total	**5,640,862**	**731,387**	**5,587,651**	**990,161**
Total	**10,736,586**	**731,387**	**9,221,481**	**990,161**

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

Other accounts receivable in 2017 and 2016 includes 1,587,606 euros relating to an outstanding balance with non-controlling interests.

14. DEFERRALS – (ASSETS)

At December 31, 2017 and 2016, this heading had the following composition:

	DEC-17	DEC-16
Deferred Costs:		
Insurance	151,584	467,286
Rents	249,674	157,935
Others	1,637,111	1,623,576
Total	**2,038,369**	**2,248,797**

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 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, 2017 and 2016, are summarized as follows:

2017	DEC-16	P&L IMPACT	EQUITY IMPACT	DEC-17
Deferred Tax Assets:				
Non-tax deductible impairments	6,993,428	(2,372,319)	9,538	4,630,647
Carry forward tax losses	3,596,302	(247,892)	0	3,348,409
Non-tax deductible amortizations	1,873,247	(6,451)	0	1,866,796
Amortization of Goodwill – Tax deductible	1,731,570	(155,363)	0	1,576,208
Carry forward of net Financing Expenses	438,053	0	0	438,053
Elimination – Internal Margins	456,283	(590,201)	0	(133,918)
Taxable Deferrals	135,300	(2,323)	0	132,977
Benefits (retirement plans)	0	40,207	0	40,207
Investment Properties Impairments	66,944	0	0	66,944
	15,291,127	**(3,334,342)**	**9,538**	**11,966,323**
Deferred Tax Liabilities:				
Depreciations resulting from legal and free revaluations	(3,321,659)	0	0	(3,321,659)
Effect of reinvesting capital gains generated by fixed assets disposals	(18,358,174)	5,666,910	340,661	(12,350,603)
Others	(699,762)	(152,875)	0	(852,637)
	(22,379,596)	**5,514,035**	**340,661**	**(16,524,899)**
Net effect	**(7,088,468)**	**2,179,693**	**350,199**	**(4,558,575)**

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)**	**15,291,128**
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)**

In 2017 the Deferred Taxes presented above essentially reflected:

(i) Reversal of impairments in items of accounts receivable and inventories above to the accepted tax limits (2,372 thousand euros), with an impact on profit and losses;

(ii) Decrease in deferred tax liabilities in a total amount of € 5,666,910, due to the impact of the reduction in the nominal rate of income tax in the United States, from 35% to 21%.

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 profit and losses;

(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.

a) Tax losses carried forward:

2017	TAX LOSSES CARRIED FORWARD	DEADLINE FOR THE USE OF TAX LOSSES	DEFERRED TAX BASE	TAX RATE	DEFERRED TAX ASSETS
ASCENDUM, S.A. – 2013	1,185,178	2018	1,185,178	21%	248,887
ASCENDUM, S.A. – 2015	2,543,105	2027	2,543,105	21%	534,052
ASCENDUM ESPAÑA S.L.	440,986	N/A	440,984	25%	110,246
ASCENDUM TÜRKÍYE HOLDING – 2013	558,898	2019	558,898	20%	111,780
ASCENDUM TÜRKÍYE HOLDING – 2014	399,697	2020	399,697	20%	79,939
ASCENDUM TÜRKÍYE HOLDING – 2015	83,709	2021	83,709	20%	16,742
ASCENDUM TÜRKÍYE HOLDING – 2016	61,215	2022	61,215	20%	12,243
ART HAVA – 2012	66,478	2018	66,478	20%	13,296
ART HAVA – 2013	63,236	2019	63,236	20%	12,647
ART HAVA – 2014	88,410	2020	88,410	20%	17,682
ART HAVA – 2015	30,936	2021	30,936	20%	6,187
ART HAVA – 2016	7,040	2022	7,040	20%	1,408
ART HAVA – 2017	1,518	2023	1,518	20%	304
VOLRENTAL ATLÂNTICO	609,693	N/A	609,693	25%	152,423
TEA ALOYA INMOBILIARIA	6,125	N/A	6,125	25%	1,531
ASCENDUM M. MEXICO – 2013	871,045	2024	0	30%	0
GLOMAK SPAIN – 2008	165,561	N/A	5,360	25%	1,340
GLOMAK SPAIN – 2009	3,588,515	N/A	2,455,079	25%	613,770
GLOMAK SPAIN – 2010	1,502,386	N/A	1,027,856	25%	256,964
GLOMAK SPAIN – 2011	1,716,675	N/A	1,174,461	25%	293,615
GLOMAK SPAIN – 2012	2,255,621	N/A	1,543,181	25%	385,795
GLOMAK SPAIN – 2013	1,199,837	N/A	820,867	25%	205,217
GLOMAK SPAIN – 2014	419,355	N/A	286,901	25%	71,725
GLOMAK SPAIN – 2015	1,172,933	N/A	802,461	25%	200,615
Total	**19,038,154**		**14,262,390**		**3,348,409**

