2018
ANNUAL
REPORT

TOWARDS TOMORROW

ASCENDUM

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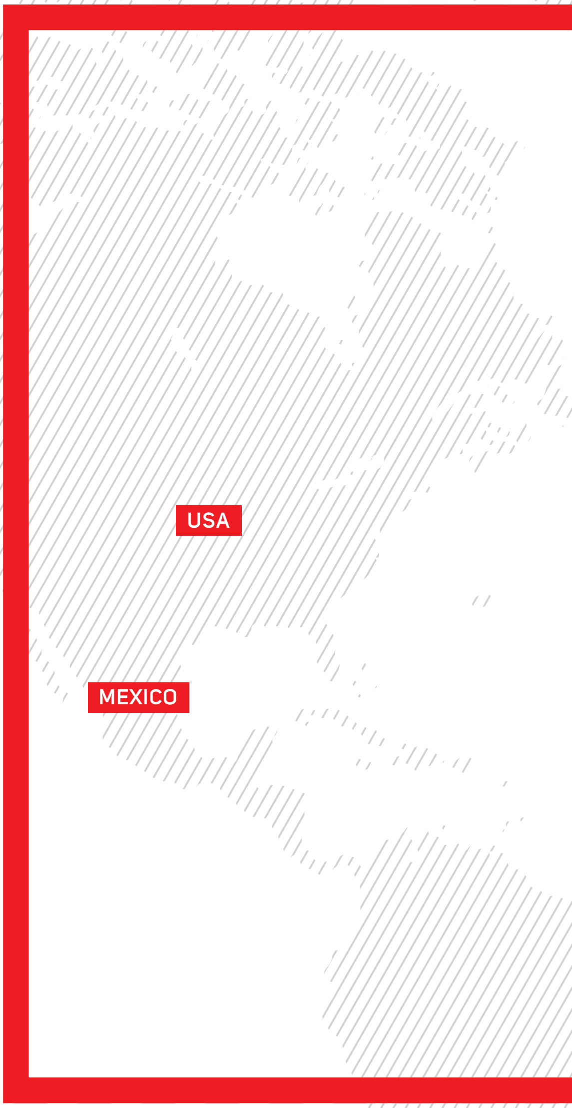
ASCENDUM

ASCENDUM GROUP WORLDWIDE



"We are passionate for developing customized and innovative solutions that leverage the performance of our clients and improve the way the world is moving and is built."

Ascendum, 2018

With about 1500 employees around the world, the Ascendum Group operates directly in Portugal, Spain, the United States, Turkey, Mexico and Central Europe.

60
years
of history

Family roots
company

Multinational company
based
in Portugal

14
countries
operating

1,500
employees
(around)

30
represented
brands (more than)

35,000
machines working
around the world

942 M€
turnover
in 2018

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
GazianteplzmirIçel
Kaysen
Mugla
Samsun
Trabzon

MEXICO
Monterrey
San Luis Potosi
Guadalájara
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 (Moldova)

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A MEANINGFUL PURPOSE.

2018 will remain in our history as the year in which we became stronger by setting a common purpose in all the geographies where we operate: being aware of what defines us, **we are passionate for developing customized and innovative solutions that leverage the performance of our clients and improve the way the world is moving and is built.**

COMPANY INFORMATION

1.1. MESSAGE FROM THE EXECUTIVE BOARD

Dear Shareholders,

As in previous years, we would like to start this message with a well-deserved acknowledgement to the almost 1,500 employees of Ascendum, for their unsurpassed commitment and exemplary contribution so that the goals established for 2018 could be reached.

We would also like to take this opportunity to thank our financial partners and shareholders, for the undeniable assistance and support they have demonstrated over the years, and to our over 31,000 customers spread throughout the Group's several geographic platforms, for the loyalty and trust they continue to place in us.

2018 was the year in which, without neglecting the already traditional commercial focus shown by exceeding the €900M target and achieving a historical turnover, surpassing €942M (4% increase in the turnover, about €34M, despite the economic and geopolitical context in Turkey, which, had it not occurred, would have meant obtaining an amount superior by €60M and which would allow for turnover to be above €1 billion), Ascendum kept the efficiency and profitability levels in the management of its assets by 1.6X and 12% respectively, safeguarding its financial indicators – Equity/Assets of 29% and Net Debt/EBITDA of 2.0X – recording EBITDA levels above €78M and a net profit close to 3%, even though the operation was carried out under complex management conditions – geopolitical, macroeconomic, exchange and market.

Last year was, once again, a year of relevant investment to consolidate our human capital and the Ascendum brand, since in a company of great multicultural richness inherent to the fact that we operate on 4 continents, there is a constant need to reinforce and clarify the brand, culture, values and behaviours inherent to such culture and values.

This investment has been proving to be vital to substantiate Ascendum's value proposition to its stakeholders translated into the expression "Build up the Future" – we are passionate about developing customised and innovative solutions that enhance our customers' bottom line and improve the way the world moves and is built. At the same time, we enhanced initiatives focusing on the personal development of our employees, enabling a greater engagement between the various geographic and functional teams and, ultimately, greater efficiency and productivity for the Group (Ascendum Academy, Sounding Boards and CFO's Meeting), also reinforcing the Group's presence near its customers by opening new facilities on the Iberian Peninsula, in Central Europe and United States.

Therefore, in the year when we celebrate 60 years of history, more than reiterating our satisfaction for the fact that, in 2018, Ascendum achieved most of the goals it established in terms of economic and financial indicators, we have to highlight our enormous pride and joy for the journey of the Ascendum Group, a company which knew how to evolve and grow while deserving the continuous acknowledgement of our stakeholders and which should make everyone in the Ascendum Family proud.

After 60 years, it is as important to look at the journey travelled as it is to foresee what we still have to go, designing the strategy and equipping ourselves with the material and human resources necessary to face future challenges.

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

"…in the year when we celebrate 60 years of history, more than reiterating our satisfaction for the fact that, in 2018, Ascendum achieved most of the goals it established in terms of economic and financial indicators, we have to highlight our enormous pride and joy for the journey of the Ascendum Group, a company which knew how to evolve and grow while deserving the continuous acknowledgement of our stakeholders and which should make everyone in the Ascendum Family proud. After 60 years, it is as important to look at the journey travelled as it is to foresee what we still have to go, designing the strategy and equipping ourselves with the material and human resources necessary to face future challenges."

29th of April 2019
The Executive Board of ASCENDUM

1.2. CORPORATE BODIES AND GOVERNANCE STRUCTURE

ASCENDUM's management is currently separated into executive and non-executive duties, 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
Ernesto Silva Vieira
João Manuel de Pinho Mieiro
José Manuel Bessa Leite de Faria
Paulo Vieira do Nascimento Mieiro
Pedro Vieira do Nascimento Mieiro
Ricardo José de Pinho Mieiro
Rui António Faustino
Rui Miranda
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

Francisco Espregueira Mendes – Chairman
Felipe Baião do Nascimento – Secretary

STATUTORY AUDITOR

PriceWaterHouseCoopers & Associados –
Sociedade de Revisores Oficiais de Contas, Lda.
(Audit Firm)
Palácio Sottomayor, Rua Sousa Martins, no. 1,
3.º andar (3rd floor) – 1069-316 Lisbon

REPRESENTED BY:

José Miguel Dantas Maio Marques (S.A.)

ALTERNATE AUDITOR:

António Joaquim Brochado Correia (S.A.)

From left to right: Paulo Mieiro, José Leite Faria, Pedro Mieiro, Ernesto Silva Vieira, Ricardo Mieiro, Ernesto Gomes Vieira, Rui Miranda, Ângela Vieira, Tomás Jervell, João Mieiro, Rui Faustino.

1.3. HIGHLIGHTS

1.3.1. RELEVANT FACTS

Ascendum's activity in 2018, similarly to the previous years, took place in an extremely challenging context – geopolitical, macroeconomic and exchange-wise – which, nevertheless, did not prevent the company from achieving a record invoicing amount, with a consolidated Turnover of €942M, while presenting robust solvency ratios (Net Debt/EBITDA of 2.0x), despite the strong investment in growth through acquisitions made since 2010.

In 2018, Ascendum continued the strategy of consolidating its current operations and strengthening its financial position, which it started in 2014, focusing its efforts on optimising internal processes and creating common management and communication tools which can bring greater agility to business in the various geographies and foster a greater sharing of information and best practices.

As in previous years, 2018 also showed a global increase in investment in communication and in the Ascendum brand, so as to convey trust and proximity to our customers, regardless of the geography or different business areas in which the Group operates.

Accordingly, we highlight the following main events in 2018:

MAIN EVENTS 2018

01.
Business consolidation and response to external challenges

02.
Harmonization and optimization of business processes

03.
Build up the Future

01.

Business consolidation and response to external challenges

In 2018, Ascendum continued the business consolidation strategy in the various geographic platforms in which it operates, in order to deliver an increasingly efficient manner to macroeconomic and sectoral volatility. In turn, and in parallel with the strategy implemented in recent years, the Group continued the consolidation of its financial situation, in terms of profitability and debt indicators, after the strong investment period between 2010 and 2013, with the acquisition of operations in Turkey and Central Europe, entering the Mexican market and the acquisition of Air-Rail.

Although 2018 was marked by several external challenges of significant impact on operations' profitability, the Ascendum Group once more showed its business management's effective and efficient response capacity, by adopting several measures to mitigate the short-term negative impacts and also by adapting its business to the reality of the markets where they are located.

In 2018, Ascendum's operation in Turkey was particularly conditioned by a set of factors such as the (i) sharp depreciation of the Turkish Lira against the main currencies (depreciation of 33.3% against the Euro and 40.0% against the US Dollar), mostly as a result of the economic sanctions imposed by the USA on Turkey in August 2018, (ii) high inflation rate, which reached 20.3% (the highest since 2004), (iii) the lack of liquidity in the financial markets as a result of the exchange crisis experienced and (iv) situation of geopolitical instability in the Middle East, with particular emphasis on the continued uncertainty of the situation in Syria. Even though in previous years the Turkish economy had shown its ability to overcome the setbacks presented, the situation experienced in 2018, with its sudden downturn, proved to be too critical and gave no possibility to reverse the situation during 2018.

Thus being, despite the challenges presented by the geopolitical and macroeconomic situation to Ascendum's operation in Turkey (second largest market of the Ascendum Group with an average contribution of 22% to the consolidated Turnover between 2015 and 2017), the Group was capable of responding to the difficulties through the adoption of management measures in the Turkish operation and through the economic and financial compensation and balance provided by other geographies (ex: Turnover increase of 30% in Spain, 20% in Central Europe and 19% in Portugal), thus benefiting from the geographical diversification of its business.

At the same time, Ascendum tried to (i) optimise the management of the working capital's cycle and (ii) optimise the management of available funds, reducing the general cost of debt and supporting the geographic platforms in optimising the local financial debt management, matching the liquidity needs of each geographical platform with their business cycle and maturity.

The aforementioned efforts had an impact on Ascendum's 2018 reality in terms of results, operational efficiency and financial soundness:

	2016	2017	2018
TURNOVER (M€)	862	907	942
EBITDA (M€)	74 8.6%	78 8.6%	78 8.3%
ASSETS TURNOVER (TURNOVER/ASSETS)	18 2.0%	28 3.0%	24 2.6%
WORKING CAPITAL TURNOVER (TURNOVER/WORKING CAPITAL)	1.6x	1.7x	1.6x
NET DEBT/ EBITDA	1.9x	1.7x	2.0x
EQUITY/ NET DEBT	1.1x	1.2x	1.1x
EQUITY/ ASSETS	28%	29%	29%

02.

Harmonization and optimization of business processes

During 2018, Ascendum continued its standardisation strategy of business and management processes, as well as the development of the business information and knowledge-sharing systems, in order to leverage internal synergies.

As part of the operational and financial optimisation strategy, Ascendum continued the implementation project of the new SAP (already implemented in Austria, Portugal, Spain, Hungary and Croatia), with the project's roll-out to two new geographies – The Czech Republic and Slovakia.

It also started in the production phase the Group's first Business Intelligence platform, which aims to standardise the Group's management reporting model, and also the main activity-monitoring indicators of the several geographies.

03.

Build up the Future

Following the reinforcement of the Ascendum brand in 2016 and the cultural alignment project – "Being Ascendum" – developed the following year, the Group sought to stabilise and disclose in 2018 the value proposition that determines the daily impact and subsequent action.

Looking into actual cases of the work developed in each geographical platform was the best way to demonstrate how the Group changes the World every day and helps build a better future for all.

More than selling "machines," the Ascendum Group works alongside its customers, innovating and adding value, when it...

- helps create a more eco-friendly forest in Portugal;
- provides more efficient machines with a lower environmental impact, as occurs in Turkey;
- creates solutions that allow customers to fulfil the intent to be 100% electrical, like in Spain;
- monitors the customers in the field, helping them fulfil the deadlines in the construction of the largest breakwater in Latin America, Mexico;
- supplies the machines and supports the work developed at the enlargement works on the Panama Canal, helping the economy of the entire region of the Americas to develop;
- or when it helps extract the best resources with the greatest efficiency at a quarry in Austria.

Through all of this, the Ascendum Group helps build and improve the world every day – an idea systematised in the sentence "Build Up the Future," following a path that strengthens the Group as a company and as a team.

Therefore, as part of the "Build Up the Future" concept, the Group tried to share its purpose and value proposition throughout 2018, which substantiates the following:

"We are passionate for developing customized and innovative solutions that leverage the performance of our clients and improve the way the world is moving and is built."

A. "Developing customized and innovative solutions"

Our main concern is the customer. In order to respond to the specific needs of each case and in each business area, it is not enough to offer the best equipment; we must also offer the industry's best and most innovative services in our sector of activity. It is this ambition that drives us to want to be the world's largest providers of global solutions in each of the fields in which we are competent and strong: machinery for infrastructures, construction, industry, cars and trucks.

B. "Leverage the performance of our clients"

Our customers rely on our initiative, experience, technical knowledge, and also on our high-quality products and services to meet their challenges. When we anticipate our customers' needs, when we offer solutions such as Follow the Customer, we fulfil our goal of always standing by our customers, helping them to be more productive and more competitive. Thus, we grow with our customers and create long-lasting relationships.

C. "Improve the way the world is moving and is built"

By working alongside each customer – whether in construction, agriculture, mining or any other industry where our equipment is present – we are also helping the world to grow and become more sustainable, because...

- we participate in the construction of infrastructures and in the extraction of resources that are vital to improve the lives of people and communities;
- we care about the safety and well-being of people, of those who work with us and those who live in the communities where we are present;
- we help ensure a reasonable use of natural resources and preserve nature when, for example, we provide machinery that is more efficient and, at the same time, has a lower environmental impact.

This way, we fulfil, reinforce and strengthen everyone's future.

As corollary of the strategy implemented in recent years, Ascendum has been acknowledged with several awards granted by third entities, most notably the following:

PRESTIGE AWARD GRANTED BY THE PORTUGAL – US CHAMBER OF COMMERCE, FOR THE WORK DEVELOPED BY ASCENDUM MACHINERY IN THE USA IN THE LAST 14 YEARS

Kenny Bishop and Nuno Colaço, both CEO and CFO of Ascendum Machinery in the USA.

BEST EMEA DEALER 2018 AWARD GRANTED BY VOLVO CE TO ASCENDUM MAKINA IN TURKEY, IN THE CATEGORY COMPETENCE DEVELOPMENT

In the photo: Ascendum sales and after sales team, leaded by Tolga Polat with Volvo CE representatives from Sales Region EMEA.

UPTIME AWARD 2018 GRANTED BY VOLVO CE TO ASCENDUM MACHINERY IN THE USA, FOR THE QUALITY OF THE AFTER-SALES SERVICE PROVIDED TO ITS CUSTOMERS

Our CEO, Kenny Bishop, stated "There are many great Volvo Dealers in the US and the Ascendum Machinery team is honored to be the recipient of the best-in-class Uptime award. Our challenge now is to maintain our Customer expectations."

DEALER OF THE YEAR AWARD GRANTED BY SENNEBOGEN TO ASCENDUM MACHINERY IN PORTUGAL FOR THE SERVICE OF EXCELLENCE AND RESULTS ACHIEVED

From the point of view of image and positioning close to its customers, in 2018, Ascendum once again reinforced its presence in the various geographic platforms, namely by investing in new facilities:

OFFICIAL OPENING OF THE NEW ASCENDUM AUTO (VOLVO CAR) FACILITIES IN LISBON

INAUGURATION OF THE NEW ASCENDUM MAKINA FACILITIES IN ANKARA, TURKEY

TRANSFER OF THE CABANILLAS OPERATION TO THE NEW CIEMPOZUELOS FACILITIES IN MADRID, SPAIN (INAUGURATION IN JANUARY 2019)

1.3.2. MAIN ECONOMIC, FINANCIAL AND OPERATIONAL INDICATORS

MAIN ECONOMIC, FINANCIAL AND OPERATIONAL INDICATORS FIGURES EXPRESSED IN THOUSANDS OF EUROS	2018	2017	Δ (18/17)
Turnover	941,575	907,223	3.8%
EBITDA(1)	78,402	78,051	0.4%
EBIT(2)	46,219	47,817	-3.3%
Net Income with non-controlling interests	24,028	27,663	-13.1%
Equity with non-controlling interests	168,773	156,546	7.8%
Net Debt(3)	155,774	132,653	17.4%
Net Debt/EBITDA(3)	2.0x	1.7x	0.3x
Equity/Net Debt(3)	1.1x	1.2x	-0.1x
Equity/Assets(4)	29%	29%	0.3 pp
Number of employees	1,497	1,444	3.7%

(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 BCP
(4) Ratio between Equity with non-controlling interest and total net Assets as of December, 31st.

From the economic, financial and operational point of view, 2018 was marked by a favourable economic framework in most geographies, though with some exceptions:

Macroeconomic context of growth, though with some risks particularly concerning the money market:

- In 2018, the global economy grew in line with the previous year (real growth of the Gross Domestic Product estimated at 3.7% in 2018), despite some uncertainties related to the international geopolitical situation and increase in the vulnerabilities of the emerging markets, with greater impact in the second half of the year;

- Emerging economies returned to a pace of growth faster than that of advanced economies, but recording a slight reversal of the growth trend compared to the previous year (emerging economies with a reduction of 0.04 pp in the real GDP growth rate to 4.7%, while advanced economies showed an increase of 0.2 pp to 2.4%);

- In terms of the economies where Ascendum is present, economic growth followed opposite trends – in the Euro Zone, real GDP growth decreased from 2.4% in 2017 to 2.0% in 2018 (1.8% according to more recent estimates); in the US, real GDP growth accelerated from 2.2% in 2017 to 2.9% in 2018; and in Turkey, real GDP growth decreased from 7.4% in 2017 to 3.5% in 2018;

- The appreciation of the US Dollar against the Euro in 2018 (from EUR/USD 1.199 on 31 December 2017 to EUR/USD 1.145 on 31 December 2018) had a positive impact on the contribution of USA and Mexico operations to the Group's results and Equity;

- On the other hand, the 33% depreciation of the Turkish Lira against the Euro in 2018 (from EUR/TRY 4.546 on 31 December 2017 to EUR/TRY 6.059 on 31 December 2018) penalised the Group's results by aggravating the net exchange rate differences, based on the net exposure to monetary assets in Turkey expressed in TRY (based on EUR functional currency):

  - Negative exchange differences in results of €4.4M, mainly due to the negative exchange rate differences recorded in Turkey of €2.7M;

- Consolidation of the growth of the construction equipment[1] markets where the Group operates, in recent years, even though below the levels recorded in the "peak" year:

  - In line with the consolidation of the economic growth, 2018 was marked by the stabilisation of growth in most of the markets where Ascendum operates, with a 7% increase in the number of units sold when compared to 2017;

  - In 2018, Ascendum's addressable market (Portugal, Spain, USA, Turkey, Mexico and Central Europe) represented around 90% of the Group's market in 2007 ("peak" year).

The optimisation and efficiency measures adopted by Ascendum, as well as focus on knowledge sharing and investment in human resources, had a positive effect in 2018:

- In Portugal, as in previous years, Ascendum focused its efforts on optimising the operational structure and adapting the products and services portfolio to customers' needs. In addition, Ascendum continued to develop the implementation plan for the new [go-live information system of the new SAP on the 1st of January 2018];

- In Spain, the Group developed its activity with a particular focus on improving profitability, through portfolio diversification, the development of the used machinery business and reinforcement of the after-sales segment (process reengineering, increased product portfolio, etc.). In addition, Ascendum continued the implementation of the investment plan, both in terms of branches (transfer of the Cabanillas operation to the new Ciempozuelos facilities) and in terms of information systems and processes [go-live of the new SAP on the 1st of January 2018];

- In the USA, Ascendum made some changes from the organisational point of view, to respond more efficiently to customer needs (e.g. new VP of Operations). At the same time, Ascendum continued to implement the investment plan, with the opening of new facilities in Macon, Georgia;

- In Turkey, due to the geopolitical and macroeconomic conditions (economic slowdown, the economic sanctions imposed by the USA and a sharp depreciation of the Turkish Lira), the Group's strategy was to adopt measures to consolidate the core business, and also to control structural costs and focus on treasury management. At the same time, Ascendum continued to implement the investment plan, with the opening of new facilities in Ankara;

- In Mexico, despite the challenging macroeconomic and market context, the Group focused, as in previous years, on improving internal processes, optimising the operational structure and strengthening the skills of its employees;

- In Central Europe, the focus of the Group was to optimise processes and improve the after-sales service. In addition, Ascendum continued the implementation project of the new SAP (already implemented in Austria, Portugal, Hungary and Croatia), with the project's roll-out to two new geographies – The Czech Republic and Slovakia.

Thus, despite the still challenging macroeconomic and sectoral framework, Ascendum's efforts contributed to a positive performance in 2018:

- Operational performance – in 2018, the Group achieved a turnover of 942 million Euros (growth of 3.8% over 2017), an EBITDA of around 78 million euros and a net income of 24.0 million euros;

- Financial soundness – following the operations consolidation effort, the optimisation of the working capital cycle and the adaptation of the liquidity needs of each geographical platform with the cycle and maturity of its business, Ascendum presented, as in previous years, solid solvability ratios translated into a NetDebt/EBITDA ratio of 2.0x and Equity/Assets of 29%, affirming the Group's financial soundness, despite the investment effort made in recent years (due to its internationalisation strategy) and the exposure the macroeconomic and sectoral challenges of the various geographic platforms.

[1] The conducted analysis excludes the units sold from backhoe loaders and motorgraders – products discontinued by Volvo CE in 2014.

1.4. HOW ASCENDUM IS ORGANISED

1.4.1. VISION

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

WHAT DOES THIS VISION MEAN?

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

- Ascendum is present in 14 countries: Portugal, Spain, USA, Turkey, Mexico, Austria, Hungary, The Czech Republic, Slovakia, Romania, Croatia, Slovenia, Bosnia-Herzegovina and Moldova.
- It represents about 30 brands of equipment for construction, industry, infrastructures, transports and logistics, being one of the largest distributors of *Volvo Construction Equipment* (Volvo CE) in the world. In Portugal, the Group is also present in cars and trucks markets.
- Ascendum's organisational structure enables it to address the needs of customers and projects anywhere in the world through the "Follow the Customer" Service.

"Equipment and global solutions"

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

"Infrastructures, construction and industry"

- The equipment we supply aids in the work of hundreds of companies in the three sectors of activity, especially mining and manufacturing industry, civil construction and public works, recycling and environment, forestry, agriculture, ports, airports, railways, logistics and transports.
- 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 companies, port terminals, city councils, armed forces and many other public and private entities.
- Ascendum establishes partnerships with manufacturers of reference equipment in each area of expertise, ensuring quality, robustness, experience and reliability.

"Cars and trucks"

- As regards cars and trucks, Ascendum sells new and used vehicles.
- Associated with the automotive business area, Ascendum offers a series 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 truck business area also provides a range of services to meet customer needs such as the "Follow the Customer" Service and the "Volvo Action Service" (24-hour assistance).

1.4.2. VALUES

Ascendum's corporate values reflect who we are and how we operate. They reflect our culture and identity, as well as our attitude and performance. Being part of Ascendum's team entails being committed 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, 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 will challenge and allow us to keep growing. We obtain 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 to have specialised and robust teams that deliver with credibility. We work as a team with discipline and know-how, overcoming adversities and expectations. We celebrate each conquest, showing pride in 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'S CHARACTERISATION AND STRATEGY

1.4.3.1 Characterisation

Established in 1959, ASCENDUM is an international reference in the Automotive sector, acting in the supply of Construction and Industrial Equipment, Cars, Trucks and Parts, as well as in their technical assistance, complementing its offer with equipment rental and logistics. In addition, Ascendum's lines of business are also extended to equipment for ports, airports and railways, agricultural machinery, as well as to the segment of multi-brand parts for industrial applications. With around 1,500 employees, Ascendum is currently one of the largest distributors of Volvo Construction Equipment worldwide, being directly present in markets such as Portugal, Spain, USA, Turkey, Mexico and nine Central European countries – Austria, The Czech Republic, Hungary, Slovakia, Romania, Croatia, Slovenia, Bosnia-Herzegovina and Moldova.

At the same time, Ascendum has developed a follow-the-customer solution that allows for the monitoring of its customers, thus extending its presence to Africa, Eastern Europe and South America. Being present along the Automotive sector's entire value chain, Ascendum presents an extensive and superior-quality products/brands portfolio with applications for industries as diverse as construction and public works, extraction industry, logistics, agriculture, recycling, etc.

Ascendum's performance excellence in the markets where it operates has led it to a prominent position in the VCE's dealers universe, being currently recognised as one of the largest and best dealers in the world. At the same time, the Group has consistently achieved superior performances – translated in terms of recognition, turnover and market shares – to those of Volvo CE itself as a dealer in the markets where it is established.

1.4.3.2. Product portfolio

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

PORTUGAL

CONSTRUCTION AND INDUSTRIAL EQUIPMENT

Import
VOLVO
Sennebogen
Sandvik
Ponsse
Yale
Mecalac
Hyster
Gomaco

Retail
VOLVO
Sennebogen
Sandvik
Ponsse
Yale
Mecalac
Hyster
Gomaco

Rental
VOLVO
Sennebogen
Sandvik
Mecalac

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 Genie
SBM mobile crushers and mobile concrete plants

Retail
VOLVO
Terex Fuchs
Sandvik
Lännen
A-Ward
Genesis
Terex Trucks
Terex Genie
SBM mobile crushers and mobile concrete plants

Rental
VOLVO
Terex Fuchs
Sandvik
Lännen
A-Ward
Genesis
Terex Trucks
Terex Genie
SBM mobile crushers and mobile concrete plants

Aftermarket
VOLVO
Terex Fuchs
Sandvik
Lännen
A-Ward
Genesis
Terex Trucks
Terex Genie
SBM mobile crushers and mobile concrete plants
NTN & 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
Leeboy
Volvo Penta

Rental
VOLVO
Sennebogen
Doosan
Sandvik
Leeboy
Volvo Penta

Aftermarket
VOLVO
Sennebogen
Doosan
Sandvik
Leeboy
Volvo Penta

Remarketing
VOLVO
Sennebogen
Doosan
Sandvik
Leeboy
Volvo Penta

TURKEY

CONSTRUCTION AND INDUSTRIAL EQUIPMENT

Import
VOLVO
Sandvik
SDLG
Mecalac (BHL)

Retail
VOLVO
Sandvik
SDLG
Mecalac (BHL)

Rental
VOLVO
Sandvik
SDLG
Mecalac (BHL)

Aftermarket
VOLVO
Sandvik
SDLG
Mecalac (BHL)

Remarketing
VOLVO
SDLG
Mecalac (BHL)

INFRASTRUCTURE EQUIPMENT

Import
SANNY

Retail
SANNY

Aftermarket
SANNY

MEXICO

CONSTRUCTION AND INDUSTRIAL EQUIPMENT

Import
VOLVO
Sennebogen
SDLG

Retail
VOLVO
Sennebogen
SDLG

Rental
VOLVO
Sennebogen

Aftermarket
VOLVO
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
Rammer

(*) 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 vital growth pillars – on the one hand, consolidating and expanding the construction and industrial equipment, truck and car business segment in order to maintain leadership in the markets where it operates, while trying, on the other hand, to diversify its activity by participating in new lines of business and through the enlargement of the product portfolio:

Important steps were taken, over the last nine years (2010-2018), to achieve these goals, namely:

2010

1. Acquisition of Volvo CE's import and distribution operations to all of Turkey;
2. Acquisition of two new financial holdings in Spanish companies – Air-Rail and Zephir – with operations in the airports, ports and railways equipment business area.

2011

1. Reorganisation of the Group, which comprised two dimensions: (i) reorganisation of the shareholdings, and (ii) adoption of a new governance model;
2. Implementation of the role of Ascendum's Corporate Centre;
3. Launch of the port, railway and airport infrastructures operation in Portugal and Turkey.

2012

1. Consolidation of the reorganisation process initiated zin 2011;
2. Beginning of the Volvo Construction Equipment industrial machinery and equipment distribution operation in Mexico.

2013

1. Acquisition of Volvo Construction Equipment's operation in Central Europe;
2. Acquisition of the Volvo Construction Equipment industrial and construction machinery and equipment distribution operation from an independent dealer in North Dakota;
3. Development of partnership in the agricultural sector, in Turkey.

2014

1. Optimisation of the operation in Mexico: improvement of internal processes, investment in training, improvement of facilities to enhance comfort, brand image and trust;
2. Reorganisation of the operation in Central Europe: adoption of a new governance model and of efficiency metrics for the Group;
3. Enlargement of the product portfolio:
   - i. Beginning of the operation of generators in Portugal, through Ascendum Energy;
   - ii. Representation of new core product brands: SDLG, among others.

I 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.

II 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" customers.

2015

1. Optimisation of the current business: focus on improving internal processes in order to support decision-making in a more cohesive way;
2. Reinforcement of internal communication: launch of My Ascendum, the Group's intranet platform, whose objective is to enhance communication and efficiency between Ascendum's various geographic platforms and promote Group culture;
3. Valorisation of human resources: investment in training, notably the start-up of the e-learning platform, an integral part of the Ascendum Academy;
4. Enlargement of the product portfolio: representation of new core product brands: Terex Fuchs, Genesis, Rammer, among others.

2016

1. Optimisation of the current business: focus on improving internal processes in order to support decision-making in a more cohesive way;
2. Reinforcement of the investment in the Ascendum brand at a global level;
3. Beginning of the development of a digital involvement strategy for the Group;
4. Business diversification:
   - i. beginning of the import of Kioti agricultural equipment in Portugal (direct sale only to dealers),
   - 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. Enlargement of the product portfolio: Representation of new core product brands, such as Volvo Penta (United States), SDLG (Mexico), Terex (Portugal, Spain and Turkey) and Terex Trucks (Turkey and Spain), Genie (Spain), among others.

2017

1. Disposal of the entire shareholding held in Banco BPI, through its Spanish subsidiary Ascendum España, SL, as part of the takeover bid launched by CaixaBank;
2. Disposal of the entire shareholding held in Vortal SGPS, S.A.;
3. Demerger of Ascendum II – Veículos Unipessoal Lda. (whose name changed to Ascendum Automóveis, Unipessoal Lda.), through which the trucks business unit was transfered to the new subsidiary – Ascendum Camiões, Unipessoal Lda., which was created for this purpose;
4. Opening of a new branch in Samsun (Turkey);
5. Opening of new Ascendum facilities in Lieboch (Austria).