2016	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 ESPAÑA S.L. – 2012	469,158	N/A	469,158	25%	117,290
ASCENDUM ESPAÑA 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	0	30%	0
ASCENDUM M. MEXICO – 2015	877,518	2026	0	30%	0
GLOMAK SPAIN – 2008	198,484	N/A	198,484	25%	49,621
GLOMAK SPAIN – 2009	3,588,515	N/A	3,588,515	25%	897,129
GLOMAK SPAIN – 2010	1,502,386	N/A	1,502,386	25%	375,597
GLOMAK SPAIN – 2011	1,716,675	N/A	1,716,675	25%	429,169
GLOMAK SPAIN – 2012	2,255,621	N/A	533,940	25%	133,485
GLOMAK SPAIN – 2013	1,199,837	N/A	0	25%	0
GLOMAK SPAIN – 2014	419,355	N/A	0	25%	0
GLOMAK SPAIN – 2015	1,172,933	N/A	0	25%	0
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, and 5 years for financial years ending in 2017, 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 from 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 lengthened 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 were, during 2016, taxed on a consolidated basis:

- ASCENDUM ESPAÑA, S.L.
- Tea Aloya Inmobiliaria S.A.U.
- ASCENDUM Maquinaria, S.A.

In 2017 all companies of the group based in Spain began to be taxed individually according to the respective taxable profits.

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 – Ascendum Machinery 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, are subject to review and correction by the tax authorities for a period of five years.

INCOME TAX RATE BY COUNTRY:	2017	2016
Austria	25.0%	25.0%
Croatia	18.0%	20.0%
Slovakia	21.0%	22.0%
Spain	25.0%	25.0%
United States of America	21.0%	35.0%
Hungary	9.0%	19.0%
Mexico	30.0%	30.0%
Portugal	21.0%	21.0%
The 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 2017 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, 2017 and 2016, the breakdown of cash and cash equivalents were the following:

	DEC-17	DEC-16
Cash	173,313	137,091
Current Bank Deposits	16,232,799	12,785,369
	16,406,113	**12,922,460**

17. SHARE CAPITAL STRUCTURE

At December 31, 2017, 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 3 of April, 2017, dividends in the amount of 7,500,000 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 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 to distribute to shareholders are determined based on the individual Financial Statements of ASCENDUM, S.A.

19. NON-CONTROLLING INTERESTS

Movements in this heading in the financial years ended at December 31, 2017 and 2016 were the following:

	DEC-17	DEC-16
Opening balance on January, 1st	4,093,472	4,008,385
Net profit for the period attributed to non-controlling interests	322,883	339,061
Other variations in equity	(312,144)	(253,974)
Final balance on December, 31st	**4,104,212**	**4,093,472**