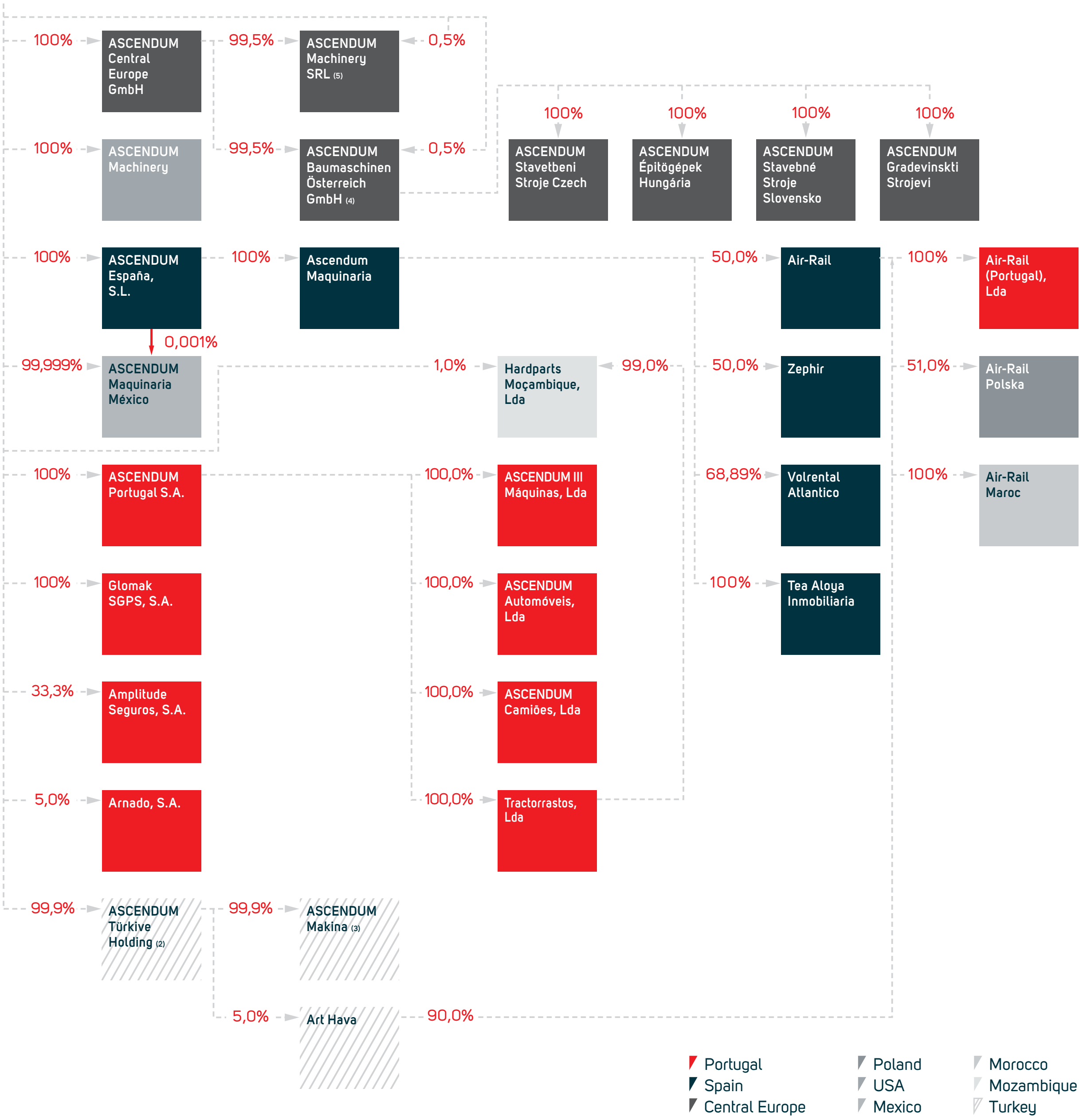
2018

1. Inauguration of the new Ascendum Auto facilities in Lisbon, Portugal;
2. Transfer of the Cabanillas operation to the new Ciempozuelos facilities in Madrid, Spain (inauguration in January 2019);
3. Inauguration of the new Ascendum Makina facilities in Ankara, Turkey;
4. Opening of new facilities in Macon, GA (USA).

1.4.4. ASCENDUM'S ORGANISATIONAL CHART

1.4.4.1. Shareholders organisational chart

ASCENDUM, S.A.[1]



[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 organisational chart

At the same time, from an organisational perspective, the Group developed a management model based on a geographical platform concept, which aims to maximise the synergies between the different 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 Épitögépek 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 strojei
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 Épitögépek Ascendum Stavebné Stroje Ascendum Gradevinski
AGRICULTURE EQUIPMENT Ascendum Máquinas	**INFRASTRUCTURE EQUIPMENT** Air-Rail 50% Zephir 50%		**INFRASTRUCTURE EQUIPMENT** Art Hava 50%		
CARS Ascendum Cars					
TRUCKS Ascendum Trucks					
INFRASTRUCTURE EQUIPMENT Air-Rail 50%					

1.4.5. COMMUNICATION AND SOCIAL MEDIA

In 2018 Ascendum increased its presence in the Linkedin, Instagram and Facebook social media, consolidating its path in the "digital era." Social media are currently considered work tools, which are fed and shared dynamically and responsibly, in order to enhance their digital footprint and the benefit they allow, in terms of notoriety, business and involvement with their stakeholders. In addition, Ascendum Magazine – Ascendum MAG – once again became a successful internal communication channel, which allowed for the sharing of the Group's achievements, visions, best practices and, above all, of how people live the Ascendum values every day.

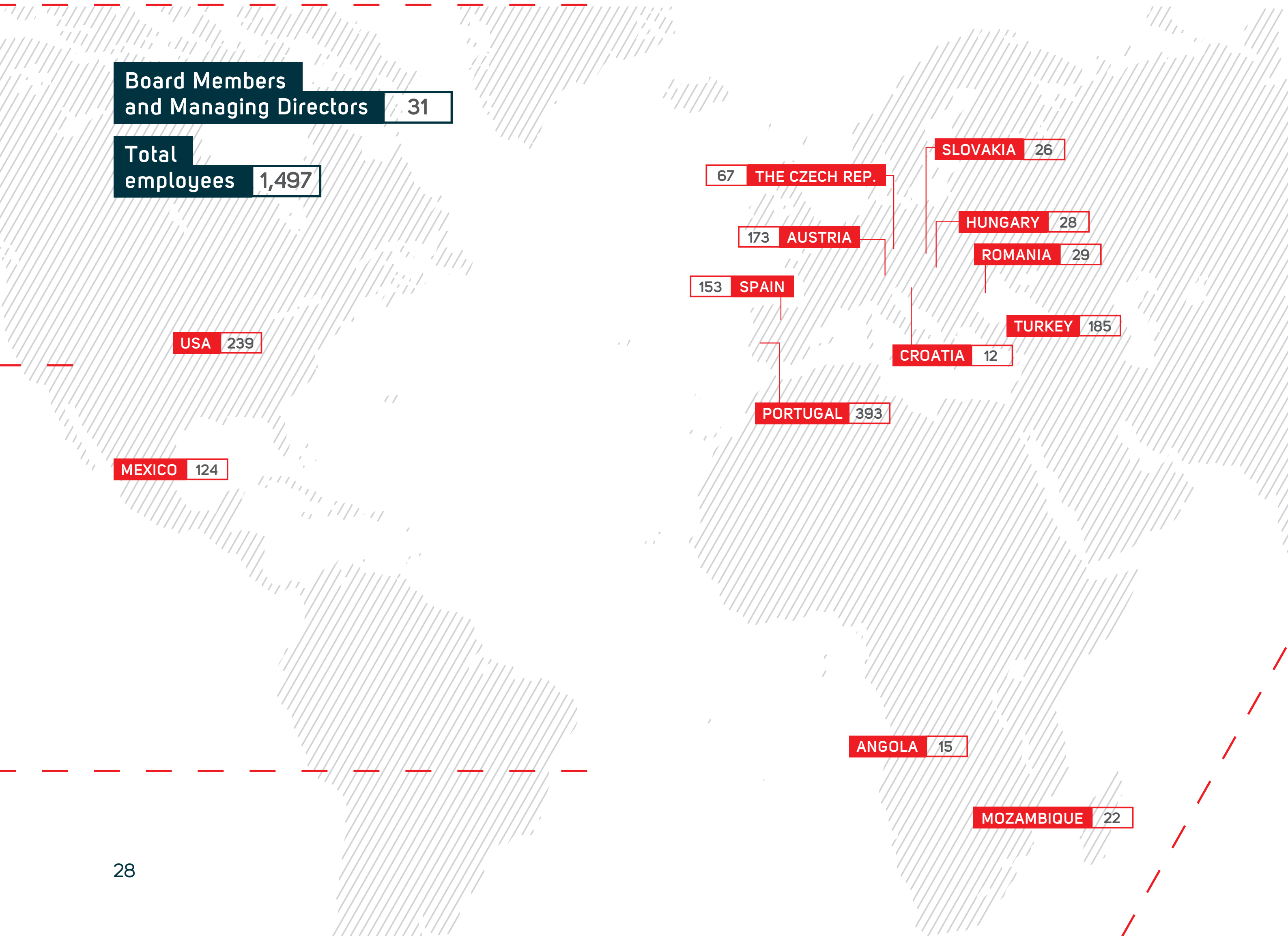
During this year, the intranet – *My Ascendum* – and *Yammer* continued to play a key role as internal communication tools, putting anyone anywhere in the world just a click away, contributing to strengthening the Group's identity and sense of belonging.

1.4.6. PEOPLE & CULTURE

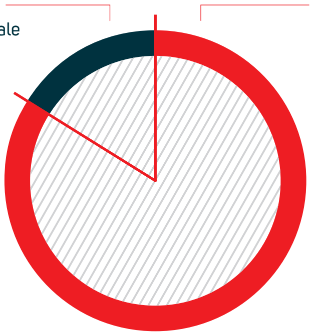
In 2018, the People & Culture area consolidated the implementation of the corporate human resources policies, allowing for a better alignment of Ascendum's global structure.

The following map shows the distribution of employees by geography on 31 December 2018, 1,497 in total (1,444 in 2017):

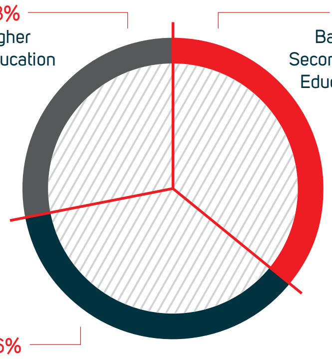
Similarly to the representativeness of the businesses from the financial point of view, in the human resources area, the construction equipment business area also maintained its strong preponderance in Ascendum's operations, representing around 90% of the Group's total number of employees.



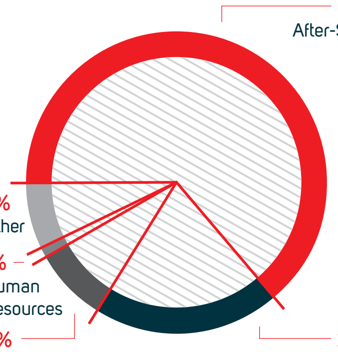
TOTAL EMPLOYEES BY GENDER



TOTAL EMPLOYEES BY LEVEL OF EDUCATION



TOTAL EMPLOYEES BY ROLE



DISTRIBUTION BY MANAGEMENT LINE

Board Members and Managing Directors	31
Directors	56
Managers	148
Other	1,262
Total	1,497

In terms of gender, Ascendum's human resources are essentially composed of male employees (84%) and, in terms of qualifications, 36% have completed basic or secondary education, 36% have completed complementary or technical education, and 28% have some level of higher education.

Regarding the distribution of employees by type of role, the After-Sales area is the most significant with 64% of the employees.

Regarding distribution by management line, the Group has 31 Board Members and Managing Directors, 56 Directors and 148 Managers, with the remaining employees distributed between the 4th and 5th lines.

Given the ongoing commitment to training, the plan implemented in 2018 in each of the geographic platforms provided almost 51,000 hours of training, with an average of 35 hours per year per employee. This commitment to training is mainly due to the qualifications required of Ascendum's employees regarding the services provided to end customers, which demand specific and in-depth knowledge of products' specifications and operation.

In 2018 the Group continued the internal Knowledge Management project "Ascendum Academy," which aims to be an internal training centre for the Group on transversal skills, responsible for knowledge management in the whole Group and transversal to its several areas, with the following objectives:

a) improve the integration and engagement of all employees through the digital onboarding platform;

b) foster the development of the leadership skills of all Ascendum leaders (who have at least one person reporting directly to them);

c) ensure the necessary alignment of Customer Service practices across all geographies and stress the crucial role that each employee plays in his/her professional life as a representative of the Ascendum brand.

In 2018, the Leadership and Customer Service development programs were reinforced, though with a more experiential methodology based on case studies, exercises and roleplays tailored to Ascendum's reality. The sessions were organised so that colleagues from different areas of the organisation and different levels of responsibility could share experiences and best practices, thus enriching this activity.

Once again, an effort was made regarding the development of contents and preparation of trainers for these programmes to be implemented across the board in the whole Group.

Also in 2018, the onboarding platform – "*A-Challenge*" was developed so that it could also include the Leadership and Customer Service modules, allowing continuous access to all employees. This aims to promote continuous improvement and the reinforcement of knowledge and skills in these areas through a differentiated tool.

1.4.7. MAIN CONSOLIDATED INDICATORS

KEY PERFORMANCE INDICATORS FIGURES EXPRESSED IN THOUSANDS OF EUROS	2018	2017	Δ (18/17)
Turnover	941,575	907,223	3.8%
EBITDA(1)	78,402	78,051	0.4%
EBIT(2)	46,219	47,817	-3.3%
Net Income with non-controlling interests	24,028	27,663	-13.1%
Net Income margin	2.6%	3.0%	-0.5 pp
Total Assets	577,589	541,471	6.7%
Net Debt(3)	155,774	132,653	17.4%
Equity with non-controlling interests	168,773	156,546	7.8%
Invested Capital(4)	324,547	289,198	12.2%
Return on Equity(5)	14%	18%	-3.4 pp
Equity/Assets(6)	29%	29%	0.3 pp
Return on Capital(7)	14%	17%	-2.3 pp
Number of employees	1,497	1,444	3.7%

(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 BCP
(4) Equity with non-controlling interest and net debt
(5) Ratio between net income with non-controlling interest and equity with non-controlling interest
(6) Ratio between Equity with non-controlling interest and total net Assets as of December, 31st
(7) Ratio between EBIT and invested capital as of December, 31st

In terms of performance, despite the impact of the geopolitical and macroeconomic situation witnessed in Turkey, the Group presented a positive performance that resulted in a turnover of 942 million Euros (growth of 3.8% compared to 2017), an EBITDA of 78 million euros (growth of 0.4% compared to 2017) and a net income of 24 million euros. Had Ascendum's operation in Turkey presented the same results of the previous year, the Group would have presented a turnover of approximately 1 billion euros and a net income of 33 million euros (return on sales of 3.2%), overcoming historical peaks in terms of results.

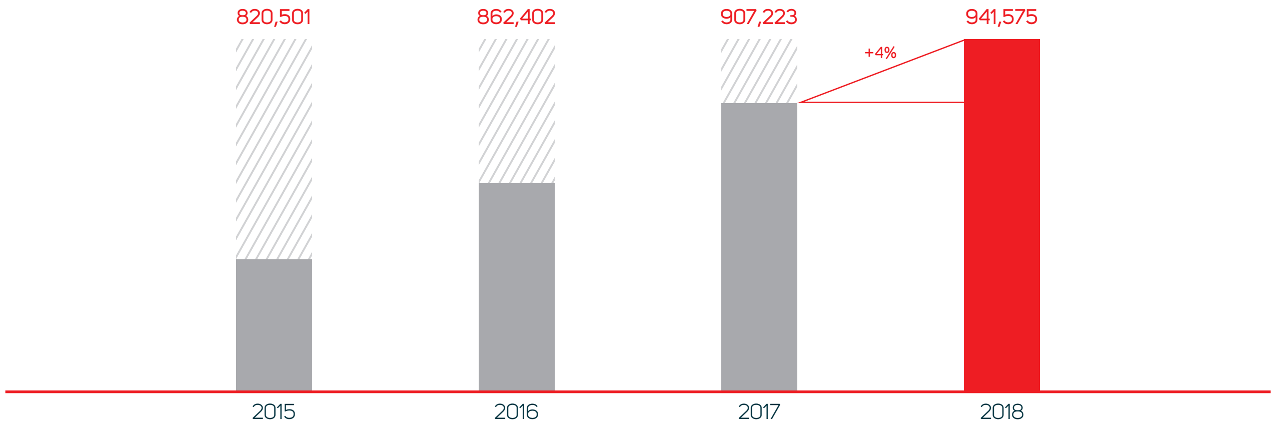
Regarding the financial soundness levels, Ascendum presented, as in previous years, solid solvability ratios translated into a NetDebt/EBITDA ratio of 2.0x and Equity/Assets of 29%, affirming the Group's financial soundness, despite the investment effort made in recent years (due to its internationalisation strategy) and the exposure of the various geographic platforms to macroeconomic and sectoral challenges.

Ascendum's positive performance throughout 2018 results not only from all the efforts made in recent years, related to structural optimisation and the resulting improvement of efficiency levels, but also from the consolidation of its position in the markets in which it operates, namely in the more recent Central European markets. Thanks to the success of its growth strategy, to the diversification of the markets in which it operates, as well as to the sharing of best practices in each of the geographies in which it operates, the Group achieved a remarkable track record of trust and value creation, translated, year after year, into a positive economic and financial performance.

Turnover

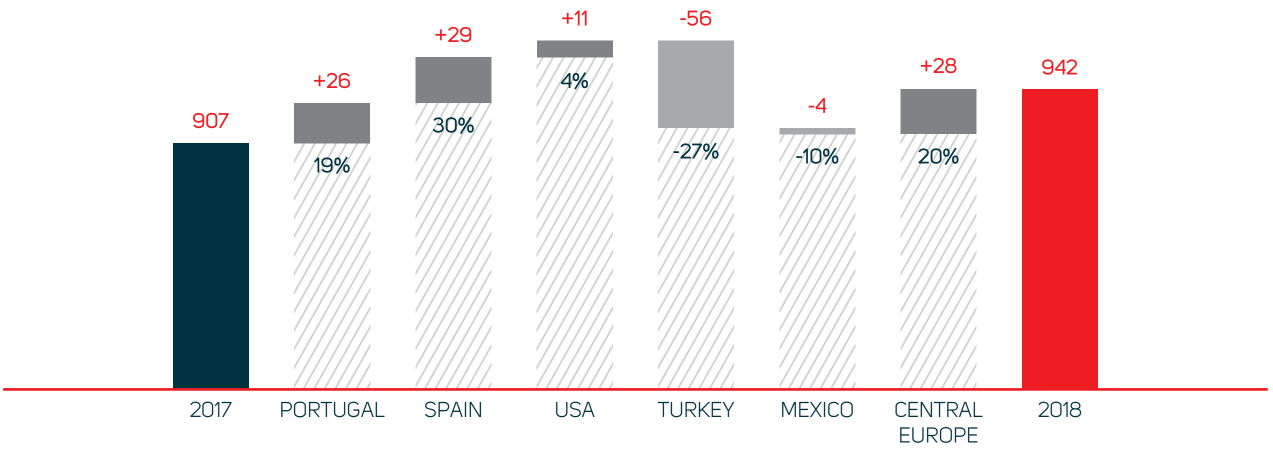
In 2018, Ascendum's turnover increased 4% compared to 2017, to approximately 942 million euros, mainly as a result of the increase in contribution from the operations in Spain, Central Europe and Portugal, compensating the turnover reduction in Turkey.

TURNOVER EVOLUTION



CONTRIBUTION FOR THE TURNOVER GROWTH

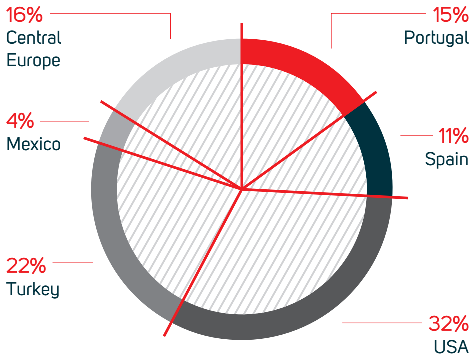
Million euros / % growth when compared to 2017



The relative weight of foreign markets (Spain, USA, Turkey, Mexico and Central Europe) in the Group's consolidated turnover stood at 83% in 2018, the contribution of USA's operation being particularly noteworthy with a relative weight above 30%.

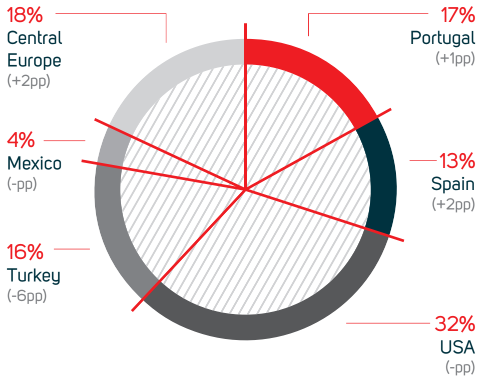
TURNOVER (2017)

907 million euros



TURNOVER (2018)

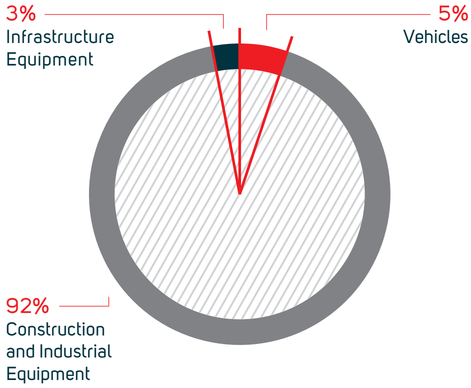
942 million euros



In terms of business areas, the construction and industrial equipment segment slightly decreased its weight compared to 2017 (nevertheless, with an increase in absolute terms of 1% over the same period last year), accounting for 89% of the Group's turnover at the end of 2018, while the Cars & Trucks business area saw its relative weight increase slightly, compared to 2017, to 7% (an increase of 38% in absolute terms compared to the same period last year). The infrastructure equipment segment also saw a slight increase in its share of the Group's turnover, standing at 4% (corresponding to an increase in absolute terms of 23% compared to the previous year).

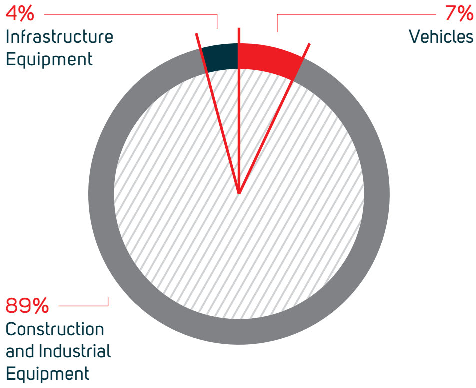
TURNOVER (2017)

907 million euros



TURNOVER (2018)

942 million euros



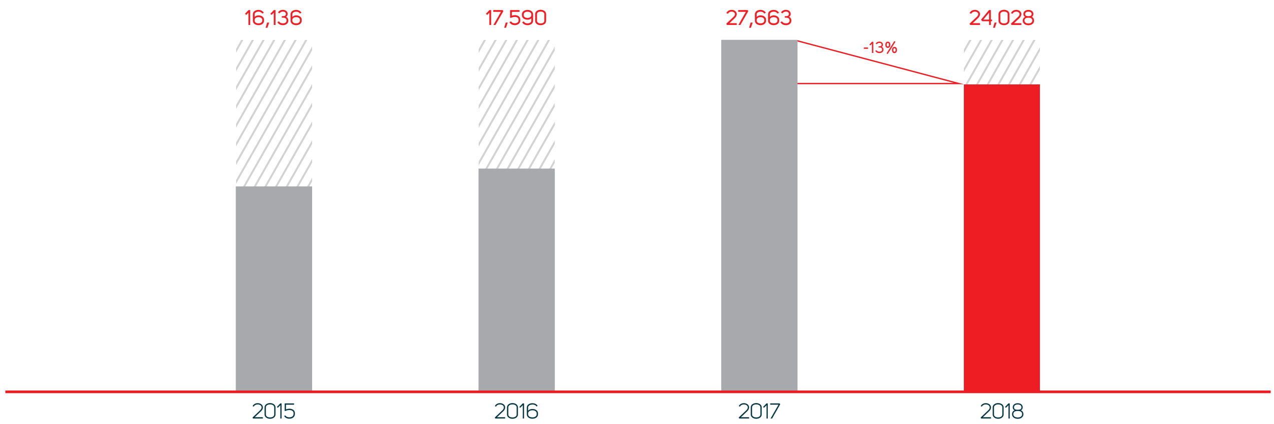
EBITDA

In 2018, Ascendum's EBITDA reached 78.4 million euros, equivalent to 8.3% of the Group's consolidated turnover, corresponding to an increase of 0.4% compared to the 2017 EBITDA. Despite the negative impact of the geopolitical and macroeconomic situation in Turkey, the Group's efforts both at the level of management measures in the Turkish operation and at the level of balance and of economic and financial compensation provided by other geographies (e.g. increase in contributive EBITDA of 57% in Spain and 25% in Central Europe), translated into an improvement in the Group's performance in absolute terms.

Net Income

In 2018, the Group's net income amounted to 24.0 million euros (decrease of around 13.1% compared to 2017), equivalent to 2.6% of consolidated turnover. Such decrease was mainly due to the negative impacts of the geopolitical and macroeconomic situation of Turkey on Ascendum's operation on Turkish soil.

NET INCOME EVOLUTION

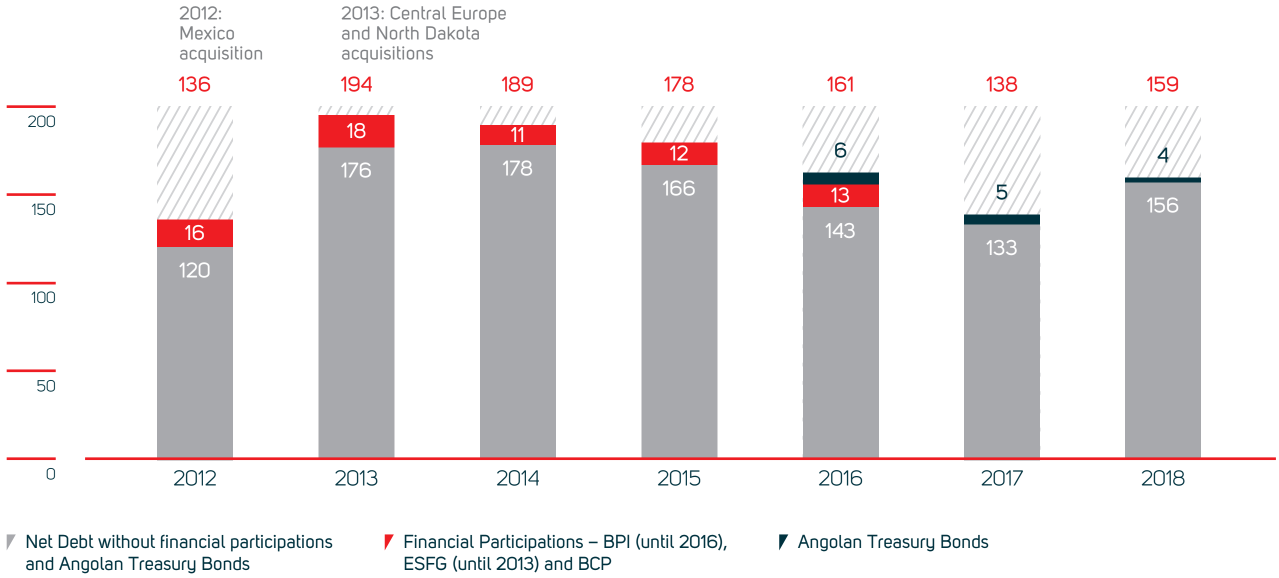


Consolidated Net Debt

As at 31 December 2018, consolidated net debt amounted to 156 million euros, compared to 133 million euros in 2017.

NET DEBT EVOLUTION

Million euros



In turn, consolidated gross debt amounted to EUR 185 million, of which 63% is medium- and long-term debt (equivalent to 117 million euros) and 37% short-term debt (equivalent to 68 million euros).

At the end of the year, the Net Debt/EBITDA ratio was 2.0x (0.3x above the ratio of 2017), while the Equity/Net Debt ratio stood at around 1.1x.

In 2018, the Group continued its efforts to optimise 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 consolidating its position in the markets in which it operates and in the optimisation of the working capital cycle.

Net Assets and Equity

In 2018, Ascendum's Net Assets totalled 578 million euros, representing a decrease in the asset turnover ratio from 1.7x in 2017 to 1.6x in 2018 (increase of the Asset/Turnover ratio from 60% to 61%).

In absolute terms, Ascendum's Net Assets increased by 36 million euros compared to 2017, due mainly to the following variations:

- **Inventories (+ 22 million euros)** – regarding the inventories level, there was an increase in all geographies (except Central Europe) as a result of increased activity in most geographic platforms;

- **Rental Fleet (+8 million euros)** – as regards the net book value of the rental fleet, there was an increase in Spain and Portugal, mainly due to the increase in the rental business segment, which was partially offset by the reduction in the USA, as a result of the effort to optimise and readjust the rental fleet in the United States;

- **Cash and cash equivalents and other financial assets (+ 8 million euros)** – as regards cash and cash equivalents and other financial assets, the increase in the balance sheet in the Statement of Financial Position is mainly due to the adoption of treasury management measures in Turkey, in order to respond and anticipate possible impacts caused by the geopolitical and macroeconomic situation in the country, and increases in Spain and Austria, due to cash surpluses in the course of its activities.

In turn, Equity (with non-controlling interests) amounted to 169 million euros in 2018, representing an increase of 7.8% compared to 2017, equivalent to 12.2 million euros, to which contributed the Net Income produced in 2018 of 24.0 million euros.

CHALLENGING BOUNDARIES.

The passion for what we do forces us to never give up and, supported by innovation, we open doors to new forms of progress that lead us to what we want to be: **one of the world's largest supplier of global machinery solutions for infrastructures, construction, industry, cars and trucks.**

2

ECONOMIC AND FINANCIAL INFORMATION

2.1. MACROECONOMIC CONTEXT

2.1.1. GLOBAL ECONOMY

In 2018, the world economy grew globally in line with the previous year (real Gross Domestic Product growth estimated at 3.7% in 2018), despite some uncertainties related to the international geopolitical situation and the increase in the vulnerabilities of the emerging markets, with greater impact in the second half of the year.

In fact, in the second half of the year, there was some slowdown in the global growth pace, due essentially to (i) the trade dispute between the United States of America (USA) and China – concerning tariffs on goods imported from China by the USA, (ii) USA's economic sanctions on Turkey (e.g. doubling of tariffs on steel and aluminium) and (iii) maintenance of uncertainties regarding the *Brexit* process.

Concerning the advanced economies, it is estimated a slight acceleration compared to the behaviour observed in 2017. According to the latest forecasts, GDP growth in the advanced economies is expected to reach 2.4% (2.3% in 2017), highlighting the positive contribution of USA's economy (GDP growth of 2.9% in 2018 against 2.2% in 2017), despite a potential slowdown in the fourth quarter of the year. On the other hand, in 2018 economic growth is expected to slow down in the Euro Zone compared to 2017, with a GDP estimated growth of 2.0% (1.8% according to the most recent estimates), when in the previous year growth was 2.4%.

From the point of view of global trade, 2018 is also characterised by a higher than expected slowdown, causing a drop in industrial activity. Uncertainty regarding trade policies (namely concerning the development of the trade dispute between the USA and China) remained high, penalising global trade and investment.

As for the financial markets, financing costs in emerging countries have been slightly aggravated, due mainly to (i) the appreciation of the US dollar against their currencies, (ii) investors' risk aversion, and (iii) increased vulnerability of the economies of some of the countries (e.g. Turkey, Argentina, etc.). The year is also marked by the strong devaluation of the Turkish Lira (around 33.3% against the Euro), with a sharp drop since August (68% compared to the end of 2017), as a consequence of USA's economic sanctions.