	2017	2016
AIR RAIL, S.L.	3,047,509	2,658,428
AIR RAIL MAROC, S.A.R.L.A.U.	(4,186)	(4,186)
AIR RAIL POLSKA	(2,223)	(2,510)
AIR RAIL (PORTUGAL), SOCIEDADE UNIPESSOAL, LDA.	348,013	241,358
ART HAVA VE RAY EKIPMANLARI LTD. STI	(175,809)	(170,596)
GLOMAK – SGPS, S.A.	639,543	1,135,466
VOLRENTAL ATLANTICO, S.A.	129,220	131,553
IMPORTADORA DISTRIBUIDORA DE MAQUINARIA INDUSTRIAL ZEPHIR, S.L.	122,145	103,961
Total	**4,104,212**	**4,093,472**

20. BORROWINGS

At December 31, 2017 and 2016, the structure of "Loans obtained" was as follows:

	DEC-17		DEC-16	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Bank loans/current accounts/overdrafts	78%	0%	74%	4%
Commercial papers, leasings and others	22%	100%	26%	96%
	100%	**100%**	**100%**	**100%**

Of the non-current loans obtained at December 31, 2017, 20.4 % 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 PAYABLES

At December 31, 2017 and 2016, this heading was made up of current payable balances to suppliers, all of which are due in the short term.

At December 31, 2017 and 2016, 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

At December 31, 2017 and 2016, this heading had the following breakdown:

	CURRENT LIABILITIES		NON-CURRENT LIABILITIES	
	DEC-17	DEC-16	DEC-17	DEC-16
Accrued expenses liabilities	22,312,206	23,203,554		-
Investments suppliers	2,280,110	5,806,538	1,950,936	5,281,719
Other creditors	6,675,263	5,131,939	38,681,855	38,396,620
	31,267,580	**34,142,031**	**40,632,790**	**43,678,338**

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

The significant decrease in 2017 compared with 2016 in investment suppliers, is essentially explained by the reduction in the number of lease contracts related to the rental fleet of the subsidiaries of the United States of America.

The amount of non-current liabilities reported under the heading of "other creditors" in 2017 and 2016 is fundamentally justified by unpaid debt to VFS "Volvo Financial Service" due more than 12 months.

23. STATE AND OTHER PUBLIC ENTITIES

At December 31, 2017 and 2016, State and other public entities has the following composition:

	ASSETS		LIABILITIES	
	DEC-17	DEC-16	DEC-17	DEC-16
Income Tax	3,919,711	1,521,057	978,884	2,524,524
Sub-Total	**3,919,711**	**1,521,057**	**978,884**	**2,524,524**
Value Added Tax	15,616,835	13,252,793	7,021,015	5,896,002
Withholding income tax	0	0	595,295	536,716
Social Security Contributions	0	0	1,195,779	1,089,570
Others	4,330	438,133	(6,486)	53,605
Sub-Total	**15,621,165**	**13,690,926**	**8,805,603**	**7,575,894**
Total	**19,540,876**	**15,211,983**	**9,784,487**	**10,100,417**

In the "income tax", the total amount paid at the end of 2016 was € 1 M, compared to a receivable of € 2.9 M in 2017, as a result of the payments made during the exercise of 2017, in amounts greater than the previous year, to which contributed significantly the tax changes occurred in the United States, with the reduction in the nominal tax rate, and the extension of the tax benefit of acceleration of depreciations for equipment's purchased for the rental fleet, in the last quarter of the year of 2017.

On the other hand, the global balance of the VAT account has gone from an amount to be recovered from € 7.3 M in 2016 to € 8.6 M, fundamentally explained by Turkey's contribution, as a result of the differential that occurs in this country, in the sale of equipment for financial leasing entities, where the VAT settled is 1% being that the VAT supported in the import of the equipment is 18%.

24. DEFERRALS – LIABILITIES

At December 31, 2017 and 2016, Deferrals has the following composition:

	DEC-17	DEC-16
Revenue deferrals		
Sales and services to recognize	2,363,206	1,919,817
Guarantees	5,603,564	-
Others	205,879	539,902
Total	**8,172,649**	**2,459,719**

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.

The amount recorded in the caption "Guarantees" is explained by a change in 2017 in the subsidiary of the United States, who went on to take the risk of management of the guarantees extensions, billed on the date of the equipment's sale, which are deferred and recognized in revenues during the useful life of the contract, while, until 2016, this risk was passed to the manufacturer.

25. PROVISIONS AND LOSSES FOR ACCUMULATED IMPAIRMENTS

Movements in provisions in the financial years ended at December 31, 2017 and 2016 were the following:

2017 DESCRIPTION	OPENING BALANCE	EXCHANGE RATE EFFECT	PERIMETER VARIATION	INCREASES	REVERSALS	UTILIZATIONS/ ADJUSTMENTS	TOTAL
Accumulated impairment losses – accounts receivables (Note 12)	21,108,285	(348,082)	-	357,501	-	(1,452,580)	19,665,125
Accumulated impairment losses – inventories (Note 11)	7,509,727	(501,605)	-	1,062,359	-	1,014,801	9,085,281
Provisions	4,615,946	55,671	-	2,735,665	(216,053)	(603,914)	6,587,316

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

At December 31, 2017 and 2016, the details of "Provisions" presented in the consolidated statement of financial position were as follows:

DESCRIPTION	DEC-17	DEC-16
Provisions for guarantees	2,605,381	2,378,464
Provisions for risks and costs – Litigation	15,356	10,600
Other provisions	3,966,579	2,226,882
Total	**6,587,316**	**4,615,946**

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 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.

At December 31, 2017 and 2016, the Group had not entered into any interest rate fixing instruments.

Additionally, 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, at December 31, 2017 and 2016, the Group had not entered into any type of derivative financial instrument.

The 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

At December 31, 2017 and 2016, ASCENDUM had the following financial commitments:

RESPONSABILITIES	DEC-17	DEC-16
Buybacks	23,341,805	14,611,361
For granted guarantees	737,205	641,000
Total	**24,079,010**	**15,252,361**

The increase of the responsibilities in the above table, is mainly explained by an increase in the responsibilities for the agreement to repurchase equipment in the subsidiary ASCENDUM GmBH.

TYPES	DEC-17	DEC-16
Guarantees granted to importers of represented brands	1,620,000	1,687,436
Guarantees provided in public tenders	157,126	100,315
Guarantees for suppliers of water, electricity, fuel and similar	314,332	351,820
Other guarantees	10,547,542	7,510,270
Total	**12,639,000**	**9,649,841**

At the end of 2017 and 2016, 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 the subsidiary ASCENDUM TURK MAKINA, 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 share-holdings. The amounts indicated in the heading of "Other guarantees" for the years 2017 and 2016 are fundamentally related to guarantees provided by the Holding in favor of its subsidiaries.

In 2017, the amount presented in "Other guarantees" is related to:

- Guarantees provided by the Holding company to subsidiaries, in a total amount of € 7,209,942;
- Guarantees provided by the subsidiary Ascendum Makina to the Turkish State, related to the recovery of VAT in the amount of € 2,660,117;
- Other guarantees totaling € 677,483

28. INCOME TAX

Income tax recognized in the financial years ended at December 31, 2017 and 2016 is the following:

RESPONSABILITIES	DEC-17	DEC-16
Current Income Tax	7,797,087	11,497,474
Deferred Income Tax (Note 15)	(2,179,693)	(138,398)
Total	**5,617,394**	**11,359,077**

The decrease in 2017 compared to 2016 is explained fundamentally by the reducing of the nominal income tax rate in the United States.

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 conversion of 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 2017 and 2016 financial years, there was no other issuance/reduction or withdrawal of shares and therefore the average number of ordinary shares in circulation during the 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-17	DEC-16
Net Profit/Loss of the period	27,663,355	17,589,685
Average number of ordinary shares	15,000,000	15,000,000
Basic earnings per share	**1.84**	**1.17**
Diluted earnings per share	**1.84**	**1.17**

30. INFORMATION BY GEOGRAPHICAL MARKET AND BUSINESS

The main information about geographical markets and business at December 31, 2017 and 2016 is detailed in Note 32.