Regarding commodities, the behaviour of fuel prices, namely the price of the oil barrel, proved to be extremely volatile in the second half of 2018, mainly due to export-related factors (fears of an oversized supply related to the impacts of USA's sanctions on Iran and increased production by the USA), leading to a sharp drop at the end of the year. Regarding the price of other commodities, particularly metal, there was also a drop in prices, showing concern over the effects of tariffs on growth and global trade.

MACROECONOMIC INDICATORS	WORLD	CHINA	JAPAN	EURO ZONE	PORTUGAL	SPAIN	USA	TURKEY	MEXICO	AUSTRIA	THE CZECH REP.	CROATIA	HUNGARY	ROMANIA
Total population														
2018E (millions of people)	7,530	1,397	126	341	10	46	328	82	125	9	11	4	10	20
CAGR (18E-22E)	n.a	0.4%	-0.4%	n.a	-0.3%	-0.1%	0.6%	1.2%	0.9%	0.7%	0.1%	-0.7%	-0.3%	0.0%
Gross Domestic Product														
2018E – nominal (B USD)	84,835	13,457	5,071	13,738	238	1,437	20,513	714	1,199	459	245	60	156	239
Real growth rate (17-18E)	3.7%	6.6%	1.1%	2.0%	2.3%	2.7%	2.9%	3.5%	2.2%	2.8%	3.1%	2.8%	4.0%	4.0%
CAGR (13-18E)	3.6%	6.9%	1.1%	2.0%	1.9%	2.8%	2.4%	5.1%	2.6%	1.8%	3.6%	2.3%	3.6%	4.6%
CAGR (18E-22E)	3.6%	6.0%	0.6%	1.6%	1.5%	1.9%	1.9%	1.8%	2.8%	1.6%	2.7%	2.4%	2.6%	3.3%
Other Indicators (2018E)														
Inflation	3.8%	2.2%	1.2%	1.7%	1.7%	1.8%	2.4%	15.0%	4.8%	2.0%	2.3%	1.6%	2.8%	4.7%
GFCF – real growth rate (17-18E)	n.a	n.a	2.5%	2.6%	9.2%	4.8%	4.0%	7.8%	-1.5%	3.9%	3.3%	3.8%	18.2%	4.7%
Unemployment rate	n.a	4.0%	2.9%	8.3%	7.0%	15.6%	3.8%	11.0%	3.5%	5.2%	2.5%	12.0%	3.9%	4.7%
Gross Public Debt (% of GDP)	n.a	50.1%	238.2%	84.4%	120.8%	97.2%	106.1%	32.3%	53.8%	74.2%	33.2%	74.2%	71.3%	37.2%
CIT (or equivalent)	24%	25%	31%	21.3%	21%	25%	27%	22%	30%	25%	19%	18%	9%	16%
VAT (or equivalent)	15%	17%	8%	21.5%	23%	21%	n.a.	18%	16%	20%	21%	25%	27%	19%
Central Bank Ref. Rate 31-Dec	n.a	4.35%	-0.10%	0.00%	0.00%	0.00%	2.50%	24.00%	8.25%	0.00%	1.75%	2.50%	0.90%	2.50%

Sources: World Bank, IMF (Economic Outlook – October 2018), AMECO, KPMG and Central Banks (respective reference interest rates).

Concerning the Euro Zone's macroeconomic scenario, 2018 is marked by a slowdown in economic growth, with an estimated GDP growth of 2.0% (1.8% in most recent forecasts) against 2.4% recorded in 2017, due to a reduction in external demand. Notwithstanding this slowdown, 2018 is still marked by the fact that it reached the lowest unemployment rate since the end of 2008 (8.3%). At the end of the year, the European Central Bank's Programme for the Acquisition of Financial Assets was also completed after a period of exposure reduction between 2017 and 2018 (from 80 billion euros to 60 billion euros in April 2017, to 30 billion euros in January 2018 and to 15 billion euros in October 2018). Due to the maintenance of interest rates at historically low levels and the favourable conditions of access to bank financing, there was growth, albeit moderate, of credit to the private sector, thus contributing to the momentum in private spending. Given the current conditions, it is expected that the levels of private consumption, as well as of residential investment, will be maintained. With regard to annual inflation, as a result of the general fall in energy prices, in particular the price of oil at the end of 2018, inflation is expected to reach 1.6% in December 2018.

In 2019, economic growth in the Euro Zone should occur at a moderate pace, continuing 2018's pace of growth. However, 2019 presents elements of instability for the countries of the Euro Zone, with emphasis on (i) the persistence of uncertainties regarding the final terms of the *Brexit*, (ii) the existence of uncertainties regarding the state of the Italian economy and possible impacts upon the remaining economies, (iii) the need to make adjustments in the private sector, particularly in the banking system, and (iv) the continuation of the policy to reduce public indebtedness in several Euro Zone countries.

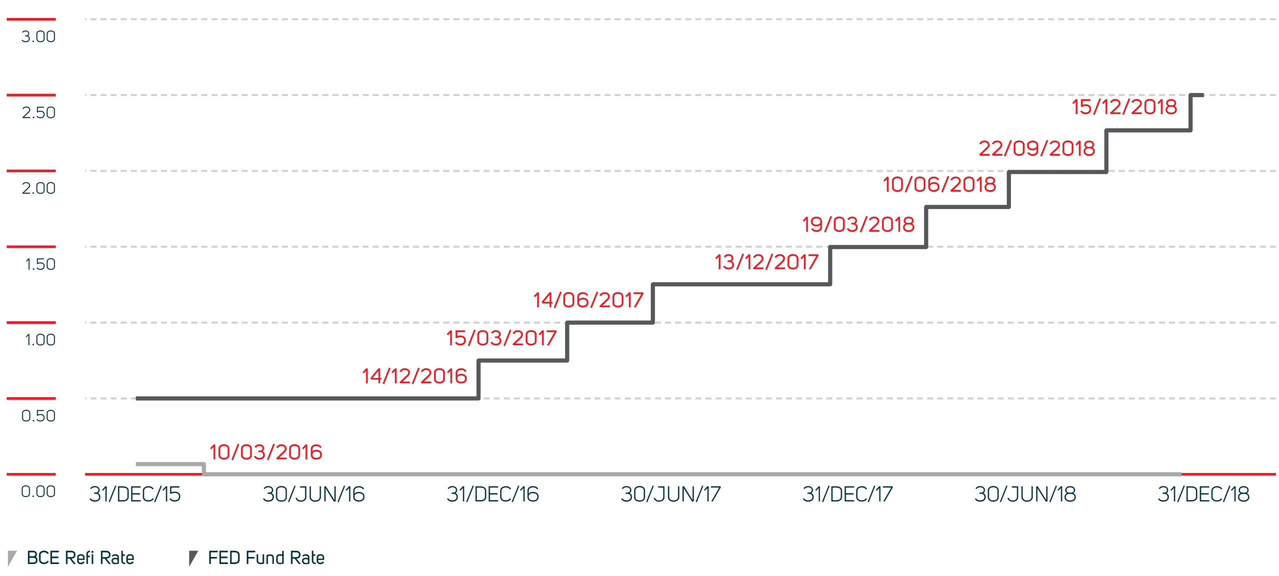
Regarding the United States, economic activity accelerated once again in 2018, despite some slowdown in the latter part of the year. According to the forecast by the International Monetary Fund (Economic Outlook – October 2018), GDP growth projected for 2018 is expected to be 2.9%, surpassing the 2.2% of 2017.

In advanced economies, Central Banks are starting to normalise monetary policies, albeit to different degrees. The European Central Bank (ECB) has maintained its interest rate for major refinancing operations at 0.0% (the lowest ever and which has been in effect since March 2016), having also terminated the asset purchase programme in 2018. In turn, the U.S. Federal Reserve continued the standardisation process of its monetary policy.

After the 3 increases made in 2017, there were 4 new hikes in the benchmark rate in 2018, increasing from 1.5% at the beginning of the year to 2.5%.

EVOLUTION OF ECB AND US FEDERAL RESERVE REFERENCE INTEREST RATES

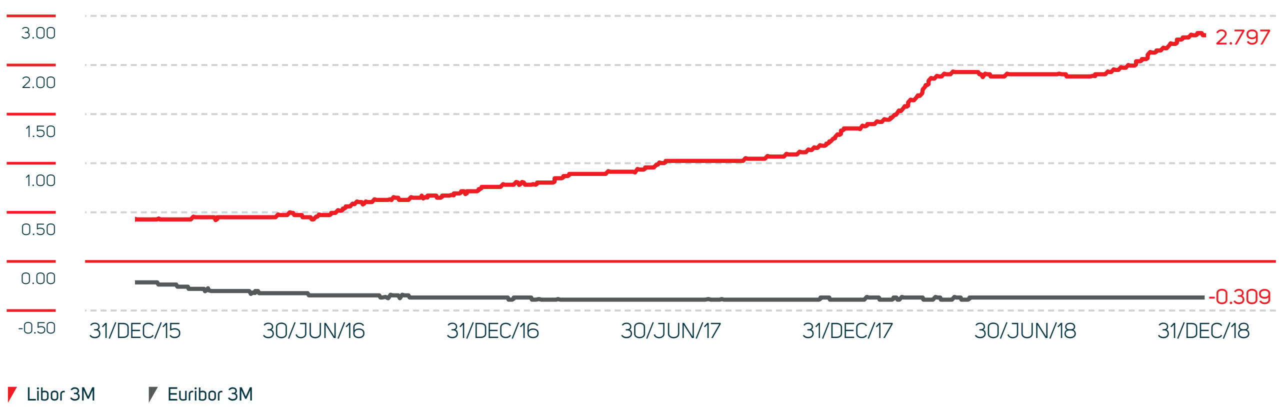
Percentage points



Source: Bloomberg

EVOLUTION OF EURIBOR 3M AND LIBOR 3M INTEREST RATES

Percentage points



Source: Bloomberg

EURIBOR 3M	2016	2017	2018
Maximum	-0.131	-0.318	-0.309
Average	-0.264	-0.329	-0.322
Minimum	-0.319	-0.332	-0.329
Close	-0.319	-0.329	-0.309

LIBOR 3M (%)	2016	2017	2018
Maximum	0.998	1.695	2.824
Average	0.744	1.264	2.311
Minimum	0.612	0.998	1.694
Close	0.998	1.694	2.797

In terms of developments in the foreign exchange market in the markets in which Ascendum operates, in 2018, the overall trend was of appreciation of the Euro against the currencies of emerging markets, having depreciated against the USD, MXN and MZN.

EXCHANGE RATES (YEAR-END)	2017	2018	Δ (18/17)
EUR/USD	1.199	1.145	-4.5%
EUR/TRY	4.546	6.059	33.3%
EUR/MXN	23.661	22.492	-4.9%
EUR/CZK	25.535	25.724	0.7%
EUR/HUF	310.330	320.980	3.4%
EUR/RON	4.659	4.664	0.1%
EUR/AOA	185.400	353.016	90.4%
EUR/MZN	70.700	70.250	-0.6%

2.1.2. PORTUGAL

In 2018, the Portuguese economy once again experienced a positive performance, though at a slower pace compared to 2017 (2.3% in 2018 versus 2.8% in 2017 – 2017 recorded the biggest increase since 2010). This deceleration is mainly explained by the investment and export growth rate, which was lower than the same period of the previous year, despite having remained at high levels (4% and 7%, respectively). The export level, followed by private consumption and investment, contributed to such economic growth. Regarding private and public consumption, the trend was of higher growth when compared to previous periods. An important contribution to the economic growth of 2018 comes from the increase in investment, albeit at a more moderate pace, with an increase in gross fixed capital formation of 4.4%. In terms of foreign trade, the gap between imports and exports decreased, mainly as a result of lower imports growth (growth of 6.8% in 2018, -1.0 p.p. comparing to the growth rate of 2017) compared to exports (growth of 6.5% in 2018, -0.8 p.p. than the previous year's rate).

The outlook for 2019 remains favourable although the pace of expected growth is lower than that of 2018. This deceleration results from the expectation of a slowdown in world trade as a result of the trade disputes and tensions associated with protectionist policies.

In terms of price evolution, the estimated inflation rate for 2018 should be of around 1.7% (+0.1 p.p. of the value recorded in 2017), reflecting the scenario of growing pressure originated by wage costs.

Regarding the evolution of employment levels in Portugal, 2018 once again recorded a reduction in unemployment. The unemployment rate fell for the fifth consecutive year (reduction of 1.9 p.p., after falling 2.2 p.p. in 2017, 1.3 p.p. in 2016, 1.5 p.p. in 2015 and 2.3 p.p. in 2014), placing it below the European average.

In terms of the level of indebtedness of the Portuguese economy, there was again a reduction of 4.9 p.p. compared to 2017 levels, standing at 120.8% of GDP. It should be noted that, since June 2017, Portugal is no longer in the Excessive Deficit Procedure.

PORTUGAL – REAL GROWTH RATES (%)	2013	2014	2015	2016	2017	2018E
GDP	-1.1%	0.9%	1.8%	1.6%	2.7%	2.3%
Private consumption	-1.2%	2.3%	2.3%	2.4%	2.3%	2.3%
Public consumption	-2.0%	-0.5%	1.3%	0.8%	0.2%	0.9%
Gross Fixed Capital Formation	-5.1%	2.3%	5.8%	2.3%	9.2%	4.4%
GFCF – Construction	-12.1%	-3.7%	5.1%	-1.5%	8.3%	3.2%
Exports	13.3%	4.7%	6.1%	4.3%	7.3%	6.5%
Imports	8.4%	7.7%	8.0%	4.5%	7.8%	6.8%
Inflation (HICP)	0.4%	-0.2%	0.5%	0.6%	1.6%	1.7%
Unemployment rate (% active pop.)	16.2%	13.9%	12.4%	11.1%	8.9%	7.0%
Gross Public Debt (% of GDP)	129.0%	130.6%	128.8%	129.9%	125.7%	120.8%

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

Reversing the trend observed in 2017, the spread (difference between yields) of Portuguese 10-year government bonds compared to German public debt recorded an increase during 2018, despite the fact that record lows were reached during this period.

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

Percentage points

Source: Investing.com

2018 is also marked by the review of the ratings by Moody's, following the trend recorded in 2017 by S&P and Fitch, raising the Portuguese sovereign debt rating to Baa3, removing Portugal from the Non-investment grade recommendations:

BEGINNING OF 2018

MOODY'S	S&P	FITCH
Ba1	BBB-	BBB

CHANGES

MOODY'S	CHANGE DATE	S&P	CHANGE DATE	FITCH	CHANGE DATE
Baa3	12/Oct/18	-	-	-	-

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

2.1.3. SPAIN

Following the deceleration trend recorded in the world economy, Spain's GDP growth suffered a slowdown in 2018, reaching 2.7% (2.5%, according to more recent estimates) compared to the same period in the previous year. According to IMF's estimate, Spanish GDP growth was mainly driven by the performance of private consumption, which contributed positively despite its slowdown (growth of 2.3%, 0.2 p.p. below the growth rate of 2017) and to investment measured by gross fixed capital formation, which grew 0.6 p.p. compared to 2017, recording a growth rate of 5.4% (against 4.8% in 2017). After the acceleration recorded in 2017 compared to 2016, gross fixed capital formation in the construction sector increased again compared to the previous year, reaching 5.8% (against 4.6% in 2017).

Net external demand also contributed positively to GDP growth, with a new increase in the gap between imports and exports. Exports grew 2.1% in 2018 (3.1 p.p. below the growth in 2017), while imports grew at a 2.6% rate (3.0 p.p. compared to the growth rate in 2017).

Regarding the outlook for 2019, the economic growth trend which started in 2014 is expected to continue, but at a slower pace. This growth will be mainly leveraged by domestic demand, supported by low levels of interest rates and the strong increase expected in employment. Notwithstanding this positive sentiment, the political situation and uncertainty in Spain, in particular regarding the State Budget for 2019, the election of a new Government and the political situation in Catalonia, are factors that could have an impact on the development of the Spanish economy.

In terms of price developments, the inflation rate in 2018 will maintain the positive trend and is expected to reach 1.8% in 2018 against 2.0% in 2017.

With regard to the evolution of employment levels in Spain, the unemployment rate decreased once again (reduction of 1.6 p.p. in 2018).

As for public finances, the level of public indebtedness recorded a slight decrease in terms of percentage of GDP of 1.2 p.p. from 2017 to 2018, thus remaining, again, at levels below 100% of GDP.

SPAIN – REAL GROWTH RATES (%)	2013	2014	2015	2016	2017	2018E
GDP	-1.7%	1.4%	3.6%	3.2%	3.0%	2.7%
Private consumption	-3.1%	1.5%	3.0%	2.9%	2.5%	2.3%
Public consumption	-2.1%	-0.3%	2.0%	1.0%	1.9%	1.9%
Gross Fixed Capital Formation	-3.4%	4.7%	6.7%	2.9%	4.8%	5.4%
GFCF – Construction	-8.6%	4.2%	3.6%	1.1%	4.6%	5.8%
Exports	4.3%	4.3%	4.2%	5.2%	5.2%	2.1%
Imports	-0.5%	6.6%	5.4%	2.9%	5.6%	2.6%
Inflation (HICP)	1.4%	-0.1%	-0.5%	-0.2%	2.0%	1.8%
Unemployment rate (% active pop.)	26.1%	24.4%	22.1%	19.6%	17.2%	15.6%
Gross Public Debt (% of GDP)	95.5%	100.4%	99.4%	99.0%	98.4%	97.2%

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

Political instability due to problems of corruption within the Spanish People's Party (at that time the governing party) marked the political agenda of 2018, and even led to the downfall of the government led by Mariano Rajoy in early June 2018. This process had a negative impact on the 10-year Spanish sovereign debt risk premium, as measured by the spread (difference between yields) compared to the German public debt, reversing the recovery movement recorded in early 2018.

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

Percentage points

Source: Bloomberg

Despite the political instability felt, the main world rating agencies improved the Spanish public debt rating in 2018:

BEGINNING OF 2018

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

CHANGES

MOODY'S	CHANGE DATE	S&P	CHANGE DATE	FITCH	CHANGE DATE
Baa1	13/apr/18	A-	23/may/18	A-	19/jan/18

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

2.1.4. USA

According to IMF estimate, the U.S. economy once again recorded a positive growth rate in 2018. GDP grew 2.9%, representing an increase of 0.7 p.p. compared to the growth of the previous year. The 2.6% (about 0.1 p.p. above the growth rate of 2017) increase in private consumption contributed largely to such economic growth. Public consumption increased again, recording a growth rate of 1.5%, thus reversing the negative trend recorded in 2017. Gross fixed capital formation also performed positively, having increased compared to the previous year, with growth of 4.9%, especially highlighting the positive contribution of the construction sector, where investment grew by 3.2% compared to the 2017 levels (representing a 0.9 p.p. increase). Concerning foreign trade, there was a deceleration of imports by 0.1 p.p., i.e., from 4.6% in 2017 to 4.5% in 2018, and a new improvement in exports, which recorded a growth rate of 3.3% (0.3 p.p. above the growth rate of 2017).

Regarding the outlook for 2019, the U.S. economy should continue the positive performance recorded in recent years, but at a slower pace. Domestic demand will once again represent the main economic driver, supported by the soundness of the labour market. The effect of the fiscal stimuli introduced in 2017 and 2018 is expected to continue, though less markedly. Notwithstanding the introduction of commercial tariffs, imports are expected to remain high as a result of the strong investment growth.

In terms of price evolution, the inflation rate in 2018 must be of around 2.4%, thus representing an increase of 0.3 p.p. compared to the previous year. This revival of inflation mainly results from the continued recovery of the labour market and from the inflationary pressure on wages, and the sluggish recovery of raw material and energy prices.

With regard to the evolution of employment levels in the USA, the unemployment rate fell 0.6 p.p. to 3.8% in 2018, the lowest unemployment rate in the last 10 years.

In terms of economic indebtedness, public debt levels once again did not accompany the positive trend of economic activity, recording a new increase in gross public debt (as a percentage of GDP) of 0.9 p.p. to 106.1%.

USA – REAL GROWTH RATES (%)	2013	2014	2015	2016	2017	2018E
GDP	1.8%	2.5%	2.9%	1.6%	2.2%	2.9%
Private consumption	1.5%	2.9%	3.7%	2.7%	2.5%	2.6%
Public consumption	-1.9%	-0.8%	1.7%	1.5%	-0.1%	1.5%
Gross Fixed Capital Formation	3.6%	4.9%	3.3%	1.7%	4.0%	4.9%
GFCF – Construction	3.6%	5.5%	3.6%	1.0%	2.3%	3.2%
Exports	3.6%	4.3%	0.6%	-0.1%	3.0%	3.3%
Imports	1.5%	5.1%	5.5%	1.9%	4.6%	4.5%
Inflation (HICP)	1.5%	1.6%	0.1%	1.3%	2.1%	2.4%
Unemployment rate (% active pop.)	7.4%	6.2%	5.3%	4.9%	4.4%	3.8%
Gross Public Debt (% of GDP)	104.9%	104.6%	104.8%	106.8%	105.2%	106.1%

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

Based on the macroeconomic indicators presented in 2018, the financing conditions of the U.S. economy deteriorated, as a result of the increase of almost 28 basis points in the yield of USA's 10-year government bonds. US Dollar-denominated interest rates (Libor) also increased during 2018, 90 to 110 basis points on average. Notwithstanding the increase in the implicit risk of the United States' 10-year government debt, there was no change in the ratings of the main global agencies, with only S&P not assigning the highest rating to the U.S. public debt.

RATINGS 2018

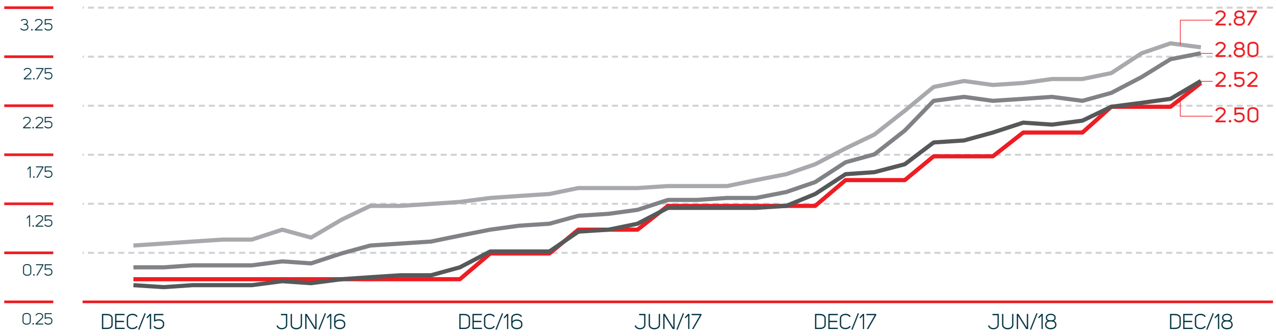
MOODY'S	S&P	FITCH
Aaa	AA+	AAA

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

As for U.S. monetary policy, the Federal Reserve performed 4 new hikes in the benchmark rate, increasing from 1.5% at the beginning of the year to 2.5%. This increase in the interest rate reinforced the monetary normalisation policy initiated in 2014, when stimuli were pulled back and the monthly rate of asset purchases decreased. Libor interest rates showed a strong upward trend throughout the year as the increase in the benchmark interest rate became increasingly evident.

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

Percentage points



FED Fund Rate   Libor 1M   Libor 3M   Libor 6M

Source: Bloomberg

2.1.5. TURKEY

After several years recording strong growth rates, 2018 was marked by the deceleration of the Turkish economy, with a GDP growth rate of 3.5% (3.9 percentage points below year-on-year growth), to which contributed the economic sanctions applied by the USA to Turkey (e.g. doubling of tariffs on steel and aluminium), leading to the abrupt devaluation of the Turkish Lira in August 2018 (a depreciation of 33.3% compared to the EUR/TRY closing prices of 2017 and 2018). This deceleration happened mainly in the second half of the year, reflecting capital outflows in response to accelerating inflation, a noticeable delay in the implementation of budgetary restriction measures and the increase in private sector debt.

At the same time, in 2018, Turkey accumulated a significant current account deficit, as well as a high amount of debt denominated in foreign currency, which jointly with the increased feeling of mistrust by investors contributed also to the overall vulnerability in terms of growth.

All these factors led to a more moderate behaviour of the Turkish economy, leading to the deceleration of public and private consumption, which are estimated to grow around 5.3% and 2.3% in 2018, respectively, against 5.0% and 6.1% in 2017. There was also a deceleration in exports, which decreased about 4.9 p.p. compared to the growth rate in 2017, reaching 7.4% in 2018 versus 12.3% in 2017. On the other hand, imports shrank, recording a negative growth rate of about 2.7% compared to the positive 8.9% reached in 2017, to which contributed the devaluation of the Turkish currency. Investment (measured by gross fixed capital formation) also recorded a deceleration of 4.6 percentage points year-on-year (3.2% in 2018 versus 7.8% in 2017), and the Construction Sector also showed deceleration of around 5.5 percentage points, compared to the 2017 growth rate (2.6% in 2018 versus 8.1% in 2017).

In terms of outlook for 2019, according to IMF forecasts, a further deceleration in the growth of the Turkish economy is expected, with GDP expected to reach a 0.4% growth rate, although forecasts for 2020 are more optimistic, with a new acceleration of GDP growth expected to be about 2.6%. The effects of the country's new economic plan and the fiscal policies adopted should give the necessary guarantees to restore confidence in the country's economy and re-launch it to high levels of growth.

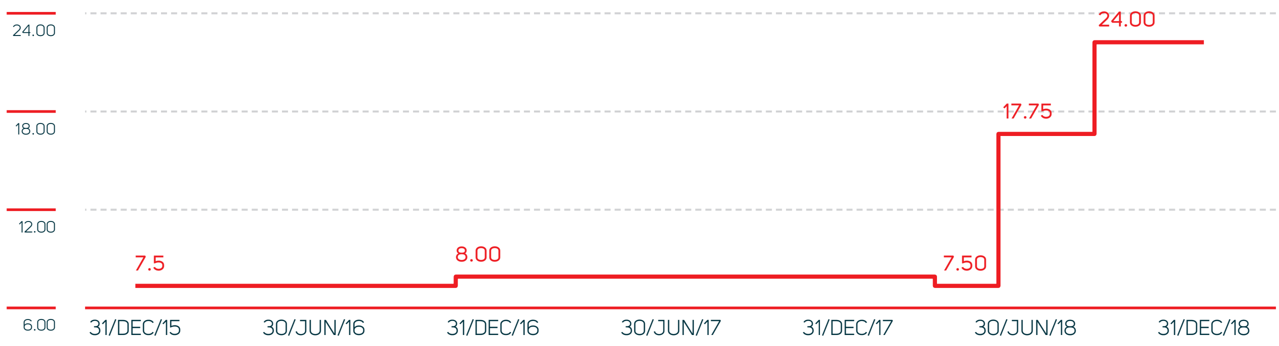
In terms of price evolution, the 15% growth in 2018 represents a variation of 4.9 percentage points over the 2017 rate. Concerning the evolution of employment levels in Turkey, there was a further increase of 0.1 p.p. of the unemployment rate to 11.0%. As for public finances, Turkish public debt also increased 4 percentage points during 2018, from 28.3% to 32.3% of GDP.

TURKEY – REAL GROWTH RATES (%)	2013	2014	2015	2016	2017	2018E
GDP	8.5%	5.2%	6.1%	3.2%	7.4%	3.5%
Private consumption	7.9%	3.0%	5.4%	3.7%	6.1%	2.3%
Public consumption	8.0%	3.1%	3.9%	9.5%	5.0%	5.3%
Gross Fixed Capital Formation	13.8%	5.1%	9.3%	2.2%	7.8%	3.2%
GFCF – Construction	-1.3%	9.4%	8.6%	7.7%	8.1%	2.6%
Exports	1.3%	7.3%	1.7%	-1.2%	12.3%	7.4%
Imports	8.6%	-0.4%	1.2%	4.7%	8.9%	-2.7%
Inflation (HICP)	7.5%	8.9%	7.7%	7.8%	11.1%	15.0%
Unemployment rate (% active pop.)	9.0%	9.9%	10.3%	10.9%	10.9%	11.0%
Gross Public Debt (% of GDP)	31.4%	28.8%	27.6%	28.3%	28.3%	32.3%

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

EVOLUTION OF CENTRAL BANK OF TURKEY REFERENCE INTEREST RATE

Percentage points



Source: Global-rates.com

Regarding the rating assigned to Turkish sovereign debt, as a result of the severe exchange crisis that hit the country as of mid-August, the three main credit rating agencies lowered the rating, that was already in non-investment grade.

BEGINNING OF 2018		
MOODY'S	S&P	FITCH
Ba1	BB	BB+

CHANGES					
MOODY'S	CHANGE DATE	S&P	CHANGE DATE	FITCH	CHANGE DATE
Ba3	17/Aug/18	B+	17/Aug/18	BB	13/Jul/18

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

2.1.6. MEXICO

In 2018, there was a new expansion of the Mexican economy, with GDP increasing 2.2%, according to IMF's estimate (representing an acceleration of 0.2 percentage points compared to the growth rate in 2017). Notwithstanding the deceleration of private consumption (1.0 p.p. below the growth rate of the previous year), investment growth, measured by gross fixed capital formation (increased 0.7% in 2018, reversing the negative trend of the growth rate recorded in 2017 of -1.5%), played a significant role in increasing the GDP growth rate in 2018, compared to the growth recorded in 2017. From a foreign trade standpoint, there was an increase in exports, which surpassed the growth of imports which, in 2018, showed some deceleration. In 2018, exports recorded an increase of 0.9 p.p. compared to 2017, and are expected to reach 4.7% in 2018, while imports showed a more modest performance, presenting a reduction in growth of around 2.1 p.p. from 6.5% in 2017 to 4.4% in 2018.

From a political point of view, in 2018, the election of the new President of Mexico, Andrés Manuel López Obrador, stands out with more than 53% of the votes as candidate of a progressive left-wing coalition, increasing the level of uncertainty regarding the evolution of the new government's policies, in particular regarding the public investment and budgetary control plan.

Regarding 2019, the ratification of the new agreement between the United States of America, Mexico and Canada (USMCA – United States-Mexico-Canada), which will replace the previous NAFTA (North American Free Trade Agreement) and which, after its entry into force, should unblock some of the private investment projects which are suspended as a result of the current uncertainty, is awaited with much expectation. Notwithstanding these uncertainties, the Mexican economy is expected to continue to expand, the positive effect resulting from the fiscal reform implemented and the control of the inflation rate through the interest rate change policy being extremely relevant for this objective.

In terms of price evolution, the inflation rate in 2018 decreased 1.2 percentage points having reached 4.8%.

Concerning the evolution of employment levels in Mexico, there was an increase of 0.1 p.p. of the unemployment rate to 3.5%, having reversed the decrease trends of the previous years.

As for the indebtedness of the economy, gross public debt (as a percentage of GDP) decreased 0.5 p.p. from 54.3% in 2017 to 53.8% in 2018.