31. AVERAGE NUMBER OF EMPLOYEES

In the financial years ended on December 31, 2017 and 2016, the average number of employees working for the Group was the following:

STAFF	DEC-17	DEC-16
Board	33	33
Directors	54	50
Managers	159	150
Human Resources	10	12
Financial and Administrative	91	89
Logistics, IT, General support and others	72	161
Commercial	211	198
After-Sales	814	716
Total	**1,444**	**1,409**

The number of employees in 2017, compared to 2016, remained stable.

32. CONTRIBUTION OF GEOGRAPHICAL AREAS TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND THE CONSOLIDATED INCOME STATEMENT AT DECEMBER 31, 2017 AND 2016

The details of sales and services rendered by geographical markets by Group companies from their locations in the financial years ended December 31, 2017 and 2016 were as follows:

MARKET	DEC-17		DEC-16	
	AMOUNT	%	AMOUNT	%
Portugal	118,597,828	13.07%	110,139,784	12.77%
Spain	111,099,973	12.25%	84,255,160	9.77%
United States of America	289,051,360	31.86%	310,882,493	36.05%
Turkey	203,437,686	22.42%	188,603,723	21.87%
Mexico	37,148,714	4.09%	31,808,814	3.69%
Morocco	0	0.00%	1,100,607	0.13%
Austria	88,836,151	9.79%	79,011,078	9.16%
Hungary	8,107,970	0.89%	7,779,327	0.90%
Romania	5,930,110	0.65%	9,297,782	1.08%
Croatia	5,136,371	0.57%	3,742,573	0.43%
The Czech Republic	27,710,652	3.05%	26,137,329	3.03%
Slovakia	8,928,012	0.98%	7,784,445	0.90%
Mozambique	3,238,293	0.36%	1,859,254	0.22%
Total	**907,223,119**	**100%**	**862,402,369**	**100%**

The following tables show the main headings of the Statement of financial position and Income Statement divided by the geographical markets in which ASCENDUM operates, for 2017 and 2016:

2017	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	24,306,920	32,210,596	27,972,489	63,400,000	5,136,695	10,063,023	23,516,780
Spain	31,959,013	21,774,345	28,717,062	10,479,167	1,225,094	17,760,147	20,700,204
United States of America	39,482,508	76,558,415	15,756,687	-	52,211,596	30,002,732	9,713,196
Turkey	5,800,049	26,054,866	21,063,797	168,341	-	40,510,306	7,941,523
Mexico	3,178,157	14,061,895	5,098,231	188,956	-	7,466,290	12,608,931
Poland	-	-	6,548	-	-	277	10
Morocco	169,431	-	112,455	155,383	-	373,268	-
Austria	20,175,253	6,984,494	9,478,643	-	3,169,265	25,787,755	5,640,061
Hungary	309,738	1,378,443	176,634	-	228,090	617,294	-
Romania	161,445	1,594,501	1,201,229	-	73,414	3,104,753	2,065
Croatia	192,305	499,107	956,101	-	101,764	-113,411	120
The Czech Republic	271,728	3,277,778	4,189,462	-	1,082,459	4,158,712	71
Slovakia	22,136	743,528	1,761,405	-	97,806	527,754	-
Mozambique	437,442	4,439,511	409,007	-	418,822	5,619,224	-
Total	**126,466,125**	**189,577,480**	**116,899,749**	**74,391,847**	**63,745,005**	**145,878,123**	**80,122,962**

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	-
The 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**

2017	SALES AND SERVICES RENDERED	COSTS OF SALES	EXTERNAL SUPPLIES AND SERVICES	PERSONNEL COSTS	OTHER GAINS/ LOSSES	NET PROFIT/ LOSS FOR THE PERIOD
Portugal	118,597,828	(92,717,039)	(11,657,244)	(15,653,710)	(2,971,337)	(4,401,502)
Spain	111,099,973	(80,646,776)	(9,810,034)	(10,779,894)	(4,286,270)	5,576,999
United States of America	289,051,360	(226,762,541)	(9,792,235)	(22,266,140)	(15,901,221)	14,329,222
Turkey	203,437,686	(162,311,094)	(13,618,052)	(7,867,178)	(12,214,185)	7,427,177
Mexico	37,148,714	(29,773,812)	(5,161,763)	0	(1,596,057)	617,082
Austria	88,836,151	(60,198,486)	(8,341,839)	(11,904,052)	(5,942,267)	2,449,506
Hungary	8,107,970	(6,273,939)	(974,366)	(618,402)	157,468	398,730
Romania	5,930,110	(4,408,796)	(834,189)	(848,917)	(517,503)	(679,295)
Croatia	5,136,371	(3,945,562)	(301,883)	(323,262)	(331,129)	234,534
The Czech Republic	27,710,652	(21,384,434)	(1,970,998)	(2,084,105)	(1,410,399)	860,717
Slovakia	8,928,012	(7,137,371)	(629,740)	(742,494)	40,338	458,745
Mozambique	3,238,293	(1,902,577)	(744,952)	(215,059)	15,736	391,440
Total	**907,223,119**	**(697,462,426)**	**(63,837,296)**	**(73,303,214)**	**(44,956,828)**	**27,663,355**

2016	SALES AND SERVICES RENDERED	COSTS OF SALES	EXTERNAL SUPPLIES AND 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
The 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**

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

MARKET	DEC-17		DEC-16	
	AMOUNT	%	AMOUNT	%
Construction equipment and other equipment	861,893,540	95,00%	813,347,994	94,31%
Vehicles	23,162,714	2,55%	27,958,550	3,24%
Trucks	22,166,865	2,44%	21,095,825	2,45%
Total	**907,223,119**	**100%**	**862,402,369**	**100%**

33. OTHER INCOME AND GAINS

At December 31, 2017 and 2016, "Other income and gains" had the following composition:

DESCRIPTION	DEC-17	DEC-16
Cash discounts obtained	130,376	168,892
Capital gains from fixed tangible assets disposals	1,205,442	915,602
Excess of income tax estimate	120,859	18,686
Adjustments related to prior years	28	6,431
Favorable foreign exchange differences	2,506,710	2,866,946
Claims	337,126	271,846
Others	6,917,207	4,950,748
Total	**11,217,748**	**9,199,150**

The heading of "Others" results from various income and recovery of expenses related to normal business activity.

34. OPERATIONAL LEASE

The commitments held at December 31, 2017 and 2016 for operational lease contracts were as follows:

MINIMUM PAYMENTS FOR OPERATING LEASES	DEC-17	DEC-16
Less than a year	5,869,971	4,597,113
Between 1 and 5 years	11,255,699	9,629,558
Total	**17,125,670**	**14,226,671**

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

At December 31, 2017 and 2016, financial results had the following composition:

INTEREST AND SIMILAR COSTS	DEC-17	DEC-16
Interests	9,036,423	9,087,234
Foreign exchange differences	3,810,510	5,678,616
	12,846,932	**14,765,850**

The reduction of the "interest and similar costs", recorded in the year 2017, faced with 2016 was fundamentally explained by the exchange differences related to the exposure to the exchange rate variability of the euro against the US dollar and Turkish lira. Despite the fact that these two currencies have registered, during the year 2017, devaluations compared with the euro, it was possible to counteract this negative effect with a more adequate management of the group's indebtedness portfolio and reducing the overall amount of Exchange differences, related to financing (about 1.8 M €).