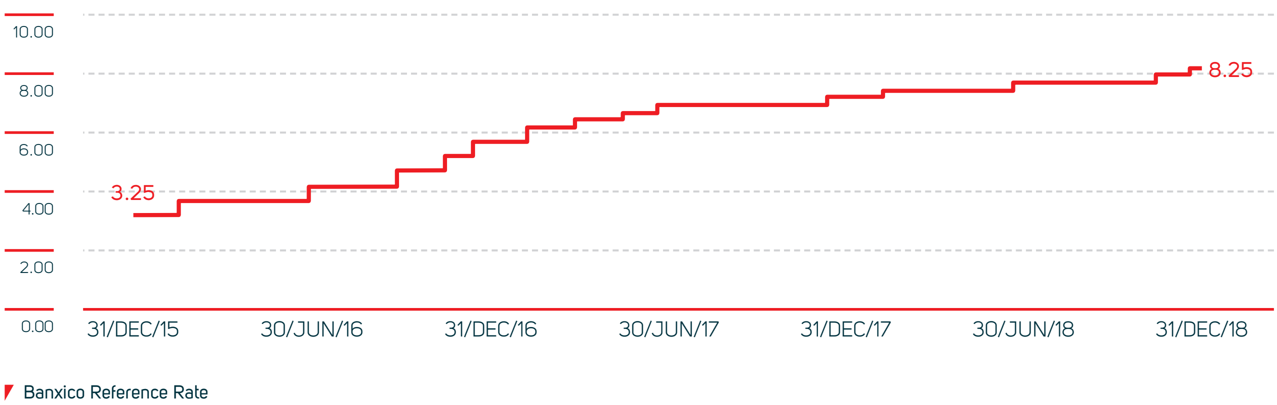
MEXICO – REAL GROWTH RATES (%)	2013	2014	2015	2016	2017	2018E
GDP	1.4%	2.8%	3.3%	2.9%	2.0%	2.2%
Private consumption	1.8%	2.1%	3.4%	3.7%	3.3%	2.3%
Public consumption	0.5%	2.9%	1.9%	2.4%	0.1%	0.6%
Gross Fixed Capital Formation	-3.4%	3.1%	5.0%	1.1%	-1.5%	0.7%
GFCF – Construction	-5.4%	2.2%	1.5%	3.7%	-1.5%	0.2%
Exports	1.4%	7.0%	8.4%	3.5%	3.8%	4.7%
Imports	2.1%	5.9%	5.9%	2.9%	6.5%	4.4%
Inflation (HICP)	3.8%	4.0%	2.7%	2.8%	6.0%	4.8%
Unemployment rate (% active pop.)	4.9%	4.8%	4.3%	3.9%	3.4%	3.5%
Gross Public Debt (% of GDP)	45.9%	48.9%	52.8%	56.8%	54.3%	53.8%

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

In terms of monetary policy, the Central Bank of Mexico continued the trend of 2017, increasing the interest rate several times throughout 2018. The benchmark rate, which closed at 7.25% in 2017, stood at 8.25% in December 2018.

EVOLUTION OF CENTRAL BANK OF MEXICO REFERENCE INTEREST RATE

Percentage points



Source: Bloomberg

In terms of the rating assigned to Mexican sovereign debt, the main global rating agencies maintained their classification in 2018, all of them considering Mexican sovereign debt investment grade.

RATINGS 2018

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

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

2.1.7. AUSTRIA

The Austrian economy grew again in 2018, increasing 2.8% year-on-year, consolidating the expansion recorded in previous years, though at a slower pace than in 2017 (about 0.2 p.p. below the GDP growth rate of 2017). This deceleration of the economic growth rate was largely due to the deceleration in investment (measured by the level of Gross Fixed Capital Formation), decreasing from 3.9% in 2017 to 3.4% in 2018, while recording a substantial deceleration of investment in the construction sector (3.2% in 2018 versus 8.3% in 2017). In terms of foreign trade, there was a drop in the rate of exports growth, which decreased 1.5 p.p. compared to that recorded in 2017 (it is expected to reach 4.1% in 2018). Imports presented a stronger drop in growth, decreasing 2.3 p.p. compared to the same period of the previous year, and it is expected to reach 3.4% in 2018.

The GDP growth trajectory is expected to continue in 2019, however, at a slower pace, essentially as a result of the slowdown in investment and consumption, both public and private. There may be a drop in the unemployment rate of 0.1 p.p. below the 2018 estimate (5.1% in 2019 versus 5.2% in 2018).).

As for price evolution, the inflation rate decreased 0.2 p.p. compared to the rate recorded in 2017 and is expected to reach 2.0% in 2018.

Concerning public finances, Austria's public debt decreased again as a percentage of GDP, falling from 78.6% in 2017 to 74.2% in 2018, confirming the reversal of the upward trend seen in previous years following the restructuring of a national financial institution.

AUSTRIA – REAL GROWTH RATES (%)	2013	2014	2015	2016	2017	2018E
GDP	0.0%	0.8%	1.1%	1.5%	3.0%	2.8%
Private consumption	-0.1%	0.3%	0.4%	1.4%	1.4%	1.8%
Public consumption	0.8%	0.8%	0.8%	1.8%	1.5%	1.2%
Gross Fixed Capital Formation	1.6%	-0.4%	2.3%	4.3%	3.9%	3.4%
GFCF – Construction	-12.1%	-3.7%	5.1%	-1.5%	8.3%	3.2%
Exports	0.6%	3.0%	3.1%	1.9%	5.6%	4.1%
Imports	0.7%	2.9%	3.1%	3.1%	5.7%	3.4%
Inflation (HICP)	2.1%	1.5%	0.8%	1.0%	2.2%	2.0%
Unemployment rate (% active pop.)	5.4%	5.6%	5.7%	6.0%	5.5%	5.2%
Gross Public Debt (% of GDP)	81.0%	83.8%	84.3%	83.6%	78.6%	74.2%

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

In terms of the rating assigned to Austrian sovereign debt, the three major agencies made no changes during 2018, thus maintaining the investment grade rating to Austrian sovereign debt.

RATINGS 2018

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

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

2.1.8. THE CZECH REPUBLIC

2018 reinforces the path of economic growth followed since 2014, with The Czech Republic's GDP increasing 3.1% according to IMF estimates (representing a 1.2 p.p. deceleration against GDP recorded in 2017). The increase in private and public consumption, by 3.7% and 2.7% respectively, largely contributed to economic growth, as did the acceleration in the investment behaviour's growth rate of companies, public administration and families, which recorded a 4.5 p.p. increase compared to the value recorded in 2017, ending 2018 at 7.8%. Regarding the trade balance, there was an increase in both exports and imports, albeit at different rates, leading to an increase in the net balance verified in 2018. Exports in 2018 reached a 3.8% growth year-on-year, translated into a reduction of 2.9 p.p., while imports decreased 0.2 p.p., from 6.0% in 2017 to 5.7% in 2018.

Regarding the outlook for 2019, The Czech Republic is expected to continue the expansion of economic activity observed since 2014, but the pace is expected to slow down compared to the estimates for 2018.

The consolidation of domestic demand and the good performance of the foreign market will be the factors that will have the biggest influence on the growth of the Czech economy. The shortage of labour will be the biggest obstacle to economic growth.

Concerning price evolution, the inflation rate in 2018 should be at 2.3%, a 0.1 p.p. decrease compared to the previous year, due to the decrease in domestic demand.

In relation to employment levels in The Czech Republic, the unemployment rate dropped once again, for the fifth consecutive year, falling 0.4 p.p. to 2.5% (the lowest value in the last twenty years).

Regarding public finances, the level of public debt continued to follow the positive trend of economic activity observed in 2018, recording a reduction of public debt (as a percentage of GDP) of 1.5 p.p., from 34.7% in 2017 to 33.2% in 2018.

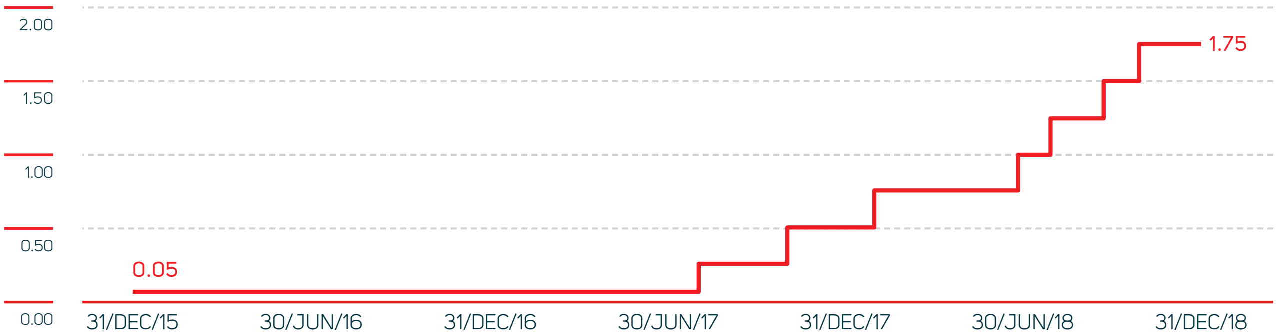
THE CZECH REPUBLIC – REAL GROWTH RATES (%)	2013	2014	2015	2016	2017	2018E
GDP	-0.5%	2.7%	5.3%	2.5%	4.3%	3.1%
Private consumption	0.5%	1.8%	3.7%	3.6%	4.3%	3.7%
Public consumption	2.5%	1.1%	1.9%	2.7%	1.3%	2.7%
Gross Fixed Capital Formation	-2.5%	3.9%	10.2%	-3.1%	3.3%	7.8%
GFCF – Construction	-4.9%	1.0%	9.7%	-6.9%	3.3%	8.4%
Exports	0.2%	8.7%	6.0%	4.3%	6.7%	3.8%
Imports	0.1%	10.1%	6.8%	2.8%	6.0%	5.7%
Inflation (HICP)	1.4%	0.3%	0.3%	0.7%	2.4%	2.3%
Unemployment rate (% active pop.)	6.9%	6.1%	5.0%	3.9%	2.9%	2.5%
Gross Public Debt (% of GDP)	44.9%	42.2%	40.0%	36.8%	34.7%	33.2%

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

Concerning monetary policy, the Central Bank of The Czech Republic promoted five interest rate increases for the main refinancing operations, increasing from the initial rate of 0.5% to 1.75% at the end of 2018.

EVOLUTION OF THE CZECH NATIONAL BANK REFERENCE INTEREST RATE

Percentage points



Source: Global-rates.com

In terms of the rating assigned to The Czech Republic's sovereign debt, rated as investment grade by the major global rating agencies, only Fitch updated the classification, improving the rating from A + to AA-:

BEGINNING OF 2018

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

CHANGES

MOODY'S	CHANGE DATE	S&P	CHANGE DATE	FITCH	CHANGE DATE
-	-	-	-	AA-	3/Aug/18

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

2.1.9. ROMANIA

According to IMF estimates, Romania GDP increased again in 2018, however, at a more moderate pace, with a 4.0% growth (2.9 percentage points below the growth observed in 2017), for which private consumption of 4.6% contributed positively – despite its slowdown (5.5 p.p. below the increase observed in 2017). It was also due to the increase in gross fixed capital formation of 4.6% (0.1 p.p. lower than the values recorded in 2017), with the construction sector contributing positively to this recovery with a 2.9% growth (despite the decrease of 0.7 p.p. compared to the growth rate observed in 2017). The decrease in the trade, which went from a negative balance in 2017 of 1.6% to a negative balance in 2018 of 0.9% (which represents an increase of 0.5 p.p. over the same period) also contributed to this growth. Regarding exports, there was a decrease of 2.0 p.p. compared to the growth rate recorded in 2017, and it is expected to end 2018 at about 7.7%. Although imports also grew, they increased at a slower rate compared to exports, ending 2017 at 8.6% (2.7 p.p. less than the 2017 growth rate).

In terms of outlook for 2019, a slowdown in growth is expected, based on more modest private consumption due to the loss of real income through inflationary pressures not reflected in real wage growth. Uncertainty will remain regarding the start of large projects financed by Community funds.

In terms of price evolution, the inflation rate in 2018 is expected to increase further, and to reach 4.7%, promoting an increase of 3.4 p.p. when compared to 2017.

Concerning the evolution of employment levels in Romania, there was a decrease in the unemployment rate of 0.2 p.p. to 4.7% in 2018.

In terms of public finances, gross public debt (as a % of GDP) showed an increase of 0.2 p.p., i.e., from 36.8% in 2017 to 37.2% in 2018.

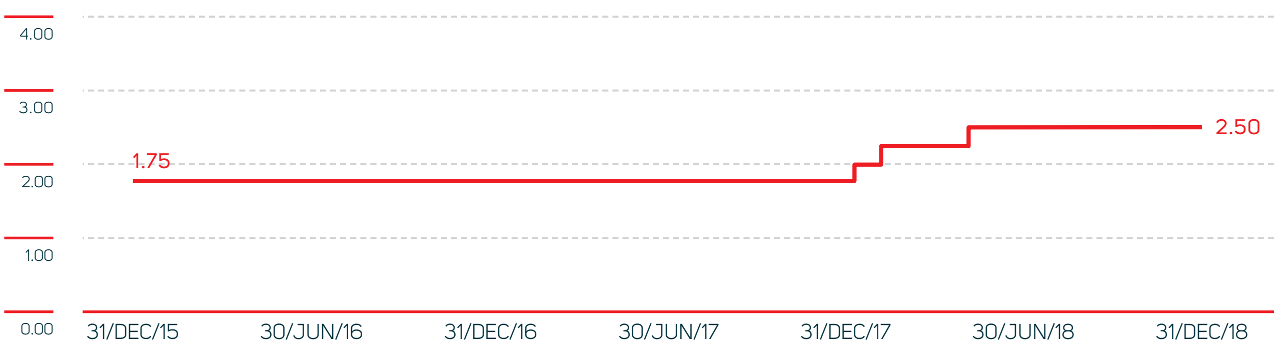
ROMANIA – REAL GROWTH RATES (%)	2013	2014	2015	2016	2017	2018E
GDP	3.5%	3.4%	3.9%	4.8%	6.9%	4.0%
Private consumption	0.1%	4.7%	6.0%	7.9%	10.1%	4.6%
Public consumption	-2.9%	3.5%	-0.3%	2.2%	-0.5%	2.0%
Gross Fixed Capital Formation	-5.6%	3.3%	7.5%	-0.2%	4.7%	4.6%
GFCF – Construction	-14.5%	10.2%	20.9%	7.4%	3.6%	2.9%
Exports	19.7%	8.0%	4.6%	8.7%	9.7%	7.7%
Imports	8.8%	8.7%	8.0%	9.8%	11.3%	8.6%
Inflation (HICP)	4.0%	1.1%	-0.6%	-1.6%	1.3%	4.7%
Unemployment rate (% active pop.)	7.1%	6.8%	6.8%	5.9%	4.9%	4.7%
Gross Public Debt (% of GDP)	39.0%	40.5%	39.4%	38.8%	36.8%	37.2%

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

As for monetary policy, the Central Bank of Romania made three increases in the interest rate for the main refinancing operations, increasing from 1.75% at the beginning of the year to 2.5% at the end of 2018.

EVOLUTION OF CENTRAL BANK OF ROMANIA REFERENCE INTEREST RATE

Percentage points



Source: Romanian Central Bank

In terms of the rating assigned to Romanian sovereign debt, the main global rating agencies maintained their classification in 2018, all of them considering Romanian sovereign debt investment grade:

RATINGS 2018

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

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

2.2. ASCENDUM'S PERFORMANCE IN 2018

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	PORTUGAL	SPAIN	PORTUGAL
USA	TURKEY			
MEXICO	CENTRAL MEXICO*			

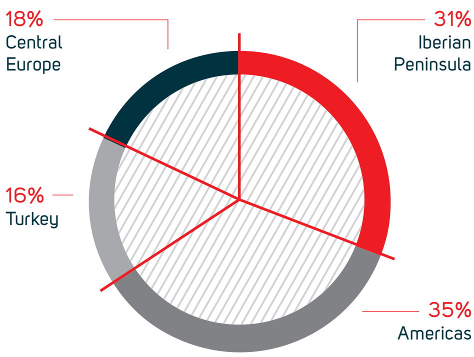
* Austria, The Czech Republic, Romania, Hungary, Croatia, Slovakia, Slovenia, Moldova and Bosnia and Herzegovina

In 2018, the Construction and Industrial Equipment segment once again positioned itself as the largest contributor to the Group's Turnover, with a relative weight of 89%, with the Americas – USA and Mexico – stood out as the leading geographic platform (35%), followed by the Iberian Peninsula (31%), Central Europe (18%) and Turkey (16%).

BUSINESS AREA UNIT: THOUSANDS OF EUROS	IBERIAN PENINSULA	AMERICAS	TURKEY	CENTRAL EUROPE	TOTAL
Construction and Industrial Equipment	188,547	332,952	147,846	173,115	**842,460**
Infrastructure Equipment	34,813	n.a.	n.a.	n.a.	**34,813**
Vehicles	64,303	n.a.	n.a.	n.a.	**64,303**
Total	**287,662**	**332,952**	**147,846**	**173,115**	**941,575**

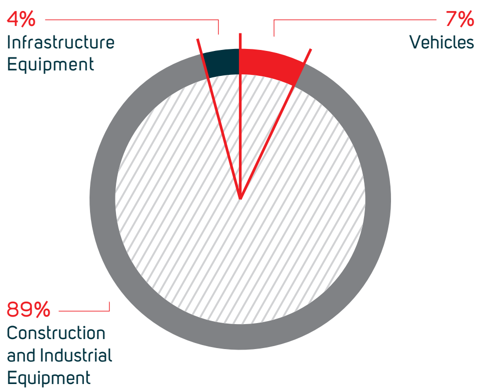
TURNOVER (2018)

942 million euros



TURNOVER (2018)

942 million euros

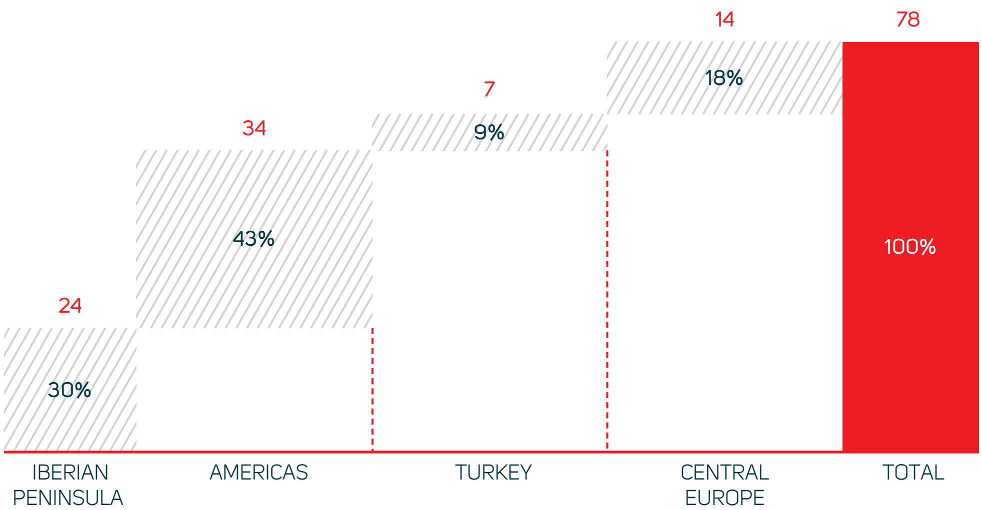


Regarding EBITDA, the Americas (USA and Mexico) were the main contributors to Ascendum's total EBITDA, with a relative weight of 43% in the Group's total EBITDA.

CONTRIBUTION OF EACH GEOGRAPHIC PLATFORM FOR ASCENDUM EBITDA

Million euros

% total EBITDA 2018

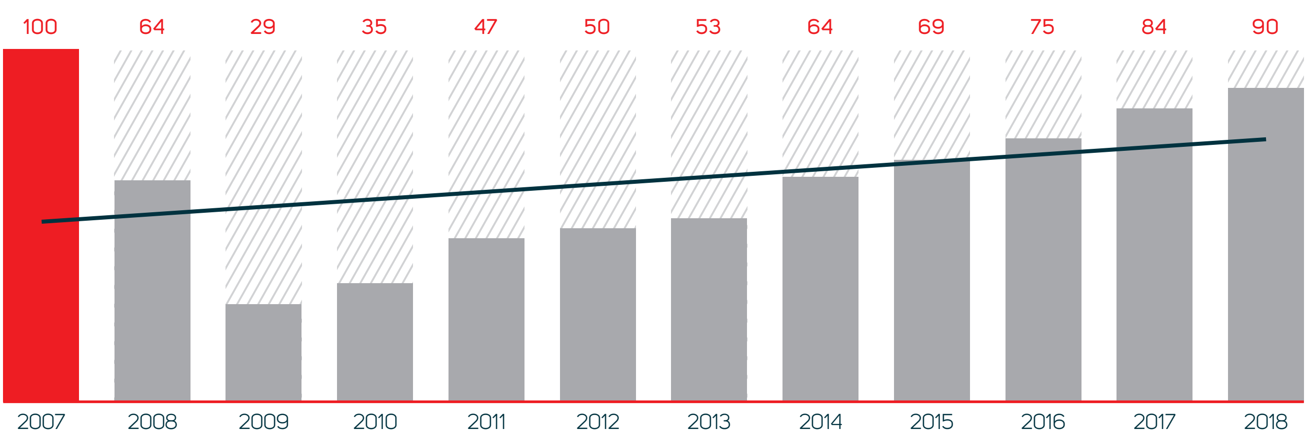


2.2.1. CONSTRUCTION AND INDUSTRIAL EQUIPMENT

The construction and industrial equipment markets in which Ascendum operates are recovering, albeit gradually, from the financial crisis felt worldwide between 2008 to 2010. In 2018, the Group's addressable market[2] accounted for around 90% of the levels recorded in 2007 and recorded a growth of units sold, compared to 2017, of approximately 7%.

ASCENDUM ADDRESSABLE MARKET INDEX EVOLUTION

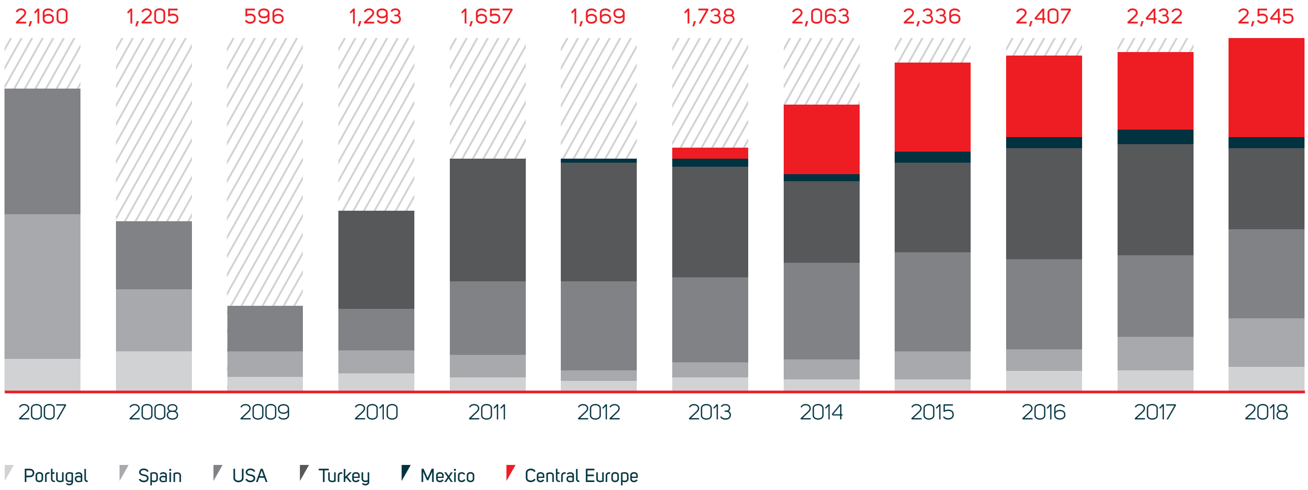
Historical peak year 2007 = 40,972 units (index 100 = 2007)



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 2,545 units sold[3] in 2018, 113 more than in 2017 (growth of 5%). Despite maintaining the growth trend in terms of units, it should be noted that there is potential for additional growth through (i) market growth, which in 2018 grew 7% (2,487 more units than in 2017), (ii) increased market share, which stood at approximately 6.9% in 2018 (7.1% in 2017). Indeed, from a like-for-like perspective, that is, considering only the sales of the Iberian Peninsula and of the USA, the units sold in 2018 correspond to 53% of the units sold in 2007 (peak year).).

ASCENDUM UNITS SOLD



[2, 3] The conducted analysis excludes the units sold from backhoe loaders and motorgraders – products discontinued by Volvo CE in 2014.

In terms of market share[4], and in relation to the GPE, CSE and Road Machinery segments, Ascendum presented a good overall performance in 2018, particularly in the GPE segment, in which it achieved a global market share of 18.0%:

2018	PORTUGAL(1)	SPAIN(2)	USA	TURKEY	MEXICO	CENTRAL EUROPE	TOTAL(3)
Total market	**1,126**	**2,632**	**20,911**	**3,569**	**1,878**	**6,661**	**36,777**
GPE	333	858	4,191	2,638	828	2,216	**11,064**
CSE	728	1,534	15,917	612	810	3,592	**23,193**
Road Machinery	65	240	803	319	240	853	**2,520**
Ascendum units sold	**169**	**354**	**621**	**589**	**82**	**730**	**2,545**
GPE	99	257	520	532	75	510	**1,993**
CSE	65	94	50	47	4	210	**470**
Road Machinery	5	3	51	10	3	10	**82**
Market share	**15.0%**	**13.4%**	**3.0%**	**16.5%**	**4.4%**	**11.0%**	**6.9%**
GPE	29.7%	30.0%	12.4%	20.2%	9.1%	23.0%	**18.0%**
CSE	8.9%	6.1%	0.3%	7.7%	0.5%	5.8%	**2.0%**
Road Machinery	7.7%	1.3%	6.4%	3.1%	1.3%	1.2%	**3.3%**

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

2.2.1.1. Portugal

In 2018 the construction sector maintained a positive activity throughout the year, recording growth above 3%. In the civil engineering segment, there was a more moderate momentum, which was more significant in the construction segment, with stronger growth in residential buildings. The number of permits for new construction and housing rehabilitation issued by the City Councils increased sharply in 2018.

In 2018, cement consumption in the domestic market may have seen the best year since 2012, according to AICCOPN – Association of Civil Construction and Public Works Industrialists.

In terms of employment in the sector, the evolution was also positive throughout the year, with the growth of investment in construction.

However, the Construction Confidence Indicator, which results from the assessments carried out by entrepreneurs regarding their companies' orders portfolio, as well as the future level of employment in the sector, recorded a 10.9% decline in 2018 (-21.3% in 2017).

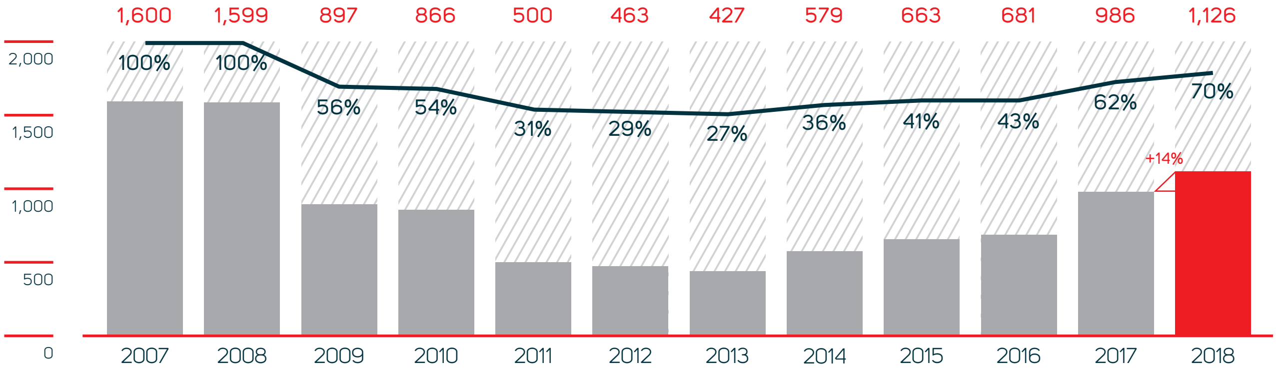
The Industry Confidence Indicator recorded a growth of 0.7% (2.3% in 2017), lower than in the previous year, related to the evolution of production prospects, product stocks and demand in general.

In 2018, the domestic market for construction equipment similar to the product portfolio traded by Ascendum Máquinas recorded an increase of approximately 14% compared to 2017, representing 70% of the peak year (2007).

[4] The conducted analysis excludes the units sold from backhoe loaders and motorgraders – products discontinued by Volvo CE in 2014.

EVOLUTION OF THE PORTUGUESE MARKET WHERE ASCENDUM MÁQUINAS OPERATES

Units sold



Peak level index (2007 = 100%)

The conducted analysis excludes the units sold from backhoe loaders and motorgraders – products discontinued by Volvo CE in 2014.

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, for sectors as diverse as construction and public works, forestry, recycling, load handling, etc. At the same time, Ascendum Máquinas also offers its customers rental services and after-sales assistance.

Following the growth recorded in the previous year, the company's individual turnover increased by approximately 4.8% compared to 2017, totaling nearly 50.1 million euros in 2018.

In terms of business segments, the commercial business area (new and used machines) recorded a year-on-year increase of about 5.9%, ending the year with a turnover of 34.9 million euros (around 70% of the company's total turnover).

In 2018, the after-sales business area reported a turnover of 12.1 million euros, 1.1% below 2017 figures, thus contributing to 24% of Ascendum Máquinas' total turnover.

Rentals achieved approximately 3.1 million euros in turnover, representing approximately 6% of Ascendum Máquinas' total turnover in 2018.

The following table provides a summary of Ascendum Máquinas' turnover performance in 2018:

MILLION EUROS	2017	2018	Δ (2018/2017)
New machines	26.9	32.8	22.3%
Used machines	6.1	2.0	-66.4%
After sales	12.2	12.1	-1.1%
Rental	2.6	3.1	18.6%
Total Turnover	**47.8**	**50.1**	**4.8%**

2.2.1.2. Spain

In Spain, Ascendum operates through Ascendum Maquinaria, formerly Volmaquinaria, the company responsible for importing and distributing Volvo Construction Equipment throughout Spain, being directly present in Madrid, Guadalajara, Barcelona, Granada, Valladolid and Santiago de Compostela. Through a vast network of agents, Ascendum Maquinaria develops its activity offering a wide range of products and services, being considered by its major customers one of the highest-quality companies in the country within its area of activity.

As in the previous four years, there was an economic growth consolidation trend in 2018, with gross fixed capital formation in the construction sector estimated to have recorded an increase of 5.8% in 2018.

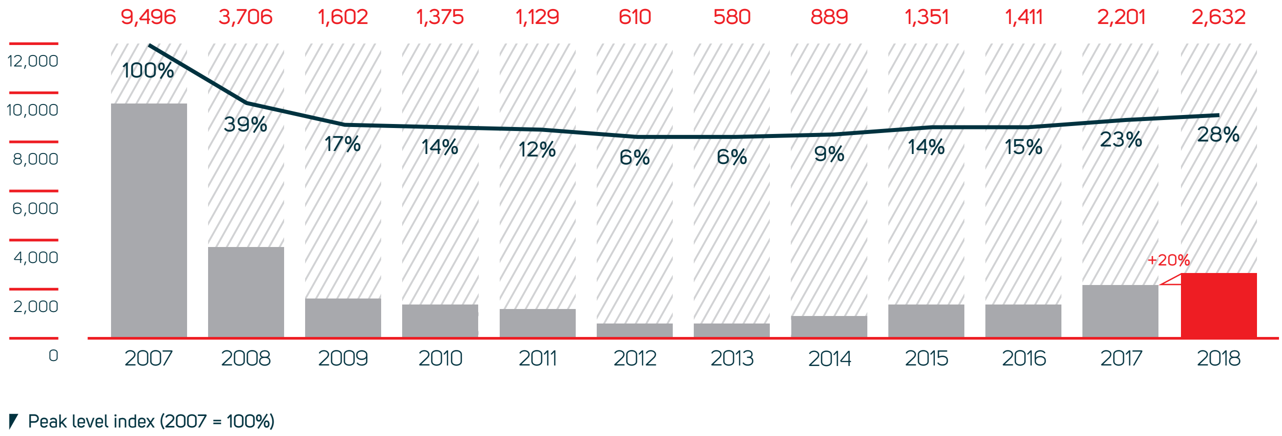
Contributing to this positive cycle is the continuity of the trend of residential construction increase by approximately 24% (between January and September) compared to the same period, and of non-residential construction, which, despite a beginning of the year marked by some deceleration, ended the year presenting a strong contribution to the growth of this sector, with an overall investment of around 5.7 billion euros in 36 new retail centres and 7 expansions of already existing complexes. 2018 was also marked by the increase in the number of public works tenders. This increase happened mainly in the railways area (196% increase), ports (+ 41%) and social facilities (+ 36%), negatively offset by the drop of investment in roads (-12%).