INTEREST AND SIMILAR INCOME	DEC-17	DEC-16
Interests	559,629	389,354
	559,629	**389,353**

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 the ASCENDUM S.A. and related parties can be summarized as follows:

	ACCOUNTS RECEIVABLES FROM COMMERCIAL AND OTHER DEBTS	
	DEC-17	DEC-16
Key management personnel	57,096	109,014

OUTSTANDING BALANCES WITH RELATED PARTIES	DEC-17	DEC-16
Customers/other accounts receivable: Auto-Sueco, Lda	319,803	371,585
Suppliers/other accounts payable: Auto-Sueco, Lda	4,399,947	5,481,734

TRANSACTIONS WITH RELATED PARTIES 2017	SALES	SERVICES RENDERED	PURCHASES	OTHER EXPENSES	OTHER INCOME
Auto-Sueco, Lda.	47,365	978,957	17,119,544	355,254	88,929

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

Relations with Ernesto Vieira & Filhos are of very limited significance as they basically involve distribution of dividends, expenses 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

At December 31, 2017, financial assets and liabilities had the following composition:

FINANCIAL ASSETS	CATEGORY	BOOK VALUE	VALUATION METHOD
Financial Investments – Other methods	Available for sale	4,489	Fair value
Other accounts receivable	Accounts receivable	4,301,481	Amortized cost
Other financial assets	Accounts receivable	5,679,577	Amortized cost
Customers	Accounts receivable	111,258,888	Amortized cost
Suppliers prepayments	Accounts receivable	5,095,724	Amortized cost
Cash and Bank Deposits	Accounts receivable	16,406,113	Amortized cost
		142,746,272	

FINANCIAL LIABILITIES	CATEGORY	BOOK VALUE	VALUATION METHOD
Borrowings	Other liabilities	154,514,809	Amortized cost
Other accounts payable	Other liabilities	71,900,370	Amortized cost
Suppliers	Other liabilities	114,610,543	Amortized cost
Customers prepayments	Other liabilities	2,830,216	Amortized cost
		343,855,938	

Impairment losses on Financial Assets (Customers, Other accounts receivable and Financial Investments) are listed in Notes 10.2, 12 and 25.

Gains and losses on financial assets and liabilities in 2017 and 2016 were as follows:

	GAIN/(LOSS)	
	DEC-17	DEC-16
Accounts receivable	(357,501)	(139,736)
	(357,501)	**(139,736)**

Interest on financial assets and liabilities in 2017 and 2016 were as follows:

	GAIN/(LOSS)	
	DEC-17	DEC-16
Accounts receivable	559,629	389,354
Liabilities at amortised cost	(9,036,423)	(9,087,234)
	(8,476,794)	**(8,697,880)**

Exchange differences on financial assets and liabilities related to operating activities in 2017 and 2016 were as follows:

	GAIN/(LOSS)	
	DEC-17	DEC-16
Gains in foreign exchange differences	2,506,710	2,866,946
Losses in foreign exchange differences	(4,755,485)	(3,888,598)
	(2,248,775)	**(1,021,652)**

38. REMUNERATION OF THE MEMBERS OF THE GOVERNING BODIES

The remuneration of the members of the governing bodies of the ASCENDUM Group in 2017 and 2016 were as follows:

BOARD	DEC-17	DEC-16
Board	4,356,340	4,351,321

39. REMUNERATION OF THE STATUTORY AUDITOR

The fees paid to the Statutory Auditor, PricewaterhouseCoopers & Associados – S.R.O.C., Lda., in the 2017 and 2016 financial years were as follows:

	CURRENCY	DEC-17	DEC-16
Portugal	EUR	67,800	66,750
Spain	EUR	53,300	52,600
United States of America	USD	136,550	134,800
Mexico	EUR	18,980	25,371
Turkey	EUR	27,000	27,000
Mozambique	USD	2,000	2,000
Romania	EUR	12,000	12,000
Hungary	EUR	7,620	7,500
Austria	EUR	19,680	19,400
Croatia	EUR	6,000	6,000
Slovakia	EUR	11,500	11,500
The Czech Republic	EUR	14,100	14,000

40. EXTERNAL SUPPLIES AND SERVICES

At December 31, 2017 and 2016, external supplies and services had the following composition:

	DEC-17	DEC-16
Subcontracts/Specialized services	22,684,865	22,366,715
Advertising and promotion	1,840,128	1,856,463
Surveillance and security	587,307	636,532
Maintenance/repairs/tools	2,027,320	1,891,338
Office supplies/technical documentation	708,106	608,097
Electricity/fuels/water/other fluids	666,686	1,418,651
Travel and accommodation	4,533,285	4,482,844
Transport of goods	2,319,016	1,943,516
Rents and leases	17,563,936	14,368,843
Communications	1,349,121	1,521,645
Insurance	2,300,814	2,384,998
Cleaning, hygiene and comfort	868,570	886,667
Other external supplies and services	6,388,143	5,567,520
Total	**63,837,296**	**59,933,831**

The variation recorded in the "External supplies and services" heading was mainly related to the expenses made in "rents and leases", in the subsidiaries of the United States and Austria arising from the normal operational activity of the companies.

41. PERSONNEL EXPENSES

At December 31, 2017 and 2016, Staff Expenses had the following composition:

	DEC-17	DEC-16
Payroll	43,229,005	41,489,745
Social charges	6,204,013	6,045,561
Insurance against labour accident	141,418	123,512
Subsidies	4,461,925	3,041,767
Commissions	5,372,221	4,837,620
Awards and Bonuses	5,604,984	5,493,835
Indemnities	885,942	395,471
Other staff related expenses	7,403,707	8,662,226
Total	**73,303,214**	**70,089,737**

The growth of "Personnel expenses" in 2017, compared to 2016 is explained by the increase recorded in the total number of workers in 2017 (1,444 workers), compared to 2016 (1,409 workers).

42. OTHER EXPENSES AND LOSSES

At December 31, 2017 and 2016, other expenses and losses had the following composition:

	DEC-17	DEC-16
Unfavorable exchange rate differences	4,755,485	3,888,598
Taxes and fees	1,879,239	1,765,129
Bank commissions and other charges	1,376,565	80,248
Insufficient income tax estimate	0	84,770
Adjustments related to prior years	1,597	31,545
Donations	69,601	41,080
Subscriptions and contributions	13,883	11,667
Other costs	783,986	1,301,437
Total	**8,880,356**	**7,204,473**

The increase in "Other expenses and losses" in the overall amount of 1,6M €, is fundamentally explained by the "Unfavorable Exchange rate differences" of the operational activity in the Turkish subsidiary. There were also reclassifications in some of the other expenses items, which explain the variations disclosed in the table above, notably expenses related to bank commissions, that in 2016 were included in the "Other costs" line, and that in 2017, for a better disclosure, were recorded in the respective expense category.

43. ENVIRONMENTAL INFORMATION

The Group adopts necessary measures on environmental matters to comply with current legislation.

ASCENDUM's Board of Directors, in 2018, 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 2017 financial year.

44. SUBSEQUENT EVENTS

Between December 31, 2017 and the date this consolidated annual report was issued, there were no material events or transactions of consequence requiring recognition or disclosure.

45. APPROVAL OF THE FINANCIAL STATEMENTS

These Financial Statements were approved by the Board of Directors on 14 of March 2018. Additionally, the attached financial statements at December 31, 2017 are awaiting approval by the General Assembly Meeting. However, the ASCENDUM's Board of Directors believes they will be approved without significant changes.

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

WE ARE CLIENT CENTRIC

BECAUSE WE BUILD CLOSE AND TRUSTING RELATIONSHIPS WITH OUR CLIENTS, CHALLENGING AND ADDING VALUE.

Photo taken by Hans Grand
Brand Management & Market Communication
Ascendum Baumaschinen Österreich GmbH – Austria

04.

LEGAL CERTIFICATE OF CONSOLIDATED ACCOUNTS AND OPINION OF STATUTORY AUDITOR

ASCENDUM

pwc

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, 2017 (which shows total assets of Euro 541.470.941 and total shareholders' equity of Euro 156.545.651, including a net profit of Euro 27.340.471), 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, 2017, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

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

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;

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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.

March 16, 2018

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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