Consequently, following the strong increase trend recorded in 2017, in 2018 there was again an increase in the demand for construction equipment comparable to the product portfolio sold by Ascendum Maquinaria[5], representing about 20% more than the previous year. Notwithstanding this market recovery environment, the values reached in 2018 represent only 28% of the peak year in 2007 (2,632 machines in 2018 vs. 9,496 machines in 2007).

[5] The conducted analysis excludes the units sold from backhoe loaders and motorgraders – products discontinued by Volvo CE in 2014.

EVOLUTION OF THE SPANISH MARKET WHERE ASCENDUM MAQUINARIA OPERATES

Units sold



In 2018, Ascendum Maquinaria focused its efforts on the following lines of action:

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

2. **Focus on the commercial segment:** (i) exploring low-density market areas and approaching smaller customers, (ii) monitoring 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 maximise the sale of new equipment;

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

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

5. **Suitability/restructuring of existing branches:** Change of location of the Cabanillas branch to Ciempozuelos.

In terms of performance, Ascendum Maquinaria's turnover increased 33.1% compared to 2017, from 71.9 to 95.8 million euros:

MILLION EUROS	2017	2018	Δ (2018/2017)
New machines	37.1	57.4	54.7%
Used machines	13.7	15.4	12.7%
After sales	2.8	2.6	-4.1%
Rental	18.4	20.3	10.5%
Total Turnover	**71.9**	**95.8**	**33.1%**

It should be highlighted the strong growth in the new machines segment, of about 54.7% compared to 2017, reflecting the trend of renewal of the equipment fleet in the market that, as a result of the measures adopted during the years of economic crisis, was subject to reduction (about half of the construction equipment fleet in the market is more than 7 years old).

The other business areas also presented positive performances, except for the rental segment, which shrank about 4.1% compared to 2017 to 2.6 million euros.

2.2.1.3. USA

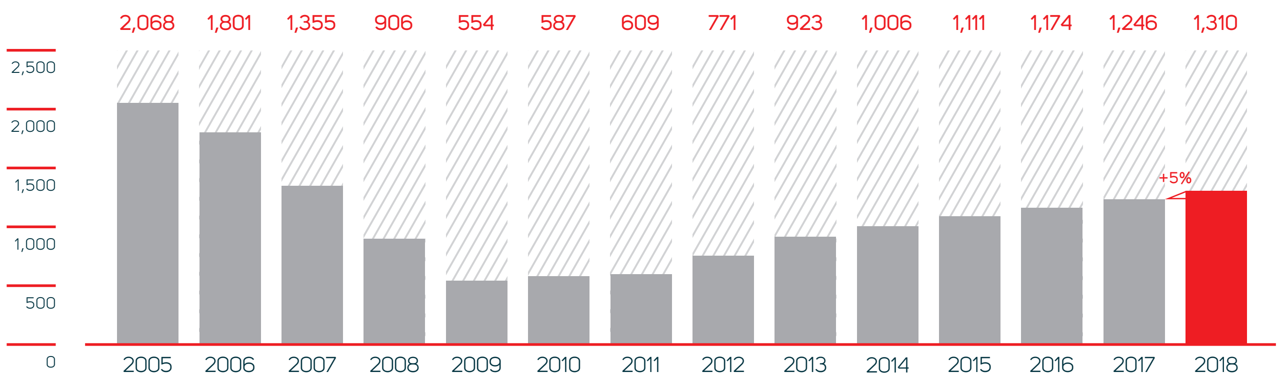
In the USA, Ascendum operates through Ascendum Machinery, Inc., a company established in 2004 after the group acquired the assets of Saba Holding (a Volvo Group company), which currently holds the distribution of Volvo construction equipment to a wide area of the country, integrating the States of North Carolina, South Carolina, Georgia, Tennessee and North Dakota.

With activity in the business segments related to the sale, rental and after-sales service of Volvo construction equipment (among other brands), Ascendum Machinery is recognised as the largest Volvo dealer on U.S. soil since 2005, having received, since then, several awards both in the financial and technical areas, at Volvo dealership meetings.

In 2018, the construction sector evolved favourably in the territories in which Ascendum is present, and the number of housing starts is expected to grow 5% compared to the previous year, surpassing the threshold of one million new constructions for the fourth consecutive year. Despite the recorded growth, the number of housing starts in 2018 represented only 63% of the value recorded in 2005 (peak year).

NUMBER OF HOUSING STARTS EVOLUTION

Units (thousands)

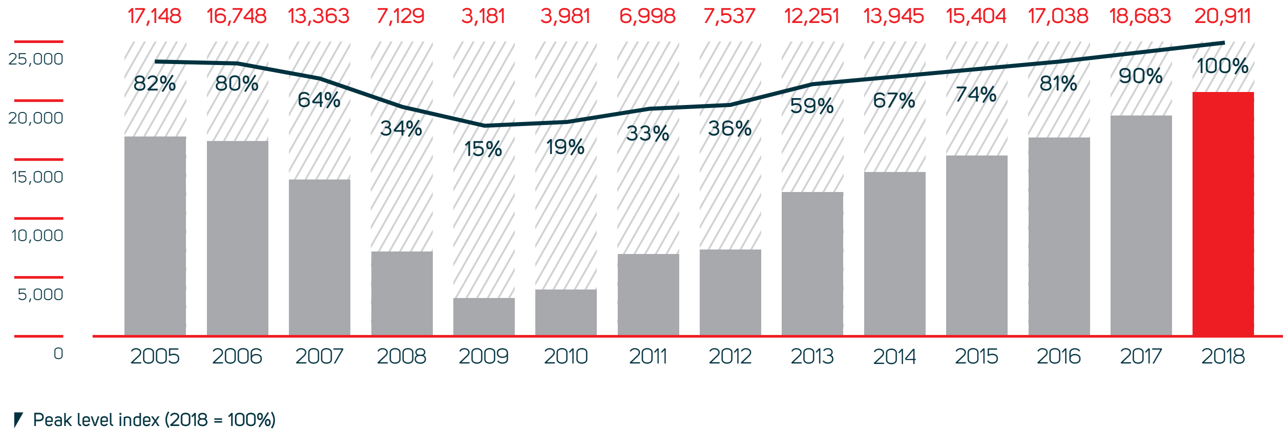


Regarding the territory in which Ascendum Machinery operates, the number of units sold[6] increased by approximately 11% in 2018 compared to 2017, and demand rose to around 20,911 units. In consequence, the market exceeded the sales level recorded in the best periods between 2005 and 2017 (peak level index at 122% including North Dakota), and from a like-for-like perspective (excluding North Dakota), the 2005 maximum record was exceeded for the first time (peak level index at 110% excluding North Dakota).

[6] The conducted analysis excludes the units sold from backhoe loaders and motorgraders – products discontinued by Volvo CE in 2014.

EVOLUTION OF THE NORTH-AMERICAN MARKET WHERE ASCENDUM MACHINERY OPERATES

Units sold



In 2018, 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-sales segment**: Increasing the portfolio of existing maintenance contracts;
- Roll-out of the **investment plan for existing** branches – acquisition of facilities in Knoxville, TN that were being leased;
- Official opening of new facilities in Macon, GA, to improve support to its customer base in South Georgia.

In 2018, Ascendum Machinery's turnover increased 8.4% compared to 2017, totalling approximately 354.3 million US dollars (300.0 million euros):

MILLION US DOLLARS	2017	2018	Δ (2018/2017)
New and used machines	252.5	269.6	6.8%
Rental	20.2	26.2	29.9%
After sales	54.2	58.5	7.9%
Total Turnover	**326.9**	**354.3**	**8.4%**

Equipment sales presented a 6.8% growth compared to 2017, the main contribution being the increase in sales of new machines, which presented an 11.2% growth in 2018 compared to the same period of the previous year. In turn, the sales of used machines recorded a decrease of approximately 3.0% compared to 2017.

Regarding the after-sales and rental segment, turnover increased approximately 8% and 30% year-on-year, respectively.

2.2.1.4. Turkey

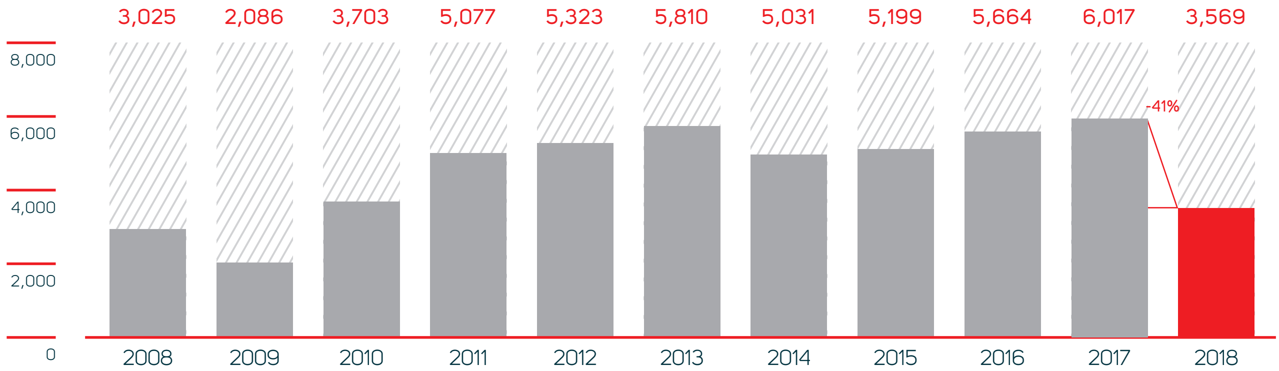
On 30 June 2010, Ascendum acquired from the two subsidiaries of Volvo Construction Equipment AB (VTC Holding Holland NV and Volvo Automotive Holding BV) Volvo CE's import and distribution operations throughout Turkey.

In 2018, Ascendum's operation in Turkey was conditioned by a set of factors such as the (i) sharp depreciation of the Turkish Lira against the main currencies (depreciation of 33.3% against the Euro and 40.0% against the US Dollar), mostly as a result of the economic sanctions imposed by the USA on Turkey in August 2018, (ii) high inflation level which reached 20.3% (the highest since 2004), (iii) lack of liquidity in the financial markets as a result of the exchange crisis experienced and (iv) situation of geopolitical instability in the Middle East, with particular emphasis on the continued uncertainty of the situation in Syria.

Even though in previous years the Turkish economy had shown its ability to overcome the setbacks presented, the situation experienced in 2018, with its sudden downturn, proved to be too critical and gave no possibility to reverse the situation during 2018. Consequently, the demand for construction equipment[7] comparable to Ascendum Makina's product portfolio suffered a severe setback, with a drop of about 41% compared to the figures reached in 2017 (3,569 units sold in 2018 *versus* 6,017 in 2017).

EVOLUTION OF THE TURKISH MARKET WHERE ASCENDUM MAKINA OPERATES

Units sold



As a result, in 2018, Ascendum Makina's Turnover dropped by approximately 26.7% compared to 2017, totalling around 149.2 million Euros:

MILLION EUROS	2017	2018	Δ (2018/2017)
Construction Equipment – new and used	156.0	112.0	-28.2%
Construction Equipment – rental	4.5	4.5	-0.1%
Construction Equipment – after sales	42.9	32.6	-24.0%
Total Turnover	**203.4**	**149.2**	**-26.7%**

This fall occurred across all business areas, with the sale of construction equipment (new and used) being the most affected area, presenting a decrease of about 28.2% compared to the figures recorded in the same period of the previous year (589 new Volvo units sold in 2018 versus 775 units in the same period – excluding backhoe loaders and motorgraders.).

On the other hand, in 2018 Ascendum officially opened a new branch in Ankara, extending its Sales and After-Sales service operation areas, now comprising 13 provinces located in the Central Anatolia and Black Sea regions. This investment reflects the Group's confidence in the potential of the Turkish economy, despite the current situation in the country.

2.2.1.5. Mexico

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

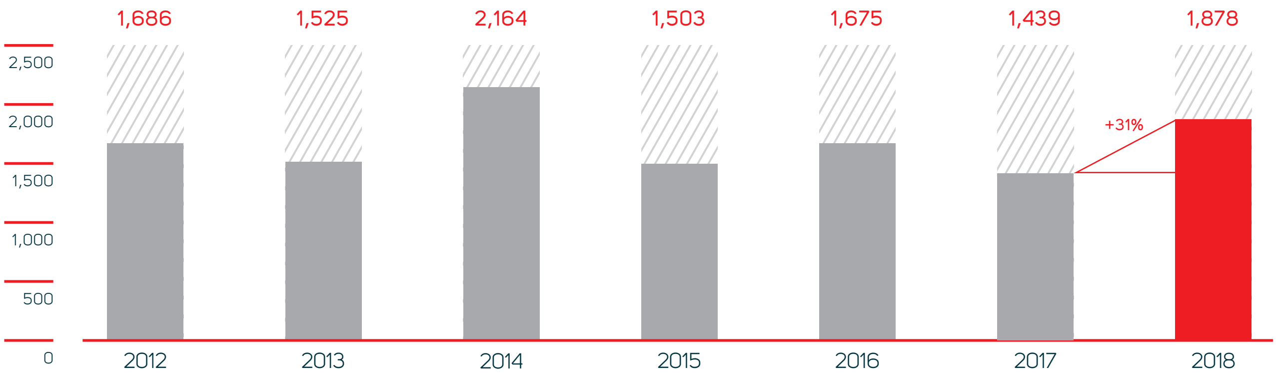
In 2018, Ascendum continued its strategy to consolidate the Mexican market operation, focusing on process improvement, optimisation of the operational structure and enhancement of employees' skills.

Therefore, considering the macroeconomic and operational context that is still not favourable for Ascendum Maquinaria México's operations, in 2018 there was a decrease in turnover of 6.4% compared to 2017, standing near to 39.3 million US dollars (33.3 million euros).

Regarding the territory in which Ascendum Maquinaria México operates, the number of units sold[8] increased about 31% in 2018 compared to 2017, and demand increased to about 1,878 units (1,439 units in 2017).

EVOLUTION OF THE MEXICAN MARKET WHERE ASCENDUM MAQUINARIA MEXICO OPERATES

Units sold



[7,8] The conducted analysis excludes the units sold from backhoe loaders and motorgraders – products discontinued by Volvo CE in 2014.

Ascendum Maquinaria México recorded a 6.4% decrease in Turnover compared to 2017, from 42.0 to 39.3 million US dollars (33.3 million euros):

MILLION US DOLLARS	2017	2018	Δ (2018/2017)
New and used equipment	30.1	29.4	-2.5%
Rental	4.7	2.8	-41.5%
After sales	7.1	7.2	0.2%
Total Turnover	**42.0**	**39.3**	**-6.4%**

2.2.1.6. Central Europe

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

Of all the markets[9] included in the Central European operation, the Austrian market is the main contributor, representing around 39% of total units sold in 2018, followed by The Czech Republic (26%) and Romania (13%). Ascendum sold 730 units during the year, most notably the sales of GPE equipment, which accounted for approximately 70% of total sales (once again Austria is predominant, accounting for approximately 57% of the Group's sales in Central Europe in 2018).

2018	AUSTRIA	CZECH REP.	ROMANIA	HUNGARY	CROATIA	SLOVAKIA	TOTAL(*)
Total market	**2,587**	**1,736**	**890**	**754**	**287**	**407**	**6,661**
GPE	952	507	282	244	102	129	**2,216**
CSE	1,295	1,068	467	408	148	206	**3,592**
Road Machinery	340	161	141	102	37	72	**853**
Ascendum units sold	**419**	**144**	**41**	**55**	**32**	**39**	**730**
GPE	285	99	22	48	26	30	**510**
CSE	126	45	18	6	6	9	**210**
Road Machinery	8	0	1	1	0	0	**10**
Market share	**16.2%**	**8.3%**	**4.6%**	**7.3%**	**11.1%**	**9.6%**	**11.0%**
GPE	29.9%	19.5%	7.8%	19.7%	25.5%	23.3%	**23.0%**
CSE	9.7%	4.2%	3.9%	1.5%	4.1%	4.4%	**5.8%**
Road Machinery	2.4%	0.0%	0.7%	1.0%	0.0%	0.0%	**1.2%**

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

In 2018, the Central European operation achieved a turnover of around 173.1 million euros (19.6% above the turnover of 2017), Austria being the largest contributor (57% of total turnover for Central Europe), followed by The Czech Republic (20% of total turnover for Central Europe) and Hungary (7% of total turnover for Central Europe).

The year-on-year increase in turnover was due to market[10] recovery, which increased 39% compared to 2017 and the subsequent impact on Ascendum's operation.

The following table provides a summary of Central European turnover performance in 2018:

MILLION EUROS	2017	2018	Δ (2018/2017)
New and used machines	95.5	120.4	26.1%
Rental	39.3	41.6	5.9%
After sales	9.9	11.1	12.2%
Total Turnover	**144.7**	**173.1**	**19.6%**

[9, 10] The conducted analysis excludes the units sold from backhoe loaders and motorgraders – products discontinued 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 Lisbon, Coimbra, Viseu, Leiria and Albergaria.

In 2018, according to provisional data from ACAP, the Passenger Cars Market recorded a growth of 2.8%, with 228,290 units.

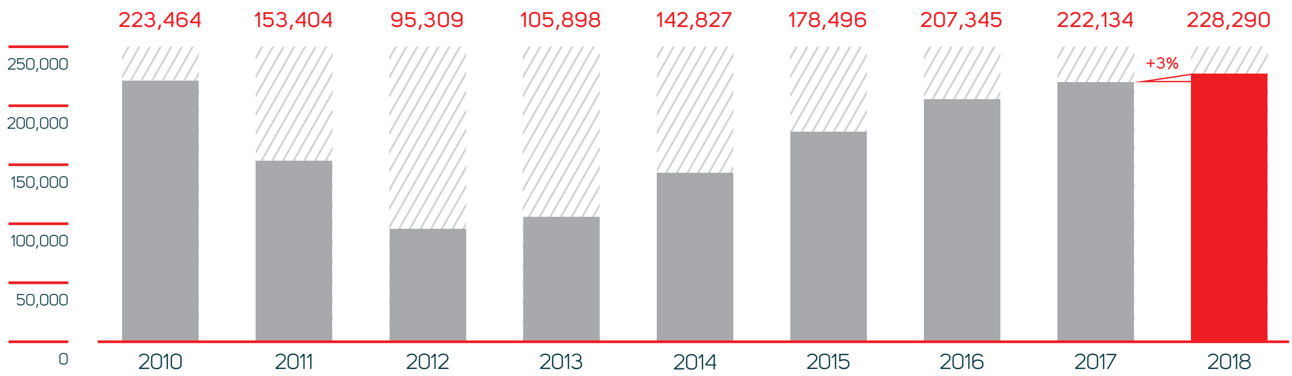
Although in the last four months the market presented a slowdown in demand of around 11% over the same period in the previous year, growth throughout the year allowed for the best vehicle registration volumes since 2010, continuing the progressive recovery that has been taking place after the economic crisis. To some extent, this market behaviour, in the last months of the year, was influenced by the new carbon dioxide (CO_2) emissions measurement protocol – the WLTP. The new protocol came into force in September 2018 and had a strong impact on sales.

August recorded an abnormally high level of new car sales, with consumers anticipating higher prices due to the adoption of the Worldwide Harmonised Light Vehicle Test Procedure (WLTP), which, on average, raises by 21% the measured values of CO_2 emissions.

However, in the following months car sales throughout Europe declined, and Portugal was no exception.

EVOLUTION OF THE PORTUGUESE LIGHT PASSENGER CARS MARKET

Units



Source: ACAP

According to ACAP data, in an analysis of car sales by fuel type in 2018, there was a significant decrease in the weight of diesel, having increased 5 p.p. in gasoline and 3 p.p. in the other energies.

It should be noted that between 2010 and 2018 sales of vehicles powered by alternative energy vehicles grew 598%. The biggest growth was in plug-in hybrids, which went from 5 units in 2010 to 3,776 units in 2018. In 2018, Ascendum Automóveis represented the Volvo and Mitsubishi brands in the cars business.

At national level, the Volvo brand reached a new annual record, with 5,088 new vehicle registrations, which represented a year-on-year growth of about 10.5%.

In turn, the Mitsubishi brand recorded a growth at national level, having registered 4,432 units compared to 3,655 units in 2017, which represented a growth of about 21% and a market share of 1,7%.

In terms of market share, Ascendum Automóveis recorded a 14.6% weight in Volvo sales and registrations, and 1.6% in Mitsubishi.

Ascendum Automóveis' turnover was of around 37.0 million euros, which corresponds to an increase of around 54% compared to the turnover of the car segment reached in 2017 (24.0 million euros).

Commercial activity sales totalled 32.0 million euros, which represents an increase of 63.7% compared to 2017. In the after-sales department – components and assistance – turnover was of approximately 5.1 million euros (an increase of around 11.9% compared to 2017).

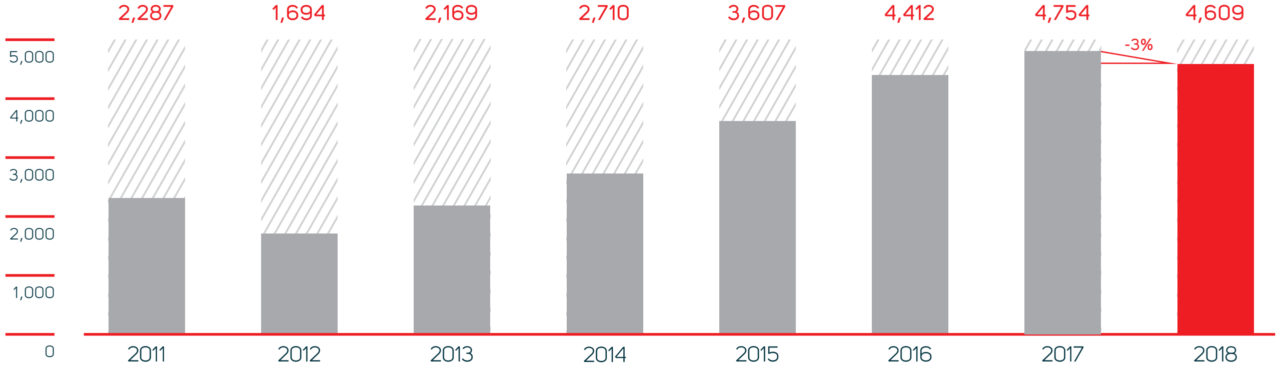
The following table presents a summary of car sales performance, in terms of turnover:

MILLION EUROS	2017	2018	Δ (2018/2017)
New cars	15.9	27.2	71.3%
Used cars	3.7	4.8	31.3%
After sales	4.5	5.1	11.9%
Total Turnover	**24.0**	**37.0**	**54.0%**

The evolution of the domestic market for heavy-goods vehicles, with a gross weight exceeding 10 tons, reversed the trend of successive growth since 2012, recording a 3% decrease in 2018 to 4,609 units (4,754 units in 2017).

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

Units



Source: Nors

In this segment – Gross Weight > 10 Ton. – Volvo recorded a market share of 13.6% (13.3% in 2017) with 628 units (632 units in 2017). Ascendum Camiões recorded 29% of the weight in the Volvo brand, which represents an increase of 5 p.p. compared to 2017.

In the truck business area, Ascendum recorded a turnover of 20.2 million euros, representing a 30% increase compared to 2017, with 182 units sold (150 units in 2017). The good performance of the used-vehicle heading with 85 units (63 units in 2017) and a turnover of 3.0 million euros (1.3 million euros in 2017) is noteworthy, representing a growth of more than 100%.

The following table presents a summary of truck sales performance, in terms of turnover:

MILLION EUROS	2017	2018	Δ (2018/2017)
New trucks	14.2	17.2	21.2%
Used trucks	1.3	3.0	2.3x
After sales	7.7	7.8	2.1%
Total Turnover	**23.1**	**28.0**	**21.0%**

2.2.3. INFRASTRUCTURE EQUIPMENT

Regarding the infrastructure equipment business area, Ascendum has been consolidating 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 (of 50%) in Spanish companies – Air-Rail and Zephir.

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

In 2018, Ascendum's turnover in the infrastructure equipment business segment totalled approximately 34.8 million euros (representing around 4% of the Group's turnover), essentially resulting from the contribution of the business in the Spanish market, particularly in the airport sector.

2.3. SUSTAINABILITY POLICY

At Ascendum, sustainability stems from the balance between three fundamental pillars – Economic, Social and Environmental – supplemented by a Quality policy which aims to continuously improve the Group's performance in all its operational areas.

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

- Entrepreneurship, innovation and quality, as means to create and share value with customers, suppliers, partners and the community in general;
- In corporate responsibility, which is based on valuing people and the communities in which it operates, especially in the integration of disadvantaged young people and those at risk of dropping out of school;
- And in reducing the environmental impacts of the Group's activity, both deriving directly from its action and 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 Quality levels in all operations and services provided by Ascendum.

Corporate Responsibility

In 2018, the geographic platforms developed local initiatives focusing on corporate responsibility, in order to promote the well-being of the communities where they operate. Below you will find the main initiatives with greater emphasis throughout the year.

In Spain, reception and cleaning services were outsourced, now being provided by a special centre for people with disabilities, promoting their integration into the labour market and promoting an equal opportunities policy.

In the United States, Ascendum continued to support and value communities in the locations in which we operate. In the Charlotte Corporate Centre community, for the third consecutive year, employees supported a campaign to donate school supplies to students from disadvantaged families who are at risk of early school dropout. In addition, during the festive season, the company sponsored a campaign to collect toys and gifts for needy families in the community, known as the Angel Tree project.

Regarding vocational orientation of young adults, in Georgia, the company provided resources to promote careers in the heavy construction sector during the annual Georgia Skills USA competition, and in North Carolina Ascendum, in partnership with Volvo Construction Equipment, supported a local community university in the creation of a curriculum to prepare future heavy equipment mechanics and stimulate educational opportunities.

Another important goal was the recruitment of military veterans transitioning into the civilian labour market, by participating in three military job fairs throughout the year.

In Turkey, cooperation with "TEMA" – The Turkish Foundation for Combating Soil Erosion, for Reforestation and Protection of Natural Habitats" has continued since 1992. Ascendum Turkey finances the planting of a tree for each new machine sold and for every employee's birthday.

In Austria, a monetary donation has been made since 2011 to the "Licht ins Dunkel" charity, which houses 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 provided by certified professionals.

As is tradition in the context of the Ascendum Golf Trophy in Austria, all participants were invited to make donations to HOME from HOME, a charity in South Africa, which takes care of children in need.

Once again, in a year in which there were several natural phenomena that severely affected certain geographic platforms in which Ascendum operates, the main concern was to ensure the health and well-being of all affected employees. In addition to all internal solidarity initiatives and donations, efforts were also made to support local communities, including in Portugal, Mexico and the United States.

Environment, Quality and Safety

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

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

As a result of the Group's demanding environmental policy, in 2018 it continued its effort to implement a set of environmental awareness campaigns in various geographic platforms, focusing especially on improving energy performance, waste separation, recycling and reduction in the consumption of natural resources. In particular, in various locations in the United States, the lighting system has been altered to reduce energy consumption and automatic procedures have been implemented to turn off the lighting when it is not needed. In addition, a waste separation system was implemented in workshops and consumables in the corporate centre.

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 continued efficiency.

The health and safety of employees is an ongoing concern at Ascendum, which has initiatives to raise employees' awareness of the risks to which they are exposed, as well as to the preventive measures available in order to reduce the number of incidents and/or minimise the consequences thereof. As an example, 2018 was the first year in which there was no road accident caused with Ascendum vehicles in the United States.

2.4. RISKS AND UNCERTAINTIES

2.4.1. LIQUIDITY RISK

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

The existence of liquidity in the Group's companies requires for performance parameters to be set in the management function of that liquidity, in order to maximise return and minimise opportunity costs related to holding this liquidity in a safe and efficient manner.

Ascendum Group's liquidity risk management aims to ensure:

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

(ii) Security, to minimise the likelihood of default in repayment of any investment of funds; and

(iii) Financial efficiency, to ensure that Companies maximise the value/minimise 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 budgets of the various companies;

(ii) Diversification of funding sources and suitability of the maturity of financial commitments in line with the cash flow generation;

(iii) Suitability of the maturity of financial commitments concerning investments in non-current assets, in line with their cash flow generation;

(iv) Contracting short-term lines of credit to address occasional cash need peaks.

Any and all surplus liquidity is applied so as to best 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 31 December 2018 and 2017, the Group had a net debt of 155,774,381 euros and 132,652,833 euros, respectively, divided between current and non-current loans and cash equivalents entered into/invested with several institutions (including the value of the investment in Angolan Treasury Bonds and Ascendum's financial holdings in BCP). The Group has lines of credit in the amount of 646 million euros.

In addition, it should be noted that on 31 December 2018 Current Assets are much higher (+72%, +159 million euros) than Current Liabilities; therefore, this risk is minimised.

2.4.2. EXCHANGE RATE RISK

Exchange rate risk reflects the possibility of recording losses or gains as a result of changes in exchange rates between currencies other than the functional currency.

Ascendum's exposure to exchange rate risk results from (i) the existence of subsidiaries located in countries where the functional currency is not the Euro (namely the USA, Mexico, The Czech Republic, Hungary, Romania and Croatia), (ii) transactions carried out between these subsidiaries and other Ascendum companies, and (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.

Therefore, Ascendum Group's exposure to exchange risk results from the fact that, on the one hand, the preparation of the Group's consolidated financial statements requires the translation of the financial statements of the subsidiaries into euros and, on the other hand, 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	2014	2015	2016	2017	2018
USD	1.214	1.089	1.054	1.199	1.145
TRY	2.832	3.177	3.707	4.546	6.059
MXN	17.868	18.915	21.772	23.661	22.492
CZK	27.735	27.023	27.021	25.535	25.724
HUF	315.54	315.98	309.83	310.33	320.98
RON	4.483	4.524	4.539	4.659	4.664
HRK	7.658	7.638	7.560	7.440	7.413

Source: Banco de Portugal

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

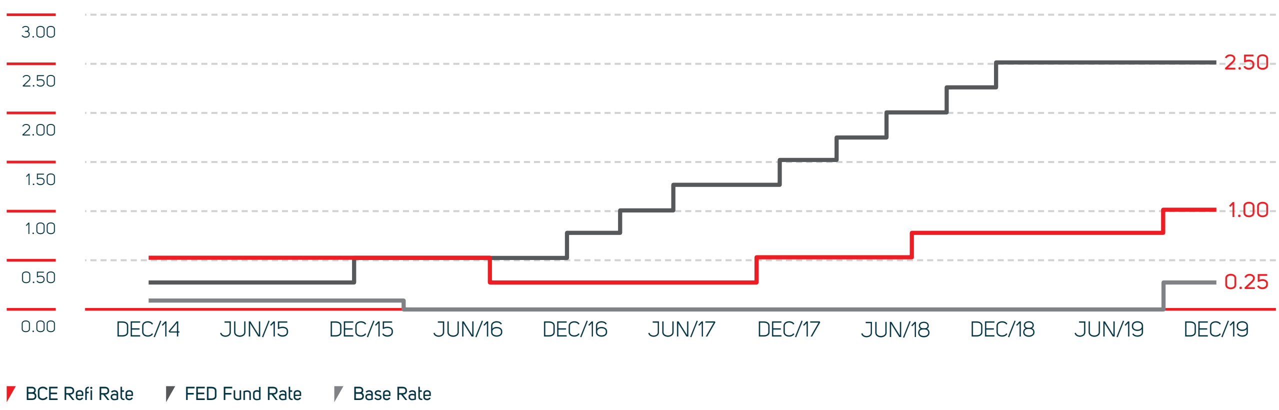
In this context, and due to the uncertainty regarding the evolution of the price of the US Dollar, Czech Koruna, Hungarian Forint, Romanian Leu and Croatian Kuna against the Euro in the coming years, the exchange rate risk management policy followed by the Ascendum Group will aim to reduce, as far as possible, the sensitivity of its results to currency fluctuations through 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 the evolution of the market interest rate level, which could adversely affect Ascendum Group's results.

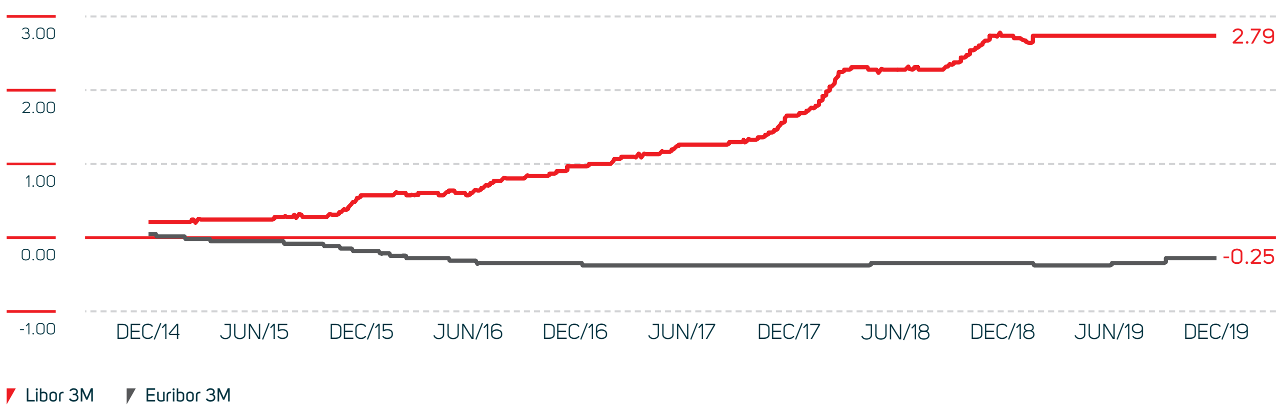
PROJECTED EVOLUTION OF REFERENCE INTEREST RATES

Percentage points



PROJECTED EVOLUTION OF LIBOR 3M AND EURIBOR 3M INTEREST RATES

Percentage points



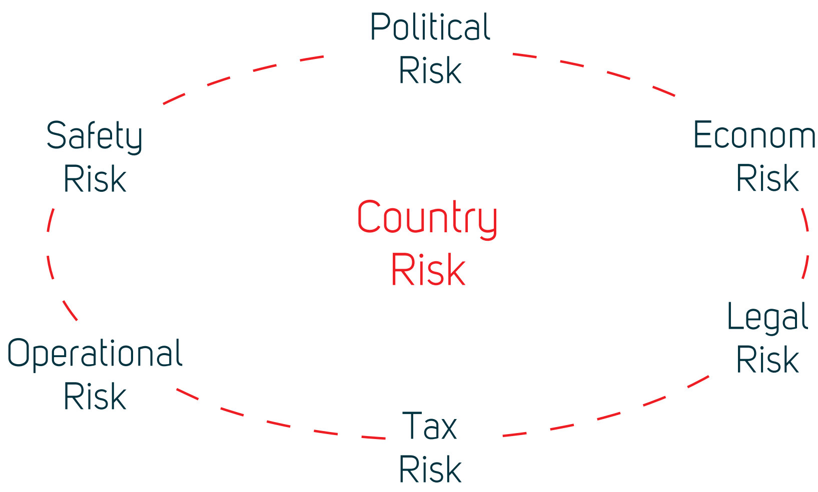
Fonte: Bloomberg

The introduction of standards in the banking system at various international levels poses challenges in access to credit for companies and individuals. This way, the uncertainty surrounding access to medium/long-term credit persists, potentially affecting the Group's financial operations.

2.4.4. COUNTRY RISK

Country risk is an economic and financial concept concerning the possibility that changes in the business environment of a given country may adversely impact the results or value of the assets of foreign companies established in that country, as well as on the profits, dividends or royalties that they expect to obtain from the investments made therein.

The concept of country risk encompasses several risk categories that can be associated with a country, namely:



In this context, and regarding the measurement of country risk, risk rating agencies, most notably Moody's, Standard & Poor's and Fitch Ratings, are starting to emerge. Their main activity consists of assigning classifications or ratings to the countries under review to indicate the security offered by the government and companies to foreign investors who invest their funds in debt securities of the countries in question.

The country risk management policy followed by the Ascendum Group aims to reduce, as much as possible, its exposure to countries whose risk is considered 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 31 December 2018, the ratings of the 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 31/12/2018

COUNTRY	MOODY'S	STANDARD & POOR'S	FITCH
Portugal	Baa3 (1)	BBB-	BBB
Spain	Baa1 (2)	A- (3)	A- (4)
USA	Aaa	AA+	AAA
Turkey	Ba3 (5)	B+ (6)	BB (7)
Mexico	A3	BBB+	BBB+
Austria	Aa1	AA+	AA+
The Czech Republic	A1	AA-	AA- (8)
Hungary	Baa3	BBB-	BBB-
Romania	Baa3	BBB-	BBB-
Slovakia	A2	A+	A+
Croatia	Ba2	BB+ (9)	BB+ (10)

Source: Bloomberg

Investment grade/Non investment grade

(1) Upgrade from Ba1 on 12 October 2018; (2) Upgrade from Baa2 on 13 April 2018; (3) Upgrade from BBB+ on 23 May 2018; (4) Upgrade from BBB+ on 19 January 2018; (5) Downgrade from Ba1 on 17 August 2018; (6) Downgrade from BB on 17 August 2018; (7) Downgrade from BB+ on 13 July 2018; (8) Upgrade from A+ on 3 August 2018; (9) Upgrade from BB on 21 September 2018; (10) Upgrade from BB on 6 July 2018.

Throughout 2019, *Standard & Poor's* changed the Hungarian rating from BBB- to BBB (15 February 2019).

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. FUTURE PERSPECTIVES

As in 2018, which focused on consolidating current operations after a period of strong growth between 2010 and 2013 with the acquisition of operations in Turkey and Central Europe and entry into the Mexican market, in 2019 Ascendum will continue to prioritise the operational and business process optimisation, in order to maximise the Company's future growth capacity. At the same time, Ascendum will look for/analyse new investment opportunities, in order to prepare a new period of growth in the medium/long term.

Thus being, in 2019 the Ascendum Group's priorities will remain focused on the following areas:

a) Operational and business process optimisation
At this level, 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, optimisation of cash/financial management) and in tools to share knowledge and information, in order to broaden business knowledge, maximising the efficiency of the Company's operations in the various geographic platforms in which it operates.

b) Maximising synergies
Additionally, and in order to maximise the size of Ascendum's operation and to *monetise* the strong investment in training and in internal knowledge sharing mechanisms, 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.

2.5.1. RELEVANT FACTS THAT OCCURRED AFTER THE END OF THE FINANCIAL YEAR

Between 31 December 2018 and the date of issuance of this consolidated management report, no relevant events likely to have a material effect on the financial position of the company occurred, as evidenced in the financial statements reported as of 31 December 2018, presented herein.

2.5.2. DATE OF THE ANNUAL REPORT

29th of April 2019

The Board of Directors

STRONG ALLIANCES.

Because our work only makes sense with you,
we are proud to be a part of your team,
**contributing, with our resilience and perseverance,
to your success.**

3 FINANCIAL STATEMENTS AND ANNEX

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT DECEMBER 31, 2018 AND 2017

Amounts expressed in Euros

	NOTES	31/12/18	31/12/17
ASSETS			
Non current Assets			
Property, plant and equipment	7 e 30	136,563,851	126,466,125
Investment properties	8	3,560,842	3,323,420
Goodwill	9	33,953,015	33,941,271
Intangible assets	6	9,894,207	9,669,038
Investments accounted for using the equity method	10	121,241	130,999
Financial assets at fair value through other comprehensive income	10	1,005	4,489
Other accounts receivable	13	857,585	731,387
Other financial assets	10	63,156	224,538
Deferred income tax assets	15	10,808,577	11,966,323
		195,823,480	**186,457,591**
Current Assets			
Inventories	11 e 30	211,084,488	189,577,480
Trade and other receivables	12 e 30	111,265,223	111,258,888
Prepayments to suppliers	13	2,168,345	5,095,724
Income tax	23	5,149,497	3,919,711
State and other public entities	23	16,413,548	15,621,165
Other Accounts receivables	13 e 30	5,114,686	5,640,862
Deferrals	14	1,047,266	2,038,369
Other financial assets	10	0	5,455,039
Financial assets at fair value through equity	10	3,630,638	0
Cash and bank deposits	16	25,891,790	16,406,113
		381,765,481	**355,013,350**
Total Assets		**577,588,960**	**541,470,941**
EQUITY AND LIABILITIES			
Equity			
Share capital	17	15,000,000	15,000,000
Legal reserves	18	3,000,000	3,000,000
Revaluation reserves	18	8,610,246	8,452,271
Retained earnings	18	108,911,509	83,308,843
Fair value reserves	18	0	-3,820,996
Other reserves	18	6,160,850	19,160,850
Profit for the year	18	23,273,024	27,340,471
		164,955,628	**152,441,439**
Non-controlling interests	19	3,816,918	4,104,212
Total Equity	18	**168,772,547**	**156,545,651**
Liabilities			
Non current liabilities			
Provisions	25 e 30	6,778,860	6,587,316
Borrowings	20 e 30	116,948,845	74,391,847
Deferred income tax liabilities	15 e 30	17,988,008	16,524,899
Other liabilities	22 e 30	44,714,210	40,632,790
		186,429,923	138,136,852
Current liabilities			
Trade and other payables	21 e 30	94,493,971	114,610,543
Prepayments from customers	12	3,364,326	2,830,216
Income tax	23	2,085,729	978,884
State and other public entities	23	13,589,906	8,805,603
Borrowings	20 e 30	68,348,659	80,122,962
Other liabilities	22 e 30	28,581,358	31,267,580
Deferrals	24	11,922,541	8,172,649
		222,386,490	**246,788,437**
Total Liabilities		**408,816,413**	**384,925,289**
Total Equity and Liabilities		**577,588,960**	**541,470,941**

CERTIFIED ACCOUNTANT THE BOARD OF DIRECTORS

CONSOLIDATED STATEMENT OF INCOME AT DECEMBER 31, 2018 AND 2017

Amounts expressed in Euros

INCOME AND EXPENSES	NOTES	31/12/18	31/12/17 RESTATED
Sales and services rendered	30	941,574,932	907,223,119
Changes in inventories of production	11 e 30	1,382,933	234,423
Works for the entity		1,922,622	325,417
Cost of sales	11 e 30	(726,861,222)	(697,462,426)
Gross Profit		**218,019,266**	**210,320,534**
External supplies and services	30 e 38	(68,318,162)	(63,837,296)
Personnel expenses	29, 30 e 39	(75,005,054)	(73,303,214)
Inventories impairments (losses/reversals)	25 e 30	138,830	(1,062,359)
Accounts receivable impairments (losses/reversals)	25, 30 e 35	(2,643,883)	(357,501)
Provisions (increase/decrease)	25 e 30	330,935	(2,519,612)
Impairment of non depreciable/amortizable investments (losses/reversals)	10.2 e 30	(44,792)	0
Fair value (increase/decrease)	10.2 e 30	(129)	(2,421)
Operating subsidies	30	155,536	219,087
Gains/losses on subsidiaries, associated companies and joint ventures	10.1 e 30	58,739	68,192
Other income and gains	30 e 31	7,734,380	8,711,038
Other expenses and losses	30 e 40	(4,242,614)	(4,124,871)
Depreciation and amortization expenses/reversals	6, 7 e 30	(29,827,840)	(25,890,437)
Impairment of depreciable/amortizable investments (losses/reversals)		(136,367)	(404,312)
Operating profit (before finance results and income tax)		**46,218,844**	**47,816,827**
Interest and similar finance incomes	30, 33 e 35	734,298	559,629
Interest and similar finance costs	30, 33 e 35	(11,476,092)	(9,036,423)
Net exchange differences	30 e 35	(4,404,464)	(6,059,284)
Profit before income tax		**31,072,586**	**33,280,749**
Income tax expense	27 e 30	(7,044,558)	(5,617,394)
Profit for the year	30	**24,028,028**	**27,663,355**
Attributable to:			
Owners of the parent		23,273,024	27,340,472
Non-controlling interests	19	755,004	322,883
	28 e 30	24,028,028	27,663,355
Earnings per share	28	1.60	1.84

CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AT DECEMBER 31, 2018 AND 2017

Amounts expressed in Euros

	SHARE CAPITAL	RESERVES		
		LEGAL RESERVES	REVALUATION RESERVES	RETAINED EARNINGS
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				
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**
As at January 1, 2018	**15,000,000**	**3,000,000**	**8,452,271**	**83,308,843**
Changes in the period:				
Consolidated profit application – 2017				27,340,471
Reclassification of fair value reserves				(3,820,996)
Financial statments exchange differences				3,127,393
Others			157,975	(1,044,202)
	0	**0**	**157,975**	**25,602,666**
Profit for the Year				
Comprehensive income for the year				
Operations with shareholders in the period:				
Distributions				
	0	**0**	**0**	**0**
As at December 31, 2018	**15,000,000**	**3,000,000**	**8,610,246**	**108,911,509**

The notes to the consolidated financial statements are an integral part of this statement at December 31, 2018

CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

RESERVES			PROFIT FOR THE YEAR	SUBTOTAL	NON-CONTROLLING INTERESTS	TOTAL
FAIR VALUE RESERVES	OTHER RESERVES	TOTAL RESERVES				
(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)
		(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**
(3,820,996)	**19,160,850**	**110,100,969**	**27,340,471**	**152,441,439**	**4,104,212**	**156,545,651**
		27,340,471	(27,340,471)	0		0
3,820,996		0		0		0
		3,127,393		3,127,393	122,209	3,249,602
		(886,227)		(886,227)	(1,164,507)	(2,050,734)
3,820,996	**0**	**29,581,637**	**(27,340,471)**	**2,241,166**	**(1,042,298)**	**1,198,868**
			23,273,024	23,273,024	755,004	24,028,028
			26,400,416	26,400,416	877,214	27,277,630
	(13,000,000)	(13,000,000)		(13,000,000)		(13,000,000)
0	**(13,000,000)**	**(13,000,000)**	**0**	**(13,000,000)**	**0**	**(13,000,000)**
0	**6,160,850**	**126,682,605**	**23,273,024**	**164,955,629**	**3,816,918**	**168,772,547**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT DECEMBER 31, 2018 AND 2017

Amounts expressed in Euros

	31/12/18	31/12/17
Consolidated profit for the year including non-controlling interests	**24,028,028**	**27,663,355**
Fair value variation on available for sale financial assets	0	(1,517,007)
Goodwill exchange differences	0	(1,177,619)
Financial statements exchange differences	3,249,602	(12,644,477)
Comprehensive income for the year	**27,277,630**	**12,324,252**
Owners of the parent	26,400,416	12,410,070
Non-controlling interests	877,214	(85,818)

The notes to the consolidated financial statements are an integral part of this statement at December 31, 2018

CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

CONSOLIDATED STATEMENT OF CASH FLOWS AT DECEMBER 31, 2018 AND 2017

Amounts expressed in Euros

	NOTES	31/12/18	31/12/17
CASH FLOWS FROM OPERATING ACTIVITIES			
Accounts receivables		954,696,587	908,076,452
Accounts payables		(833,287,892)	(766,817,328)
Staff payables		(75,309,026)	(70,361,544)
Operating cash flows		**46,099,670**	**70,897,580**
Income tax payable/receivable		(6,743,673)	(11,973,453)
Other receivables/payables		2,864,617	6,989,769
Cash flows from operating activities (1)		**42,220,613**	**65,913,897**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments:			
Property, plant and equipment		(39,477,798)	(35,755,218)
Intangible assets		(2,259,286)	(1,931,132)
Receipts:			
Property, plant and equipment		2,550,000	0
Financial Investments		3,356	12,536,834
Interest and similar income		1,794,797	322,514
Cash flows from investing activities (2)		**(37,388,931)**	**(24,827,001)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts:			
Borrowings		30,782,695	0
Payments:			
Borrowings			(19,864,789)
Interest and similar costs		(12,275,512)	(8,920,144)
Dividends		(13,000,000)	(7,500,000)
Cash flows from financing activities (3)		**5,507,184**	**(36,284,933)**
Net increase/decrease in cash and cash equivalents (1+2+3)		**10,338,866**	**4,801,963**
Net foreign exchange difference		(853,189)	(1,318,311)
Cash and cash equivalents at 1 January	16	**16,406,113**	**12,922,461**
Cash and cash equivalents at 31 December	16	**25,891,790**	**16,406,113**

The notes to the consolidated financial statements are an integral part of this statement at December 31, 2018

CERTIFIED ACCOUNTANT THE BOARD OF DIRECTORS

ANNEX TO THE CONSOLIDATED FINANCIAL STATEMENTS ON 31 DECEMBER 2018

1. INTRODUCTORY NOTE

The ASCENDUM Group consists of a group of companies located in Portugal, Spain, USA, Turkey, Mexico, and Central Europe (Austria, Croatia, Slovakia, Hungary, Romania and the Czech Republic) as well as, through its subsidiaries, being present in Poland, Morocco, Angola and Mozambique. The parent company – ASCENDUM S.A., was founded in 1959 and had its headquarters in Coimbra until the end of 2011. On 28 November 2011, the partners decided to transform the company into a limited liability company and also to move its headquarters to Praça Marquês de Pombal, 3-A, 5º andar in 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 31 December 2018, 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. Vasco da Gama nº 15, 2685-244 Portela – PORTUGAL	100%
ASCENDUM CAMIÕES, UNIPESSOAL LDA.	R. Manuel Madeira, Marcos da Pedrulha, 3021-901 Coimbra – PORTUGAL	100%
ASCENDUM MÁQUINAS, UNIPESSOAL LDA.	Rua do Brasil, nº 27 – Apartado 2094 | 2696-801 São João da Talha – 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%

COMPANY	HEADQUARTERS	% SHAREHOLDING
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 MÉXICO, S.A. DE C.V.	Carretera México Queretaro KM 32.5 – MEXICO	100%
ASCENDUM MAKINA TICARET, A.S,.	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 Bucureştj – ROMANIA	100%
ASCENDUM TÜRKİYE YATIRIM HOLDING ANONIM ŞİRKETİ	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.	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 01 January 2018.

2.1.1. Impact of the adoption of new standards, amendments to standards and interpretations that became effective as of 01 January 2018:

a) IFRS 15 (new) – 'Revenue from contracts with customers' 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 assets or provide services is satisfied and by the amount that reflects the consideration the entity is expected to be entitled to, following a "five-step approach." We analysed the company's revenue generation flow, based on contracts for the transfer of facilities and management services, to subsidiary companies. The accounting policy followed by the group in the recognition of revenue is in line with the legal framework of IFRS 15, and therefore there was no impact resulting from the adoption of this standard in the group's financial statements.

b) Amendments to IFRS 15, 'Revenue from contracts with customers' These amendments refer to additional guidance for determining the performance obligations in a contract, the timing of revenue recognition for an intellectual property licence, the review of the indicators for principal versus agent classification, and to new practical expedients to simplify the transition. The group has no revenue from industrial property licenses.

c) IFRS 9 (new), 'Financial instruments.' IFRS 9 replaces the requirements of IAS 39 for:

(i) the classification and measurement of financial assets and liabilities;

(ii) recognition of impairment on receivables (through the expected loss model); and

(iii) the requirements for the recognition and classification of hedge accounting. The impacts of this standard are disclosed in note 3.

d) IFRS 4 (amendment), 'Insurance contracts (applying IFRS 4 with IFRS 9).' 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 arise when IFRS 9 is applied before the new insurance contract standard is issued. An optional temporary exemption is given from applying IFRS 9 until 2021 to the companies whose activity is predominantly connected with insurance. This exemption is optional and applies to consolidated financial statements that include an insurance entity. The group does not exercise this activity and therefore there was no impact resulting from the adoption of this standard in the group's financial statements.

e) IFRS 2 (amendment), 'Classification and measurement of share-based payment transactions.' This amendment clarifies the measurement basis for cash-settled, share-based payment transactions and the accounting for modifications to a share-based payment plan that change their classification from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require that a share-based payment plan be treated as if it was wholly equity-settled, when an employer is obliged to withhold a tax amount from the employee and pay that amount to the tax authority. The Group has no share-based payments, so there was no impact resulting from the adoption of this standard in the group's financial statements.

f) IAS 40 (amendment) 'Transfer of Investment Properties.' 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. There were no transfers to and from investment properties, so there was no impact resulting from the adoption of this standard in the group's financial statements.

g) Improvements to Standards 2014 – 2016. This cycle of improvements affects the following standards: IFRS 1, IFRS 12 and IAS 28. These improvements had no material impact on the company's financial statements.

h) IFRIC 22 (new), 'Foreign currency operations and advanced consideration' This is an interpretation of IAS 21 'The effects of changes in exchange rates' and refers to the determination of the 'transaction date' when an entity pays or receives in advance the consideration of contracts denominated in foreign currency. The "transaction date" determines the exchange rate to be used when converting the transactions into foreign currency. These improvements 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 2019, endorsed by the EU

a) IFRS 16 (new), 'Leases' (effective for the financial years 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." In regard to the transitional regime, the new standard can be applied retrospectively, or a modified retrospective approach can be followed. According to the survey conducted, the following lease agreements were identified under the new standards:

(i) Real estate lease agreement, as lessee;

(ii) Equipment lease agreement for the rental fleet;

(iii) Equipment lease agreement for service vehicles.

The company conducted a survey of all lease contracts and determined the initial impacts arising from the application of this new regulation and rewrote them according to the simplified retrospective approach, option B – registration of the right of use and liability of operational lease for the same amount on the date of transition.

Under this method, the main impact of adopting IFRS 16 at the transition date will be to increase the total Financial Position to approximately 30 million euros. In relation to the Income Statement for 2019, the impacts will not be significant, since there will be a decrease in revenues (EBITDA will be positively affected) compensated by the increase in depreciation and interest. These impacts will not jeopardise the compliance of the covenants associated with financing obtained (Equity/Assets and net debt/EBITDA).

b) IFRS 9 (amendment), 'Prepayment features with negative compensation' (effective for the financial years beginning on or after 1 January 2019). The amendment introduces the possibility of classifying certain financial assets with negative compensation features at amortised cost, provided that specific conditions are fulfilled, instead of being classified at fair value through profit and loss. This amendment will have no material impact on the company's financial statements.

c) IFRIC 23 (new), 'Uncertainty about the treatment of income tax' (to be applied in financial years beginning on or after 1 January 2019). This is an interpretation of IAS 12 – 'Income tax,' referring to the measurement and recognition requirements to be applied when uncertainties exist regarding the acceptance of a certain tax treatment by the Tax Authorities in relation to income tax. 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, rather than IAS 37 – Provisions, contingent assets and liabilities,' based on the expected value or the most probable amount. The application of IFRIC 23 may be retrospective or a modified retrospective. This amendment will have no material impact on the company's financial statements.

2.1.3. Published Standards (new and amendments), whose application is mandatory for the annual periods beginning on or after 1 January 2019, but are not yet endorsed by the EU

a) IAS 19 (amendment), 'Changes, reductions and settlements of established benefit plans' (to be applied in the financial years beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. This amendment to IAS 19 requires an entity to: (i) use updated assumptions to determine the current service cost and net interest for the remaining period after the amendment, reduction or settlement; and (ii) recognise in the income statement as part of the past service cost, or as gain or loss in settlement, any reduction in excess hedging, even if the hedge surplus has not previously been recognised due to the impact of the asset ceiling. The impact on the asset ceiling is always recorded in Other Comprehensive Income, and cannot be recycled as a result of the year. This amendment will have no material impact on the company's financial statements.

b) IAS 28 (amendment), 'Long-term investments in Associates and Joint Ventures' (effective for the financial years beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. This 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. Long-term investments in associates and joint ventures are subject to the impairment model of estimated losses, before being added for impairment testing purposes to the global investment in an associate or joint ventures, when there are indicators of impairment. This amendment will have no material impact on the company's financial statements.

c) IFRS 3 (amendment) 'Business definition' (to be applied on the financial years beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. This amendment constitutes a revision to the definition of business for the purpose of accounting for concentrations of business activities. The new definition requires that an acquisition include an input and a substantial process that generate outputs. Outputs are defined as goods and services that are delivered to customers, which generate income from financial investments and other income, excluding returns in the form of cost reductions and other economic benefits to shareholders. 'Concentration tests' are now allowed to determine whether a transaction refers to the acquisition of an asset or a business. This amendment will have no material impact on the company's financial statements.

d) IAS 1 and IAS 8 (amendment), 'Definition of material' (to be applied on the financial years beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. This amendment introduces a modification to the concept of material. It includes clarifications regarding the reference to unclear information, corresponding to situations in which its effect is similar to omitting or distorting such information in the overall context of the financial statements; as well as clarifications to the term 'main users of financial statements,' which are defined as 'current and future investors, lenders and creditors' who rely on the financial statements to obtain a significant portion of the information they require. This amendment will have no material impact on the company's financial statements.

e) Improvements to Standards 2015 – 2017 (effective for the financial years beginning on or after 1 January 2019). These improvements are still subject to endorsement by the European Union. This cycle of improvements affects the following standards: IAS 23, IAS 12, IFRS 3 and IFRS 11. These improvements will have no material impact on the company's financial statements.

f) Conceptual framework, 'Amendments in reference to other IFRS' (to be applied in the financial years beginning on or after 1 January 2020). These amendments are still subject to endorsement by the European Union. As a result of the publication of the new Conceptual Framework, the IASB introduced changes in the text of various standards and interpretations, such as: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32, in order to clarify the application of the new definitions of asset/ liability and expenses/income, as well as some of the characteristics of the financial information. These amendments are of retrospective application, except if impractical. These amendments will have no material impact on the company's financial statements.

g) IFRS 17 (new), 'Insurance contracts' (effective for the financial years beginning on or after 1 January 2021). This standard is still subject to endorsement by the 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 "simplified premium allocation approach." The recognition of the technical margin is different depending on whether it is positive or negative. IFRS 17 is of retrospective application. This standard will have no material impact on the company's financial statements.

Table of new standards:

DESCRIPTION	AMENDMENT	EFFECTIVE DATE
1. New standards, amendments to standards and interpretations in effect as of January 1, 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
Amendments to IFRS 15 – Revenue from contracts with customers	Identification of performance obligations, timing of revenue recognition from licences of IP, revision of the indicators for the classification of the principle versus agent relation, and new schemes for the simplification of the transition.	1 January 2018
IFRS 9 – Financial instruments	New standard for the accounting treatment of financial instruments	1 January 2018
IFRS 4 – Insurance contracts (application of IFRS 4 with IFRS 9)	Temporary exemption for insurance companies from the application of IFRS 9, for the financial years beginning before 1 January 2021. Specific scheme for assets under IFRS 4 that qualify as financial assets at fair value through profit and loss in IFRS 9 and as financial assets at amortised cost in IAS 39, being allowed to classify the measurement difference in Other comprehensive income	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
IAS 40 – Investment properties	Clarification that evidence of the change in use is required, when assets are transferred to, or from investment properties category	1 January 2018
Improvements to Standards 2014-2016	Clarifications to: IFRS 1, IFRS 12 and IAS 28	1 January 2018
IFRIC 22 – Foreign currency transactions and advanced considerations	Foreign exchange rate to apply when consideration is paid or received in advance	1 January 2018
2. Standards (new and amendments) that will become effective, on or after 1 January 2019, endorsed by the EU		
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 9 – Financial instruments	Accounting treatment options for financial assets with negative compensation	1 January 2019
IFRIC 23 – Uncertainties over income tax treatment	Clarifies how the recognition and measurement requirements of IAS 12 are applied where there is uncertainty over income tax treatments	1 January 2019
3. Standards (new and amendments) that will become effective, on or after 1 January 2018, not yet endorsed by the EU		
IAS 19 – Employee Benefits	Requires to use updated assumptions to calculate the remaining liabilities, with impact on the income statement, except for the reduction of any excess as part of the asset ceiling	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
IFRS 3 – Business Combinations	Amendment to the business definition	1 January 2020
IAS 1 – Presentation of the financial statements; IAS 8 – Accounting policies, amendments in accounting estimates and errors	Definition of material update	1 January 2020
Improvements to Standards 2015-2017	Clarifications: IAS 23, IAS 12, IFRS 3 and IFRS 11	1 January 2019
Conceptual Framework – Amendments in reference to other IFRS	Amendment to some IFRS regarding cross-references and clarifications on the application of the new definitions of assets/liabilities and expenses/income	1 January 2020
IFRS 17 – Insurance contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics.	1 January 2021

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 detailed in Note 4.

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

In business combinations prior to 2010 the purchase method was followed. The assets and liabilities of each subsidiary are measured at fair value on the acquisition date. Any excess in the acquisition cost over the fair value of net assets and liabilities acquired is recognised 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 recognised 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 1 January 2010, the Group has applied the revised IFRS 3. According to this revised standard, the purchase method continues to be applied to business combinations, 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 1 January 2010, the revised IAS 27 has also been applied. This requires all transactions with "non-controlling interests" to be recorded in Equity if there is no change in control over the Entity, and so 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 recognised 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 recognised as goodwill if they are positive and are recorded under "Financial investments in associates" (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 recognised 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. Unrealised 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 recognised fair value.

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

The goodwill amount is not amortised 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/amortisable 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 recognised in the income statement as a gain or loss.

In the 2018 and 2017 financial years, the rates used in the conversion of financial statements of foreign subsidiaries into Euros were the following:

2018 COMPANY	CURRENCY	YEAR END EXCHANGE RATE 2018	AVERAGE HISTORICAL EXCHANGE RATE 2018	EXCHANGE RATE ESTABLISHMENT DATE/ACQUIRED	YEAR END EXCHANGE RATE 2017
ASCENDUM MACHINERY, INC.	USD	1.15	1.18	1.36	1.20
ASCENDUM MAKINA TICARET, A.S,.	TRY	-	-	1.94	4.55
ASCENDUM TÜRKİYE YATIRIM HOLDING ANONIM ŞİRKETİ	TRY	-	-	1.94	4.55
ART HAVA VE RAY EKIPMANLARI LTD. STI	TRY	6.06	5.71	1.94	4.55
HARDPARTS MOÇAMBIQUE, LIMITADA	MZN	70.25	71.36	39.75	70.70
AIR RAIL POLSKA	PLN	4.30	4.26	4.18	4.18
ASCENDUM MAQUINARIA MÉXICO	USD	1.15	1.18	1.36	1.20
AIR-RAIL MAROC	MAD	10.95	11.01	11.16	11.19
ASCENDUM ÉPÍTOGÉPEK HUNGÁRIA KERESKEDELMI KFT	HUF	320.98	318.89	298.15	310.33
ASCENDUM GRADEVINSKI STROJEVI HRVATSKA D.O.O	HRK	7.41	7.42	7.62	7.44
ASCENDUM MACHINERY SRL	RON	4.66	4.65	4.46	4.66
ASCENDUM STAVEBENI STROJE CZECH S.R.O	CZK	25.72	25.65	25.73	25.54
Applicability		Statement of financial position accounts except for equity	P&L	Issued Capital	Retained earnings

2017 COMPANY	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 MAKINA TICARET, A.S,.	TRY	4,55	4,12	1,94	3,71
ASCENDUM TÜRKİYE YATIRIM HOLDING ANONIM ŞİRKETİ	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 MÉXICO	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

In 2018, two of the Turkish subsidiaries (ASCENDUM MAKINA and ASCENDUM TURKYE HOLDING) changed their functional currency to euros, reporting in this currency for consolidation purposes.

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 1 January 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, minus the accumulated depreciation and accumulated impairment losses.

Tangible fixed assets acquired after that date are recorded at cost minus 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/Amortisable 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 capitalised 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 acquisition cost minus the 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 on 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 minus the accumulated amortisation and impairment losses. Intangible assets are only recognised 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 recognised as an expense in the income statement, when incurred.

Development expenses, for which the Group has proven ability to complete the development and begin commercialisation and/or use and for which the created asset is likely to generate future economic benefits, are capitalised. Development expenses that do not meet these criteria are recognised 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 capitalised as intangible assets.

Intangible assets are amortised 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 amortised and are subject to annual impairment testing.

Amortisations of intangible assets in the period are recorded in the income statement under "Depreciation and amortisation 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 acquisition cost and their fair value is disclosed (Note 8).

Investment properties acquired before 1 January 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, minus the accumulated depreciation and accumulated impairment losses.

Investment properties purchased after that date are recorded at acquisition cost minus the 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/amortisable 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 "Impairment on depreciable/amortisable investments" in the income statement to the maximum that would have been established, net of depreciation or amortisation, if no impairment loss had been recognised in previous periods.

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 finance 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 recognised as an expense in the income statement for the period to which they relate (Note 32).

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 labour, manufacturing overheads and services carried out externally.

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

f) Grants from government or other public entities

Government grants are recognised at fair value when it can be reasonably assured that they will be received and that the Company will meet 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 recognised as a gain in the income statement in proportion to the depreciation of the subsidised 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 subsidised expenses and that conditions of eligibility are met.

g) Impairment of fixed tangible and intangible assets and investment properties

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

Whenever the asset's carrying amount is higher than its recoverable amount (established as the higher of the net sales price and its value in use, or as the net sales price for assets held for sale), an impairment loss is recognised and recorded in the income statement. The net sales price is the amount that would be obtained through the sale of the asset in a transaction between two independent entities, minus 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 company uses available external and internal sources which prove to be most suitable, such as: (i) significantly higher-than-expected decrease, in that period, of the market value of an asset; (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 capitalisation; (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.

Reversal of impairment losses recognised 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 recognised impairment loss has been reversed. A reversal of impairment losses is recognised in the income statement in the respective impairment items. However, reversal of the impairment loss is recorded up to the amount that would be recognised (net of amortisation or depreciation) if the impairment loss had not been recognised in previous periods.

h) Financial charges

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

i) Provisions

Provisions are recognised 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 on that date (Note 25).

Provisions for restructuring costs are recognised 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

FINANCIAL ASSETS

Accounting policy as of 1 January 2018

The company classifies its financial assets into the following categories:

- Debt instruments; and
- Equity instruments

Debt instruments

a) Debt instruments at amortised cost

Debt instruments are measured at amortised cost if both of the following criteria are met:

- Assets are held to receive their contractual cash flows; and
- The asset's contractual cash flows represent only payments of principal and interest.

Financial assets included in this category are initially recognised at fair value and subsequently measured at amortised cost.

b) Debt instruments at fair value through equity

Debt instruments are measured at fair value through equity if both of the following criteria are met:

- The purpose of the business model is achieved by both the receiving of contractual cash flows and the sale of financial assets; and
- The asset's contractual cash flows represent only payments of principal and interest.

Financial assets included in the category of fair value through equity are initially recognised and subsequently measured at fair value. Movements in the carrying amount are recorded through other comprehensive income, except for the recognition of impairment gains or losses, interest income and exchange gains or losses, which are recognised in the income statement. When the financial asset is de-recognised, the accumulated gain or loss previously recognised in other comprehensive income is reclassified from equity to income.

c) Debt instruments at fair value through profit and loss

Financial assets are classified at fair value through profit and loss if they do not meet the fair-value criteria through other comprehensive income or amortised cost. This occurs when the initial goal is to recover the investment through the sale of the financial asset.

The financial assets included in the category of fair value through profit and loss are measured at fair value with all the variations recorded against the income statement.

Reclassifications

Reclassifications within categories are permitted only when changes occur in the business model for managing financial assets.

Reclassifications are recorded prospectively from the date of reclassification.

ORIGINAL CATEGORY	NEW CATEGORY	ACCOUNTING IMPACT
Amortised cost	Fair value through profit and loss	Fair value is measured on the reclassification date. The difference with the amortised cost is recognised in the income statement.
Fair value through profit and loss	Amortised cost	Fair value on the reclassification date corresponds to the initial amortised cost.
Amortised cost	Fair value through equity	Fair value is measured on the reclassification date. The difference with the amortised cost is recognised in other comprehensive income. The effective interest rate is not adjusted as a result of the reclassification.
Fair value through equity	Amortised cost	Fair value on the reclassification date corresponds to the initial amortised cost. Accumulated gains and losses in other comprehensive income are adjusted against the fair value of the financial asset on the date of reclassification.
Fair value through profit and loss	Fair value through equity	The fair value on the reclassification date corresponds to its new book value.
Fair value through equity	Fair value through profit and loss	The fair value on the reclassification date corresponds to its new book value. Accumulated gains or losses in other comprehensive income are reclassified as income on the reclassification date.

Equity instruments

Investments in equity instruments (shares below 20%) are measured at fair value. Equity instruments held for trading are measured at fair value, with changes in fair value recorded under profit and loss. All other shares are measured at fair value, with changes in fair value (except dividends) recorded in other comprehensive income.

The amounts are not recycled from other comprehensive income to income (even in the case of sale of an equity instrument). Accumulated gains or losses are reclassified within equity through retained earnings.

Equity instruments measured at fair value through equity are not reclassified to equity instruments at fair value through profit and loss.

Equity instruments at fair value through profit and loss are not subject to impairment testing.

Equity instruments at fair value through equity are subject to impairment testing, that impairment being accounted for in other comprehensive income.

Customers and Other debtors

These items mainly include the balances of customers resulting from services rendered as part of the Group's activity and other balances related to operating activities. Balances are classified as current assets when the collection is estimated within a 12-month period. Balances are classified as non-current if the estimated collection occurs more than 12 months after the reporting date.

"Customer" and "Other debtors" are initially recognised at fair value and are subsequently measured at amortised cost, less the impairment adjustments. Identified impairment losses are recorded in the income statement and other comprehensive income in "Impairment of receivables" and are subsequently reversed by profit and loss.

With the introduction of IFRS 9, the company started to recognise the impairment of receivables on third parties, based on the sum of the following two components:

- Specific impairment of all receivables in litigation.

- Expected impairment of all receivables, which are not in the process of litigation, using the following risk matrix, based on the observations occurring in the behaviour of the receipts in the two previous years:

Receivables before the due date	% in debt
Receipt up to 30 days after the due date	% in debt
Receipt between 31 and 60 days after the due date	% in debt
Receipt between 61 and 90 days after the due date	% in debt
Receipt between 91 and 365 days after the due date	% in debt
Amounts not collected after 365 days from the due date	% in debt

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 mobilised with negligible risk of change in value.

Bank overdrafts are presented in the statement of financial position, in current liabilities, under "Borrowings." As of 31 December 2018, Ascendum has equity instruments at fair value through profit and loss and debt instruments at amortised cost (customers and receivables).

Accounting policy used until 31 December 2017

a) Investments

The company classifies the financial investments in the following categories: 'Investments measured at fair value through profit and loss,' 'Investments held to maturity' and 'Investments available for sale.' 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 subcategories: 'Financial assets held for trading' and 'investments measured at fair value through profit and 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 realised within 12 months of the date of the statement of financial position.

On 31 December 2018 and 2017, ASCENDUM S.A. did not hold financial instruments in the categories of "financial assets held for trading" and "instruments measured at fair value through profit and loss."

Investments held to maturity

This category includes non-derivative financial assets with fixed or variable repayments that have a fixed maturity and for which the Board of Directors intends to maintain until their date of 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.

On 31 December 2018 and 2017, ASCENDUM S.A. did not hold "Investment held to maturity."

Investments available for sale

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.

On 31 December 2018, ASCENDUM S.A. did not hold "Investments available for sale."

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 Investments available for sale, transaction costs are included.

Following initial recognition, investments measured at fair value through profit and loss and Investments available for sale are revalued at their fair values based on their market value on 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 Investments 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 recorded in the income statement.

Financial investments available for sale representing shareholdings in unlisted companies are recorded at acquisition cost, taking into account any applicable impairment losses.

All purchases and sales of financial investments are recognised on the transaction date, i.e. the date when the company 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 and loss." In the latter case, the investments are initially recognised at fair value and then the transaction costs are recognised in the income statement.

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

'Investments available for sale' and 'investments at fair value through profit and loss' are subsequently carried at fair value based on their market value on 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 amortised cost using the effective interest rate method.

Gains and losses, whether or not they are realised, arising from changes in the fair value of "Investments at fair value through profit and loss" are recognised 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 Financial investments available for sale is based on current market prices. If the market, to which the investments belong, is not an active/liquid market (unlisted investments), the company records them at acquisition cost, taking any impairment losses into consideration. The company'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.

On the date of each statement of financial position, the company 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 "Investments available for sale," the accumulated losses – measured as the difference between acquisition cost and fair value minus any previously recognised impairment loss in the income statement – are withdrawn from Equity and recognised in the income statement.

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

b) Accounts receivable

Accounts receivable that do not bear interest are recorded at their nominal value, minus any impairment losses in order to reflect their current net realisable value. These amounts are not discounted because the effect of their financial updating is not deemed material.

Accounts receivable that bear interest are recorded in the asset at their total value, the interest portion being recorded in the liability, as an income to be recognised in the income statement due to its maturity.

Specifically, evidence of impairment in receivables arises when:

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

c) 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 mobilised with negligible risk of change in value.

FINANCIAL LIABILITIES

Accounting policy as of 1 January 2018

Financial liabilities are classified into two categories:

(i) Financial liabilities at fair value through profit and loss; and

(ii) Financial liabilities at amortised cost.

Financial liabilities at amortised cost are initially recognised at fair value net of transaction costs and are subsequently measured at amortised cost at the effective interest rate.

As of 31 December 2018, the Company only has recognised liabilities classified as "Financial liabilities at amortised cost."

Financial liabilities are de-recognised when the underlying obligations are extinguished by payment, are cancelled or expire.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost and the difference between the nominal value and the initial fair value recognised in the income statement and other comprehensive income over the period of the financing using the effective interest rate method.

Borrowings are classified under current liabilities, unless the Group has an unconditional right to defer the payment of liabilities for at least 12 months after the date of the financial report, in which case they are classified as non-current liabilities.

Trade payables

These items generally include balances of suppliers of goods and services that the Group acquired in the normal course of its business. These items will be classified as current liabilities if the payment is due within 12 months or less; otherwise, the accounts of "Trade payables" will be classified as non-current liabilities.

These financial liabilities are initially recognised at fair value. Subsequent to its initial recognition, the liabilities presented under "Trade payables" are measured at amortised cost using the effective interest method.

Accounting policy used until 31 December 2017

a) Loans

Loans are recorded in liabilities at their nominal value minus transaction costs that are directly attributable to the issuance of these liabilities, in accordance with the amortised cost. Calculation of financial charges is based on the effective interest rate and recognised in the income statement for the period based on the accrual principle.

b) 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.

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 recognised 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 recognised 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 recognised 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, on the expected date of reversal of provisional differences.

Deferred tax assets are only recognised 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 recognised 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 Austria, ASCENDUM CENTRAL EUROPE GmbH is taxed on a consolidated basis by incorporating, in its tax return, the tax results of its direct subsidiary Ascendum Baumaschinen Österreich GmbH, as well as the tax losses, if any, of foreign subsidiaries: Ascendum Épiutogépek Hungaria Kereslkederlmi Ktf. – Hungary; Ascendum Gradevinski Strojevi Hrvatska, d.o.o. Croatia; Ascendum Stravebene 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

ACCRUAL BASIS

Income and costs are recorded on an accruals basis, whereby 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 Board of Directors.

REVENUE FROM CONTRACTS WITH CUSTOMERS

Accounting policy as of 1 January 2018

Revenue corresponds to the fair value of the amount received or receivable from transactions with customers in the normal course of business. Revenue is recorded net of any taxes, trade discounts and financial discounts.

In determining the value of revenue, the Company evaluates, for each transaction, its performance obligations to its customers, the price of the transaction to be affected by each performance obligation identified in the transaction, and the existence of variable price conditions that may lead to future adjustments to the value of the recorded revenue, and for which the Company makes its best estimate.

Revenue is recorded in the income statement when the control over the product or service is transferred to the customer, that is, at the moment when the customer becomes able to manage the use of the product or service and obtain all the remaining economic benefits associated with it.

The Company considers that, given the nature of the product or service that is associated with the assumed performance obligations, the transfer of control occurs mostly continuously over the set contractual period, but there may be transactions in which the transfer of control occurs on a specific date.

The specialisation of revenue is presented as "Customer contracts assets" or "Customer contracts liabilities," in the Statement of Financial Position.

Accounting policy used until 31 December 2017

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

- Revenue from sales is recognised 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 the provision of services corresponds to the price paid for the services rendered and are recognised at the time of its execution and/or in the cases of continued service, throughout the time in which the service occurs.

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

Realisable 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.

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 31 December 2018 and 2017 include:

a) Lifetime of tangible and intangible assets and investment properties;

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, on 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 on 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. Changes to these estimates, which occur after the date of the consolidated financial statements, will be adjusted in the income statement prospectively, in accordance with 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 development of its activity, the Group is exposed to a variety of risks: market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme, inherent to the outlook for ongoing long-term operations, focuses on the unpredictability of financial markets and seeks to minimise 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 2.2.d), the assets and liabilities of the financial statements of foreign entities are translated into Euros using the exchange rates prevailing on the date of the statement of financial position. The profit and loss in the income statement is translated into Euros using the average exchange rate for the year. 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 summarised as follows:

	ASSETS				LIABILITIES			
	DEC/18	%	DEC-17	%	DEC/18	%	DEC-17	%
Turkish Lira (TRY)	(346,486)	0%	94,781,495	18%	20,549	0%	50,025,830	13%
US Dollar (USD)	186,132,702	32%	169,382,312	31%	164,112,378	40%	150,590,716	39%
Polish Zloty (PLN)	(4,152)	0%	(3,821)	0%	608	0%	626	0%
New Romanian Leu (RON)	3,158,753	1%	2,999,473	1%	3,418,839	1%	3,334,058	1%
Moroccan Dirham (MAD)	665,493	0%	651,368	0%	621,907	0%	608,871	0%
Hungarian Forint (HUF)	2,354,045	0%	1,706,052	0%	1,539,626	0%	1,287,088	0%
Croatian Kuna (HRK)	695,729	0%	898,273	0%	213,331	0%	630,986	0%
Czech Koruna (CZK)	8,253,267	1%	6,627,457	1%	7,478,348	2%	5,989,345	2%
Sub-Total	**200,909,352**	**35%**	**277,042,609**	**51%**	**177,405,586**	**43%**	**212,467,519**	**55%**
Total – Consolidated Balance Sheet – IFRS	**577,588,960**		**541,470,941**		**408,816,413**		**384,925,289**	

The reduction of assets and liabilities translated in "TRY" from 2017 to 2018 was due to the fact that two of the Turkish subsidiaries (ASCENDUM MAKINA and ASCENDUM TURKYE HOLDING) changed their functional currency to Euros.

Considering the impact that foreign subsidiaries, with a functional currency different from Euro, have in consolidated financial statements, a test of sensitivity to exchange rate variability was conducted, 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	4,944,732	(4,944,732)
Profit for the year	125,372	(125,372)
Equity	1,388,752	(1,388,752)
Liabilities	3,555,980	(3,555,980)

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. ASCENDUM's Board of Directors believes that the risk associated with 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 formalised protocols, so the risk of commodity price, or credit is reasonably controlled and monitored by the Board of Directors of the group, thus guaranteeing 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 due to the effect of the following factors: (i) a possible correlation between the level of market interest rates and economic growth, which has a positive effect on other lines of the consolidated (and operational) results of the Group, thereby partially offsetting the increased financial costs (natural hedge); and (ii) the existence of liquidity or cash equivalents, which are also remunerated at variable rates.

ASCENDUM's Board of Directors has approved the terms and conditions of financing by analysing 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 on 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 average indebtedness of the Group in that financial year;

(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 summarised as follows (increases/(decreases)):

	VARIATION	DEC-18 P&L	DEC-17 P&L
Bank loans	1 p.p	2,225,036	1,789,773
Bank loans	(1 p.p)	(2,225,036)	(1,789,773)

d) Liquidity risk

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

The existence of liquidity in the Group companies requires performance parameters to be set in the management function of that liquidity, in order to maximise return and minimise opportunity costs related to holding 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 minimise the likelihood of default in repayment of any investment of funds; and

(iii) Financial efficiency, which is to ensure that the Companies maximise the value/minimise 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 concerning investments in non-current assets, at their cash generation rate;

(iv) Contracting 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.

On 31 December 2018 and 2017, the Group had net debt of 155,775,076 euros and 132,652,833 euros, respectively, divided between current and non-current loans (Note 20) and cash equivalents (Note 16) taken on through several institutions.

In addition, we emphasise that current assets are much higher than current liabilities, so this risk is minimised.

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 31 December 2018 and 2017 are disclosed in Note 25.

On 31 December 2018 and 2017, the Group considered that there was no need for additional impairment losses beyond the amounts recorded on those dates and outlined, in short, in Note 25.

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

3. CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF BASIC ERRORS

During the financial year ended 31 December 2018, there were no correction of errors related to prior years and, besides the adoption of IFRS 9 and the change in the presentation of exchange differences, there were also no impacts of changes in accounting policies.

3.1. IFRS 9 Adoption

On 1 January 2018, the following standard became effective, among others of less significant impact:

IFRS 9 – Financial instruments: IFRS 9 replaces the requirements of IAS 39 for: (i) the classification and measurement of financial assets and liabilities; (ii) recognition of impairment on receivables (through the expected loss model); and (iii) the requirements for the recognition and classification of hedge accounting.

In adopting the above standard, the company followed the following transition method:

Retrospective application, not restating the comparatives and recognising the cumulative effect of applying the new standards to the opening balance of the results carried over to 1 January 2018.

On the transition date, the adoption of this standard had the following impacts on the Statement of Financial Position:

IMPACT ON CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – IFRS 9 EUROS	DATE		
	01/01/18	IFRS 9	01/01/2018 ADJUSTED
Non current Assets			
Other non current assets	186,457,591	0	186,457,591
Current Assets			
Trade and other receivables	111,258,888	-433,920	110,824,968
Other current assets	243,754,462	0	243,754,462
Total Assets	**541,470,941**	**-433,920**	**541,037,021**
Equity			
Share capital	15,000,000	0	15,000,000
Retained earnings	83,308,843	-385,087	82,923,756
Other equity	26,792,125	0	26,792,125
Profit for the year	27,340,471	0	27,340,471
Non-controlling interests	4,104,212	-48,833	4,055,379
Total Equity	**156,545,651**	**-433,920**	**156,111,731**
Non current liabilities			
Other non current liabilities	138,136,852	0	138,136,852
Current liabilities			
Other current liabilities	246,788,437	0	246,788,437
Total Liabilities	**384,925,289**	**0**	**384,925,290**
Total Equity and Liabilities	**541,470,941**	**-433,920**	**541,037,021**

3.2. Change in the presentation of exchange rate differences

The following table summarises the impacts of this change, where the exchange rate differences are presented in an autonomous line:

SUMMARY OF THE IMPACT OF THE CHANGE IN THE PRESENTATION OF EXCHANGE DIFFERENCES
EUROS

INCOME AND EXPENSES	PERIOD		
	31/12/17	RECLASSIFICATION	31/12/2017 RESTATED
Sales and services rendered	907,223,119		907,223,119
Changes in inventories of production	234,423		234,423
Works for the entity	325,417		325,417
Cost of sales	-697,462,426		-697,462,426
Gross Profit	**210,320,534**	**0**	**210,320,534**
External supplies and services	-63,837,296		-63,837,296
Personnel expenses	-73,303,214		-73,303,214
Inventories impairments (losses/reversals)	-1,062,359		-1,062,359
Accounts receivable impairments (losses/reversals)	-357,501		-357,501
Provisions (increase/decrease)	-2,519,612		-2,519,612
Fair value (increase/decrease)	-2,421		-2,421
Operating subsidies	219,087		219,087
Gains/losses on subsidiaries, associated companies and joint ventures	68,192		68,192
Other income and gains	11,217,748	-2,506,710	8,711,038
Other expenses and losses	-8,880,356	4,755,485	-4,124,871
Depreciation and amortization expenses/reversals	-25,890,437		-25,890,437
Impairment of non depreciable/amortizable investments (losses/reversals)	-404,312		-404,312
Operating profit (before finance results and income tax)	**45,568,053**	**2,248,775**	**47,816,828**
Interest and similar finance incomes	559,629		559,629
Interest and similar finance costs	-12,846,932	3,810,510	-9,036,422
Net exchange differences	0	-6,059,285	-6,059,285
Profit before income tax	**33,280,749**	**0**	**33,280,749**
Income tax expense	-5,617,394		-5,617,394
Profit for the year	**27,663,355**	**0**	**27,663,355**

4. GROUP COMPANIES INCLUDED IN THE CONSOLIDATION

The Group companies included in the consolidation and the proportion of capital held on 31 December 2018 and 2017 are as follows:

COMPANY	EFFECTIVE SHAREHOLDING PERCENTAGE		CONSOLIDATION METHOD
	DEC-18	DEC-17	
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%	100%	Full
ASCENDUM MACHINERY, INC.	100%	100%	Full
ASCENDUM MAQUINARIA MÉXICO, S.A. DE C.V.	100%	100%	Full
ASCENDUM III – MÁQUINAS, UNIPESSOAL LDA.	100%	100%	Full
ASCENDUM MAKINA TICARET, A.Ş.	100%	100%	Full
ASCENDUM BAUMASCHINEN ÖSTERREICH GMBH	100%	100%	Full
ASCENDUM ÉPÍTOGÉPEK HUNGÁRIA KERESKEDELMI KFT	100%	100%	Full
ASCENDUM ESPAÑA, S.L.	100%	100%	Full
ASCENDUM CENTRAL EUROPE GMBH	100%	100%	Full
ASCENDUM GRADEVINSKI STROJEVI HRVATSKA D.O.O	100%	100%	Full
ASCENDUM MACHINERY SRL	100%	100%	Full
ASCENDUM TÜRKİYE YATIRIM HOLDING ANONIM ŞİRKETİ	100%	100%	Full
ASCENDUM PORTUGAL, SERVIÇOS DE GESTÃO, S.A.	100%	100%	Full
ASCENDUM STAVEBENI STROJE CZECH S.R.O	100%	100%	Full
ASCENDUM STRAVEBENE STROJE SLOVENSKO S.R.O	100%	100%	Full
GLOMAK SGPS, S.A.	100%	100%	Full
HARDPARTS MOÇAMBIQUE, LDA.	100%	100%	Full
IMPORTADORA DISTRIBUIDORA DE MAQUINARIA INDUSTRIAL ZEPHIR, S.L.	50%	50%	Full
TEA ALOYA INMOBILIARIA, S.A.U.	100%	100%	Full
TRACTORRASTOS – SOCIEDADE VENDEDORA DE ACESSÓRIOS, LDA.	100%	100%	Full
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% participations included in the above list were included in the Consolidated Financial Statements, using the integral method, since, in addition to the percentage of direct and/or indirect holding, the Group controls the decisions taken at Board level of the Board of Directors of Air Rail, SL, which, in turn, controls the other subsidiaries "Air Rail" and also the subsidiary "Importadora Distribuidora de Maquinaria Industrial Zephir, SL

5. CHANGES IN THE CONSOLIDATION PERIMETER

During the financial year ended 31 December 2018, no changes occurred within the consolidation perimeter:

During the financial year ended 31 December 2017, the following changes occurred within the consolidation perimeter:

- At ASCENDUM II – Veículos, Unipessoal, Lda., a de-merging operation of the Truck Division was carried out for a new company, created for this purpose, with the corporate name of – ASCENDUM, CAMIÕES, Unipessoal, Lda. Also as part of this de-merging, the corporate name of ASCENDUM II was changed to – ASCENDUM, AUTOMÓVEIS, Unipessoal, Lda.

In Turkey, a merger was performed 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.

6. INTANGIBLE ASSETS

During the financial years ended on 31 December 2018 and 2017, movements in intangible assets and in the respective amortisations and accumulated impairment losses, were as follows:

2018	INDUSTRIAL PROPERTY AND OTHER RIGHTS	COMPUTER PROGRAMS	INTANGIBLE ASSETS IN PROGRESS	TOTAL
Gross assets:				
2018 Opening balance	6,867,624	5,020,832	1,265,754	13,154,211
Additions	83,152	902,193	0	985,345
Translation differences	230,595	8,711	0	239,306
Transfers and write-offs	0	961,126	(961,126)	0
December 31, 2018 Final balance	7,181,371	6,892,862	304,629	14,378,862
Amortizations and accumulated impairment losses:				
2018 Opening balance	(676,010)	(2,809,162)	0	(3,485,172)
Amortization for the year	(144,122)	(474,921)	0	(619,043)
Translation differences	39,556	(416,220)	0	(376,664)
Disposals, transfers and write-offs	(3,776)	0	0	(3,776)
December 31, 2018 Final balance	(784,352)	(3,700,303)	0	(4,484,655)
Net Value	**6,397,019**	**3,192,559**	**304,629**	**9,894,207**

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**

In 2018 and 2017, the most significant investment relates to the acquisition of software licences, disclosed in "Additions" in the "Computer Software" column and the investment in the new ERP AsSap, disclosed in "Additions" in the column "Intangible assets in progress," in 2017, which will become the system across-the board for all the companies of the group in the segment of construction equipment and other equipment.

7. TANGIBLE FIXED ASSETS

During the financial years ended on 31 December 2018 and 2017, movements in tangible fixed assets, as well as in depreciations and accumulated impairment losses, were as follows:

2018	LAND AND NATURAL RESOURCES	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	ADMINISTRATIVE EQUIPMENT	OTHER FIXED ASSETS	FIXED ASSETS IN PROGRESS	TOTAL
Gross Assets:								
2018 Opening 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
Additions	380,054	5,086,449	28,143,767	3,967,131	1,572,154	481,444	1,991,379	41,622,378
Disposals, transfers and write-offs	(1,250,265)	(3,945,193)	(19,921,686)	(4,645,226)	(571,215)	(758,193)	0	(31,091,779)
Translation differences	311,361	789,842	1,374,958	98,869	156,705	10,619	0	2,742,353
December 31, 2018 Final balance	24,841,424	57,100,302	167,371,213	13,693,140	16,207,487	1,053,307	3,254,517	283,521,390
Depreciations and accumulated impairment losses:								
2018 Opening balance	0	(30,219,779)	(92,523,538)	(7,110,722)	(12,725,978)	(1,202,296)	0	(143,782,313)
Depreciation for the year	0	(2,142,248)	(25,391,846)	(635,091)	(846,880)	(192,731)	0	(29,208,797)
Disposals, transfers and write-offs	0	2,920,925	19,021,549	3,760,408	561,424	465,112	0	26,729,419
Translation differences	0	(267,503)	(162,848)	(79,355)	(175,508)	(10,632)	0	(695,848)
December 31, 2018 Final balance	0	(29,708,605)	(99,056,683)	(4,064,760)	(13,186,942)	(940,548)	0	(146,957,538)
Net Value	**24,841,424**	**27,391,697**	**68,314,530**	**9,628,380**	**3,020,545**	**112,759**	**3,254,517**	**136,563,851**

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**

In 2018 and 2017, the Basic equipment item remained chiefly responsible for the investment in tangible fixed assets.

8. INVESTMENT PROPERTIES

On 31 December 2018 and 2017, the "Investment properties" item refers to real estate assets held by the Group that are generating income through their lease or for valuation purposes. These assets are recorded at acquisition cost or re-valued cost on the date IFRS was first applied (01-01-2009).

In order to collect up-to-date market indicators to assess whether or not there were signs of impairment in relation to the book values of investment properties, independent valuations and/or internal evaluations were conducted based on previous external evaluations of the most representative goods of this class of assets. The results of these valuations showed market values higher than the book values on 31 December 2018; therefore, the Board of Directors considered that there is no evidence that they are impaired and that the book values of the investment properties properly reflect their fair value on that date.

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

The investment properties evidenced in the consolidated statement of financial position for 2018 and 2017 represented lands that the Group holds with the intention of future appreciation.

The following table shows the position of the investment properties at the end of 2018 and 2017:

	DEC-17 OPENING BALANCE	INCREASES	DECREASES	DEC-18 FINAL BALANCE
AIR RAIL, S.L.	170,057	17,009	(38,612)	148,453
ASCENDUM, S.A.	2,387,659	269,279	(1,800)	2,655,138
GLOMAK, S.G.P.S, S.A.	687,444	104,277	(119,035)	672,686
ASCENDUM III, Máquinas, Lda	0	5,643	(2,822)	2,822
TEA ALOYA INMOBILIARIA, S.A.	78,260	0	0	78,260
ASCENDUM BAUMASCH ÖSTERREICH	0	3,482	0	3,482
Total	**3,323,420**	**399,690**	**(162,269)**	**3,560,842**

	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
TEA ALOYA INMOBILIARIA, S.A.	78,260	0	0	78,260
Total	**2,998,953**	**810,755**	**486,288**	**3,323,420**

During the 2018 and 2017 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 2018 and 2017 financial years under Goodwill.

GOODWILL	DEC-18	DEC-17
Gross Assets:		
Opening balance	36,033,457	38,421,501
Transfers, write-offs and adjustments	11,744	(2,388,044)
Final balance	36,045,201	36,033,457
Amortizations and accumulated impairment losses:		
Opening balance	(2,092,186)	(2,092,186)
Final balance	(2,092,186)	(2,092,186)
Net Value	**33,953,015**	**33,941,271**

The variation of the value of Goodwill in 2018 and in 2017 is essentially related to the effects of exchange rate adjustments, resulting from the translation of the functional currency in which they are being recognised, to the reporting currency of the consolidated financial statements.

The overall value of Goodwill on 31 December 2018 and 2017 is presented in the following tables, as well as the methods and assumptions used to determine whether they are impaired:

2018	ASCENDUM MÁQUINAS	ASCENDUM MACHINERY, INC	ASCENDUM TURK	ASCENDUM MEXICO	ASCENDUM GMBH	ASCENDUM ROMANIA	TRACTORRASTOS
Goodwill	7,923	565,169	9,510,723	1,084,284	8,898,227	988,658	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%	3%	3%	2%	2%	2%
Applied discount rate (2)	6.6%	13.0%	22.9%	14.3%	7.3%	7.3%	6.6%

2018 (CONTINUATION)	ASCENDUM PORTUGAL	GLOMAK S.G.P.S.	AIR-RAIL – SPAIN	GRANADA – SPAIN	ZEPHIR	VOLCATALAN	TOTAL
Goodwill	155,000	202,085	5,992,073	2,255,828	2,620,298	736,897	**33,953,015**
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%	2%	2%	2%	
Applied discount rate (2)	6.6%	8.0%	5.6%	5.6%	5.6%	5.6%	

(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

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	**33,941,271**
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) 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, on 31 December 2018, 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 well above the Goodwill.

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

10. FINANCIAL INVESTMENTS AND OTHER FINANCIAL ASSETS

	2018	2017
Financial assets at fair value through other comprehensive income	1,005	4,489
Other non-current financial assets	63,156	224,538
Investments accounted for using the equity method	121,241	130,999
Other current financial assets	0	5,455,039
Financial assets at fair value through equity	3,630,638	0

10.1 INVESTMENTS IN ASSOCIATES

2018	TOTAL EQUITY	NET PROFIT FOR THE YEAR	% SHARE CAPITAL HELD	PARTICIPATION BOOK VALUE	APPROPRIATED RESULT
Amplitude Seguros – Corretores de Seguros S.A.	363,760	176,235	33.33%	121,241	58,739

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

10.2 EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

Securities portfolio:

In the financial years ended on 31 December 2018 and 2017, the Group held the following securities portfolio:

	SHARES	SHARE VALUE 31.12.18	VALUE AT 31.12.18
BCP	3,030	0.230	695
ESFG	1,020,000	0.000	0
Totals			**695**

	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**

The movements in the securities portfolio of each financial year were as follows:

	DEC-18	DEC-17
Fair Value on January, 1st	824	12,540,079
Increase/(decrease) in Fair Value – P&L	(129)	(2,420)
Disposals during the Year	0	(12,536,834)
Fair Value on December, 31st	696	824
Non current assets	**696**	**824**
Total	**696**	**824**

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

The impact on the income statement was recorded under "Increase/decrease in fair value."

a) Other investments:

	SHAREHOLDING %	DEC-18 GLOBAL BOOK VALUE	DEC-17 GLOBAL BOOK VALUE	VARIATION
Arnado, Lda	5%	309	3,666	(3,357)
Garval, Lisgarnte, Norgarante	-			

10.3 OTHER FINANCIAL ASSETS

The balance in 2017 under "Other current financial assets" refers to an investment made in Treasury Bonds of the Angolan Government, which expired in 2018.

10.4 DEBT INSTRUMENTS AT FAIR VALUE THROUGH EQUITY

The balance in 2018 refers to an investment made in Treasury Bonds of the Angolan Government, which the Group classifies as debt instruments at fair value through equity, since the requirements described in note 2.3 j) were met. As of 31 December 2018, the Board of Directors believes that the fair value is close to the nominal value and, therefore, did not adjust accordingly. These applications expire in 2020, with restrictions on repatriation of funds. As there is no obligation to hold these assets to maturity and there is the possibility of trading them in the secondary market, the group displays them in current assets.

11. INVENTORIES

On 31 December 2018 and 2017, this item had the following composition:

	DEC-18	DEC-17
Raw Materials, Subsidiaries, and Consumption Materials		
Products and works in progress	3,516,164	1,773,584
Finished and intermediate products	9,741	10,012
Goods	216,382,031	196,879,166
Accumulated inventories Impairments (Note 25)	(8,823,448)	(9,085,281)
Total	**211,084,488**	**189,577,480**

The cost of sales in the financial years ended on 31 December 2018 and 2017 is as follows:

	DEC-18			DEC-17		
	GOODS	RAW MATERIALS, SUBSIDIARY, AND CONSUMPTION MATERIALS	TOTAL	GOODS	RAW MATERIALS, SUBSIDIARY, AND CONSUMPTION MATERIALS	TOTAL
Opening inventories	196,879,166	0	196,879,166	178,002,941	0	178,002,941
Net purchases	(707,358,356)	0	(707,358,356)	716,338,651	0	716,338,651
Final inventories	216,382,031	0	216,382,031	196,879,166	0	196,879,166
Total	**(726,861,222)**	**0**	**(726,861,222)**	**697,462,426**	**0**	**697,462,426**

Changes in inventories of production for the financial years ended on 31 December 2018 and 2017 are as follows:

	FINISHED, INTERMEDIATE PRODUCTS, AND WORKS IN PROGRESS	
	DEC-18	DEC-17
Final inventories	3,525,904	1,783,595
Inventory adjustments	359,376	(1,365,093)
Opening inventories	1,783,595	2,914,266
Total	**1,382,933**	**234,422**

12. TRADE RECEIVABLES

On 31 December 2018 and 2017, this item had the following composition:

	ASSETS	
	DEC-18	**DEC-17**
Customers – current	104,059,354	97,570,913
Customers – trade bills receivable	11,120,334	16,856,540
Customers – doubtful debts	15,821,561	16,496,559
	131,001,249	**130,924,012**
Accumulated impairment losses (Note 25)	(19,736,026)	(19,665,124)
	111,265,223	**111,258,888**

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 amounts of accounts receivable are 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 2018 and 2017 amounted to 3,364,326 euros and 2,830,216 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 credits with agreed maturity of up to 12 months.

13. OTHER ACCOUNTS RECEIVABLE AND ADVANCES TO SUPPLIERS

On 31 December 2018 and 2017, this item had the following composition:

	DEC-18		DEC-17	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Prepayments to suppliers	2,168,345	–	5,095,724	
Sub-total	**2,168,345**	**–**	**5,095,724**	**–**
Other accounts receivables	1,710,405	857,585	3,570,094	731,387
Accrued income	3,404,281	–	2,070,767	–
Sub-total	**5,114,686**	**857,585**	**5,640,862**	**731,387**
Total	**7,283,031**	**857,585**	**10,736,586**	**731,387**

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

In other accounts receivable, there is, in 2018 and 2017, an amount of 361,880 euros and 1,587,606 euros, respectively, related to a balance receivable with interests they do not control.

14. DEFERRALS – (ASSET)

On 31 December 2018 and 2017, this item had the following composition:

	DEC-18	DEC-17
Deferred Costs:		
Insurance	157,912	151,584
Rents	216,083	249,674
Others	673,270	1,637,111
Total	**1,047,266**	**2,038,369**

ASCENDUM recognises expenses on the accrual basis regardless of their payment. At the end of the financial year, expenses already paid are deferred under this item, but they should only affect, economically, the following financial year(s).

The amounts disclosed in the table above are related to the payments of insurance, 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 on 31 December 2018 and 2017, are summarised as follows:

2018	DEC-17	P&L IMPACT	EQUITY IMPACT	DEC-18
Deferred Tax Assets:				
Non-tax deductible impairments	4,630,647	(2,526,105)	(9,728)	2,094,814
Carry forward tax losses	3,348,409	1,172,328	0	4,520,737
Non-tax deductible amortizations	1,866,796	(144,158)	0	1,722,639
Amortization of Goodwill – Tax deductible	1,576,208	(155,363)	0	1,420,845
Carry forward of net Financing Expenses	438,053	0	0	438,053
Elimination – Internal Margins	(133,918)	383,211	0	249,293
Taxable Deferrals	132,977	(8,948)	0	124,029
Benefits (retirement plans)	40,207	131,017	0	171,224
Investment Properties Impairments	66,944	0	0	66,944
	11,966,323	**(1,148,018)**	**(9,728)**	**10,808,577**
Deferred Tax Liabilities:				
Depreciations resulting from legal and free revaluations	(3,321,659)	0	0	(3,321,659)
Effect of reinvesting capital gains generated	(12,350,603)	732,112	(1,024,944)	(12,643,435)
Others	(852,637)	(513,730)	(656,547)	(2,022,914)
	(16,524,899)	**218,382**	**(1,681,491)**	**(17,988,008)**
Net effect	**(4,558,576)**	**(929,635)**	**(1,691,219)**	**(7,179,429)**

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	(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)**

In 2018, the deferred taxes presented above essentially reflected:

(i) Restitution of impairments in items of accounts receivable and inventories above the accepted tax limits (2,526,000 euros), with an impact on the profit and loss.

In 2017, the deferred taxes presented above essentially reflected:

(i) Restitution of impairments in items of accounts receivable and inventories above the accepted tax limit (2,372,000 euros), with an impact on profit and loss.

(ii) Decrease in deferred tax liabilities in a total amount of 5,666,000 euros, due to the impact of the reduction in the nominal rate of income tax in the United States, from 35% to 21%.

a) Tax losses carried forward:

2018	TAX LOSSES CARRIED FORWARD	DEADLINE FOR THE USE OF TAX LOSSES	DEFERRED TAX BASE	TAX RATE	DEFERRED TAX ASSETS
ASCENDUM, S.A. – 2015	2,450,620	2027	2,450,620	21%	514,630
ASCENDUM, S.A. – 2018	3,458,047	2023	3,458,047	21%	726,190
ASCENDUM ESPAÑA S.L.	482,412	N/A	482,412	25%	120,603
ASCENDUM MAKINA – 2018	883,070	2024	883,070	22%	194,275
ART HAVA – 2013	20,968	2019	20,968	22%	4,613
ART HAVA – 2014	31,361	2020	31,361	22%	6,900
ART HAVA – 2015	10,279	2021	10,279	22%	2,261
ART HAVA – 2016	1,163	2022	1,163	22%	256
ART HAVA – 2017	1,116	2023	1,116	22%	246
ART HAVA – 2018	1,104	2024	1,104	22%	243
GLOMAK SPAIN – 2009	2,903,380	N/A	2,903,380	25%	725,845
GLOMAK SPAIN – 2010	1,502,386	N/A	1,502,386	25%	375,596
GLOMAK SPAIN – 2011	1,716,675	N/A	1,716,675	25%	429,169
GLOMAK SPAIN – 2012	2,255,621	N/A	2,255,621	25%	563,905
GLOMAK SPAIN – 2013	1,199,837	N/A	1,199,837	25%	299,959
GLOMAK SPAIN – 2014	419,355	N/A	419,355	25%	104,839
GLOMAK SPAIN – 2015	925,878	N/A	925,878	25%	231,469
GLOMAK MOZAMBIQUE – 2015	309,267	2019	309,267	32%	98,965
GLOMAK MOZAMBIQUE – 2017	377,415	2020	377,415	32%	120,773
Total	**18,949,953**		**18,949,953**		**4,520,737**

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 TÜRKİYE HOLDING – 2013	558,898	2019	558,898	20%	111,780
ASCENDUM TÜRKİYE HOLDING – 2014	399,697	2020	399,697	20%	79,939
ASCENDUM TÜRKİYE HOLDING – 2015	83,709	2021	83,709	20%	16,742
ASCENDUM TÜRKİYE 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
TAISA	6,125	N/A	6,125	25%	1,531
ASCENDUM M. MÉXICO – 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**

According to the current legislation in Portugal, tax losses can be carried forward for five years for financial years up to 31 December 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 scheme of reporting tax losses, which came into force in 2015, with retroactive effect, stating that there is no time limit to deductible tax losses.

In the United States, under the new legislation, tax losses reported after 31/12/2017 are reportable for subsequent years for an indeterminate period. However, the amount of tax losses that may be deductible in a given year is limited to 80% of the taxable profit reported in that year.

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 1 January 2012, taxable income in excess of 1.5 million euros is also subject to a state surcharge of between 3% and 9%.

In accordance with the current legislation, the tax return of the ASCENDUM Group and companies headquartered in Portugal is 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.

Pursuant to 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.

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

In Turkey, the tax returns for the Group's companies are subject to review and correction by the tax authorities for a period of five years.

In Mexico, the tax returns for the Group's companies are subject to review and correction by the tax authorities for a period of five years.

INCOME TAX RATE BY COUNTRY	2018	2017
Austria	25.0%	25.0%
Croatia	18.0%	18.0%
Slovakia	21.0%	21.0%
Spain	25.0%	25.0%
United States of America	21.0%	21.0%
Hungary	9.0%	9.0%
Mexico	30.0%	30.0%
Portugal	21.0%	21.0%
Czech Republic	19.0%	19.0%
Romania	16.0%	16.0%
Mozambique	32.0%	32.0%
Turkey	22.0%	20.0%

On each reporting date, the Group carries out a precise assessment of the ability to recover the tax carried forward, in order to recognise the corresponding Deferred Tax Assets. In the 2018 financial year, Deferred Tax Assets were only recognised 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, to be known on this date.

16. CASH AND BANK DEPOSITS

On 31 December 2018 and 2017, the breakdown of cash and cash equivalents was as follows:

	DEC-18	DEC-17
Cash	165,288	173,313
Current Bank Deposits	25,726,502	16,232,799
	25,891,790	**16,406,113**

17. SHARE CAPITAL STRUCTURE

On 31 December 2018, 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%
NORS, S.A.	50%

18. EQUITY

Dividends

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

According to a decision from the Shareholders' General Meeting held on the 8 April 2018, dividends in the amount of 13,000,000 euros were paid.

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

Legal reserve

Portuguese corporate law states that at least 5% of the annual 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 up, or incorporated into the share capital.

Revaluation reserves

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

Other reserves

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

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 hedging 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 item in the financial years ended on 31 December 2018 and 2017 were as follows:

	DEC-18	DEC-17
Opening balance on January, 1st	4,104,212	4,093,472
Net profit for the period attributed to non-controlling interests	755,004	322,883
Other variations in equity	(1,042,298)	(312,144)
Final balance on December, 31st	**3,816,918**	**4,104,212**

NON-CONTROLLING INTERESTS DETAIL	DEC-18	DEC-17
AIR RAIL, S.L.	3,435,649	3,047,509
AIR RAIL MAROC, S.A.R.L.A.U.	(4,186)	(4,186)
AIR RAIL POLSKA	(2,380)	(2,223)
AIR RAIL (PORTUGAL), SOCIEDADE UNIPESSOAL, LDA.	419,431	348,013
ART HAVA VE RAY EKIPMANLARI LTD. STI	(182,964)	(175,809)
GLOMAK – SGPS, S.A.	(113,683)	639,543
VOLRENTAL ATLANTICO, S.A.	128,385	129,220
IMPORTADORA DISTRIBUIDORA DE MAQUINARIA INDUSTRIAL ZEPHIR, S.L.	136,668	122,145
Total	**3,816,918**	**4,104,212**

20. BORROWINGS

On 31 December 2018 and 2017, the structure of this item was as follows:

	DEC-18		DEC-17	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Bank loans/current accounts/ overdrafts	80%	2%	78%	0%
Commercial papers, leasings and others	20%	98%	22%	100%
	100%	**100%**	**100%**	**100%**

Of the non-current loans obtained on 31 December 2018, 13.8% is due 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. SUPPLIERS

On 31 December 2018 and 2017, this item was made up of current payable balances to suppliers, all of which are due in the short term.

On 31 December 2018 and 2017, the aggregate balance of the Suppliers item was not conditioned by payment plans that incorporated interest payments and, thus, the financial risk related to changes in interest rates is residual here.

22. OTHER LIABILITIES

On 31 December 2018 and 2017, this item had the following composition:

	CURRENT LIABILITIES		NON-CURRENT LIABILITIES	
	DEC-18	DEC-17	DEC-18	DEC-17
Accrued expenses liabilities	19,356,526	22,312,206	–	–
Investments suppliers	1,713,200	2,280,110	1,159,996	1,950,936
Other creditors	7,511,631	6,675,263	43,554,214	38,681,855
	28,581,358	**31,267,580**	**44,714,210**	**40,632,790**

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

The amount of non-current liabilities reported under "Other Creditors" in 2017 is essentially justified by unpaid debt to VFS "Volvo Financial Service" with maturity exceeding 12 months.

23. INCOME TAX, STATE AND OTHER PUBLIC ENTITIES

On 31 December 2018 and 2017, "Income Tax, State and Other Public Entities" has the following composition:

	ASSETS		LIABILITIES	
	DEC-18	DEC-17	DEC-18	DEC-17
Income Tax	5,149,497	3,919,711	2,085,729	978,884
Sub-Total	**5,149,497**	**3,919,711**	**2,085,729**	**978,884**
Value Added Tax	15,979,675	15,616,835	11,721,046	7,021,015
Withholding income tax	0	0	634,398	595,295
Social Security Contributions	0	0	1,174,466	1,195,779
Others	433,873	4,330	59,996	(6,486)
Sub-Total	**16,413,548**	**15,621,165**	**13,589,906**	**8,805,603**
Total	**21,563,045**	**19,540,876**	**15,675,635**	**9,784,487**

The item “Income Tax for Legal Persons” for the financial years ended on 31 December 2018 and 31 December 2017, maintained an overall amount of 3 million euros to be reimbursed.

On the other hand, the overall balance of the VAT account went from a recoverable amount of 8.6 million euros in 2017 to 4.2 million euros in 2018, mainly due to the contribution of our subsidiaries in Slovakia, the Czech Republic and Spain.

24. DEFERRALS – LIABILITIES

On 31 December 2018 and 2017, the item “Deferrals” has the following composition:

	DEC-18	DEC-17
Revenue deferrals		
Sales and services to recognize	2,660,200	2,363,206
Guarantees	9,008,426	5,603,564
Others	253,914	205,879
Total	**11,922,541**	**8,172,649**

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

The amount recorded under “Guarantees” refers to extensions of guarantees, billed on the date of sale of the equipment, which are deferred and recognised in the income statement over the life of the guarantee agreement.

25. PROVISIONS AND ACCUMULATED IMPAIRMENTS LOSSES

Movements in provisions in the financial years ended on 31 December 2018 and 2017 were as follows:

2018 DESCRIPTION	OPENING BALANCE	EXCHANGE RATE EFFECT	PERIMETER VARIATION	INCREASES	REVERSALS	UTILIZATIONS/ ADJUSTMENTS	TOTAL
Accumulated impairment losses – accounts receivables (Note 12)	19,665,125	(1,271,482)	–	2,643,883	–	(1,301,500)	19,736,026
Accumulated impairment losses – inventories (Note 11)	9,085,280	(693,631)	–		(138,830)	570,630	8,823,448
Provisions	6,587,316	(11,391)	–	1,032,930	(1,363,865)	533,869	6,778,859

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	–	1,014,800	9,085,280
Provisions	4,615,946	55,671	–	2,735,665	(216,053)	(603,914)	6,587,316

On 31 December 2018 and 2017, the details of "Provisions" presented in the consolidated statement of financial position were as follows:

DESCRIPTION	DEC-18	DEC-17
Provisions for guarantees	2,808,388	2,605,381
Provisions for risks and costs – Litigation	92,742	15,356
Other provisions	3,877,730	3,966,579
	6,778,860	**6,587,316**

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. FINANCIAL COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

On 31 December 2018 and 2017, ASCENDUM had the following financial commitments:

RESPONSIBILITIES	DEC-18	DEC-17
Buybacks	23,391,134	23,341,805
For granted guarantees	–	737,205
Total	**23,391,134**	**24,079,010**

The amounts of the liability item in 2018 disclosed in the table above are in line with the previous year.

TYPES	DEC-18	DEC-17
Warranties granted to importers of represented brands	2,370,000	1,620,000
Guarantees provided in public tenders	100,149	157,126
Guarantees for suppliers of water, electricity, fuel and similar	237,823	314,332
Other guarantees	17,020,753	10,547,542
Total	**19,728,725**	**12,639,000**

At the end of 2018 and 2017, powers of attorney were in place in favour 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 shareholdings.

In 2018, the item "Other guarantees" was composed of:

- Austrian subsidiaries, at approximately 6.8 million euros;

Guarantees provided by the Holding company to subsidiaries, in a total amount of 7.2 million euros;

- Other guarantees totalling around 3 million euros.

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

- Guarantees provided by the Holding company to subsidiaries, in a total amount of 7.2 million euros;
- Guarantees provided by the subsidiary Ascendum Makina to the Turkish Government, related to the recovery of VAT in the amount of 2.6 million euros;
- Other guarantees totalling around 0.6 million euros.

27. INCOME TAX

Income tax recognised in the financial years ended on 31 December 2018 and 2017 is as follows:

RESPONSABILITIES	DEC-18	DEC-17
Current Income Tax	6,114,922	7,797,087
Deferred Income Tax (Note 15)	929,635	(2,179,693)
Total	**7,044,558**	**5,617,394**

The decrease in "Current tax" in 2018 compared to 2017 is essentially explained by the impact of the tax reform occurred at the end of 2017 in the United States.

The reconciliation of income tax can be detailed as follows:

INCOME TAX		TAX 2018		TAX 2017
Profit before income tax	31,072,586		33,280,749	
Income tax – Portugal	21%	6,525,243	21%	6,988,957
Tax resulting from adjustments to the tax base		(410,321)		808,130
Total – Current income tax		**6,114,922**		**7,797,087**
Total – Deferred income		**929,635**		**(2,179,693)**
Total		**7,044,558**		**5,617,394**

28. 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 financial 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 financial 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.

The parent company, ASCENDUM, S.A., 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 2018 and 2017 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/amortisation 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-18	DEC-17
Net Profit/Loss of the period	24,028,028	27,663,355
Average number of ordinary shares	15,000,000	15,000,000
Basic earnings per share	**1.60**	**1.84**
Diluted earnings per share	**1.60**	**1.84**

29. AVERAGE NUMBER OF EMPLOYEES

In the financial years ended on 31 December 2018 and 2017, the average number of employees working for the Group was as follows:

STAFF	DEC-18	DEC-17
Board	31	33
Directors	56	54
Managers	148	159
Human Resources	10	10
Financial and Administrative	92	91
Logístics, IT, General support and others	78	72
Commercial	237	211
After-Sales	845	814
Total	**1,497**	**1,444**

30. CONTRIBUTION OF GEOGRAPHICAL AREAS TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND THE CONSOLIDATED INCOME STATEMENT ON 31 DECEMBER 2018 AND 2017

The details of sales and services rendered by geographical markets by Group companies from their locations in the financial years ended on 31 December 2018 and 2017 were as follows:

MARKET	DEC-18		DEC-17	
	AMOUNT	%	AMOUNT	%
Portugal	141,333,507	15.01%	118,597,828	13.07%
Spain	141,297,984	15.01%	111,099,973	12.25%
United States of America	299,686,765	31.83%	289,051,360	31.86%
Turkey	147,846,263	15.70%	203,437,686	22.42%
Mexico	33,265,008	3.53%	37,148,714	4.09%
Austria	98,274,674	10.44%	88,836,151	9.79%
Hungary	12,167,436	1.29%	8,107,970	0.89%
Romania	9,435,304	1.00%	5,930,110	0.65%
Croatia	8,879,204	0.94%	5,136,371	0.57%
Czech Republic	34,057,445	3.62%	27,710,652	3.05%
Slovakia	10,300,920	1.09%	8,928,012	0.98%
Mozambique	5,030,423	0.53%	3,238,293	0.36%
Total	**941,574,932**	**100%**	**907,223,119**	**100%**

The following tables show the main items of the Statement of Financial Position and Income Statement divided by the geographical markets in which ASCENDUM operates, for 2018 and 2017:

2018	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	25,108,202	35,871,518	26,590,584	95,900,000	4,044,633	-17,606,147	14,798,449
Spain	41,984,227	24,371,324	25,602,051	17,080,954	1,498,362	24,003,744	8,745,913
United States of America	37,088,026	87,858,199	20,218,855	–	58,378,288	30,436,774	6,454,410
Turkey	6,654,438	29,996,316	13,456,137	111,454	–	36,842,169	19,132,461
Mexico	3,969,240	18,070,885	8,944,184	966,397	–	10,418,465	17,903,821
Poland	–	–	6,358	–	–	269	10
Morocco	173,059	–	114,863	158,710	–	381,260	–
Austria	19,873,269	6,998,826	8,815,393	2,731,331	3,129,119	22,637,602	1,313,594
Hungary	326,513	1,262,737	1,323,636	–	44,609	478,875	–
Romania	324,675	808,021	1,549,784	–	445,369	2,277,198	–
Croatia	323,259	303,033	746,957	–	122,826	-365,252	–
Czech Republic	230,155	3,248,477	5,577,724	–	1,221,674	5,229,866	–
Slovakia	78,882	1,472,451	2,330,847	–	111,758	1,738,215	–
Mozambique	429,906	822,699	1,102,537	–	484,440	6,602,292	–
Total	**136,563,851**	**211,084,488**	**116,379,910**	**116,948,845**	**69,481,078**	**123,075,328**	**68,348,659**

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
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**

2018	SALES AND SERVICES RENDERED	COSTS OF SALES	EXTERNAL SUPPLIES AND SERVICES	PERSONNEL COSTS	OTHER GAINS/ LOSSES	NET PROFIT/ LOSS FOR THE PERIOD
Portugal	141,333,507	(114,747,900)	(13,230,623)	(15,916,930)	2,304,778	(253,234)
Spain	141,297,984	(103,086,751)	(12,830,984)	(11,847,760)	(5,366,997)	8,149,441
United States of America	299,686,765	(233,716,162)	(10,157,406)	(21,855,891)	(23,118,246)	10,839,060
Turkey	147,846,263	(120,909,188)	(11,054,397)	(7,051,797)	(10,103,208)	(1,260,210)
Mexico	33,265,008	(26,410,284)	(4,869,196)	0	(1,939,081)	46,448
Austria	98,274,674	(67,662,971)	(9,514,948)	(12,636,759)	(5,628,902)	2,831,093
Hungary	12,167,436	(9,303,108)	(698,845)	(770,995)	(540,754)	853,734
Romania	9,435,304	(7,503,629)	(651,837)	(883,869)	(193,161)	202,807
Croatia	8,879,204	(6,924,650)	(545,934)	(366,586)	(576,771)	465,263
Czech Republic	34,057,445	(25,764,798)	(2,928,634)	(2,410,394)	(1,270,800)	1,682,820
Slovakia	10,300,920	(7,229,675)	(1,015,502)	(991,486)	(650,464)	413,793
Mozambique	5,030,423	(3,602,107)	(819,857)	(272,585)	(278,860)	57,014
Total	**941,574,932**	**(726,861,222)**	**(68,318,162)**	**(75,005,054)**	**(47,362,467)**	**24,028,028**

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
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**

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

MARKET	DEC-18		DEC-17	
	AMOUNT	%	AMOUNT	%
Construction equipment and other equipment	877,272,187	93.17%	861,893,540	95.00%
Vehicles	36,556,334	3.88%	23,162,714	2.55%
Trucks	27,746,411	2.95%	22,166,865	2.44%
Total	**941,574,932**	**100%**	**907,223,119**	**100%**

31. OTHER INCOME AND GAINS

On 31 December 2018 and 2017, "Other income and gains" had the following composition:

DESCRIPTION	DEC-18	DEC-17
Cash discounts obtained	208,439	130,376
Capital gains from fixed tangible assets disposals	1,145,336	1,205,442
Excess of income tax estimate	60,751	120,859
Adjustments related to prior years	212	28
Claims	257,975	337,126
Others	6,061,667	6,917,207
Total	**7,734,380**	**8,711,038**

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

32. OPERATIONAL LEASE

The commitments held on 31 December 2018 and 2017 for operational lease contracts were as follows:

MINIMUM PAYMENTS FOR OPERATING LEASES	DEC-18	DEC-17
Less than a year	7,937,322	5,869,971
Between 1 and 5 years	6,273,451	11,255,699
Total	**14,210,773**	**17,125,670**

The decrease in 2018 compared to 2017 was mainly due to the reduction in operating leasing activity of our subsidiaries in Austria (about 3 million euros) and the United States (approximately 2 million euros).

33. FINANCIAL RESULTS

On 31 December 2018 and 2017, financial results had the following composition:

INTEREST AND SIMILAR COSTS	DEC-18	DEC-17
Interests	11,476,092	9,036,423
	11,476,092	**9,036,423**

The increase in the "interest expense" caption recorded in 2018 compared to 2017 was mainly due to the increase in financing obtained from the United States, Mexico and Turkey subsidiaries.

INTEREST AND SIMILAR INCOME	DEC-18	DEC-17
Interests	734,298	559,629
	734,298	**559,629**

34. RELATED PARTIES

A related party is a party that controls or is controlled by the other party, or that has a significant influence over it, exercises joint control, is a member of the key management personnel, or a close member of the staff controlling the entity or of the key management individuals, or the party is a post-employment benefits plan for the entity's employees.

Balances and transactions between the parent company and its subsidiaries or between subsidiaries, where these are related parties, have been eliminated in the consolidation process and are, therefore, not disclosed in this Note. The details of balances and transactions between ASCENDUM S.A. and related parties can be summarised as follows:

ACCOUNTS RECEIVABLES FROM COMMERCIAL AND OTHER DEBTS	DEC-18	DEC-17
Key management personnel	53,655	57,096

OUTSTANDING BALANCES WITH RELATED PARTIES	DEC-18	DEC-17
Customers/other accounts receivable:		
Nors, S.A.	190,610	319,803
Suppliers/other accounts payable:		
Nors, S.A.	6,325,726	4,399,947

TRANSACTIONS WITH RELATED PARTIES 2018	SALES	SERVICES RENDERED	PURCHASES	OTHER EXPENSES	OTHER INCOME
Nors S.A.	753,485	1,139,573	23,545,004	352,484	129,426

TRANSACTIONS WITH RELATED PARTIES 2017	SALES	SERVICES RENDERED	PURCHASES	OTHER EXPENSES	OTHER INCOME
Nors S.A.	47,365	978,957	17,119,544	355,254	88,929

Relations with Ernesto Vieira & Filhos are of very limited significance, as they basically involve distribution of dividends, expense payments related to assigned personnel and facilities rent debts.

The purchase and sale of goods and services rendered to related parties were performed at market prices.

35. FINANCIAL ASSETS AND LIABILITIES

On 31 December 2018, financial assets and liabilities had the following composition:

FINANCIAL ASSETS	CATEGORY	BOOK VALUE	VALUATION METHOD
Financial assets at fair value through other comprehensive income	equity instruments	1,005	fair value through other comprehensive income
Other accounts receivable	debt instruments	5,972,271	amortized cost
Financial assets at fair value through equity	debt instruments	3,693,794	fair value through equity
Customers	debt instruments	111,265,223	amortized cost
Suppliers prepayments	debt instruments	2,168,345	amortized cost
Cash and Bank Deposits	debt instruments	25,891,790	amortized cost
		148,992,428	

FINANCIAL LIABILITIES	CATEGORY	BOOK VALUE	VALUATION METHOD
Borrowings	amortized cost	185,297,504	amortized cost
Other accounts payable	amortized cost	73,295,568	amortized cost
Suppliers	amortized cost	94,493,971	amortized cost
Customers prepayments	amortized cost	3,364,326	amortized cost
		356,451,369	

Impairment losses on Financial Assets (Customers, Other accounts receivable and Equity instruments at fair value through profit and loss) are listed in Notes 10.2, 12 and 25.

Gains and losses on financial assets and liabilities in 2018 and 2017 were as follows:

	GAIN/(LOSS)	
	DEC-18	DEC-17
Accounts receivable impairments (losses/reversals)	(2,643,883)	(357,501)
	(2,643,883)	**(357,501)**

Interest on financial assets and liabilities in 2018 and 2017 was as follows:

	GAIN/(LOSS)	
	DEC-18	DEC-17
Interest and similar finance incomes	734,298	559,629
Interest and similar finance costs	(11,476,092)	(9,036,423)
	(10,741,794)	**(8,476,794)**

Exchange differences on financial assets and liabilities related to operating activities in 2018 and 2017 were as follows:

	GAIN/(LOSS)	
	DEC-18	DEC-17
Gains in foreign exchange differences	5,130,682	2,506,710
Losses in foreign exchange differences	(9,535,146)	(8,565,994)
	(4,404,464)	**(6,059,284)**

36. REMUNERATION OF THE MEMBERS OF THE GOVERNING BODIES

The remuneration of the members of the governing bodies of the ASCENDUM Group in 2018 and 2017 was as follows:

BOARD	DEC-18	DEC-17
Board	4,210,374	4,356,340

37. REMUNERATION OF THE STATUTORY AUDITOR

The fees paid to the Statutory Auditor, PricewaterhouseCoopers & Associados – S.R.O.C., Lda., in the 2018 and 2017 financial years were as follows:

	CURRENCY	DEC-18	DEC-17
Portugal	EUR	67,800	67,800
Spain	EUR	53,300	53,300
United States of America	USD	152,000	136,550
Mexico	EUR	19,148	18,980
Turkey	EUR	28,500	27,000
Mozambique	EUR	2,000	2,000
Romania	EUR	13,000	12,000
Hungary	EUR	7,620	7,620
Austria	EUR	19,680	19,680
Croatia	EUR	6,000	6,000
Slovakia	EUR	12,500	11,500
Czech Republic	EUR	15,000	14,100

38. EXTERNAL SUPPLIES AND SERVICES

On 31 December 2018 and 2017, external supplies and services had the following composition:

	DEC-18	DEC-17
Subcontracts/Specialized services	22,382,480	22,684,865
Advertising and promotion	1,625,587	1,840,128
Surveillance and security	602,118	587,307
Maintenance/repairs/tools	2,192,042	2,027,320
Office supplies/technical documentation	948,515	708,106
Electricity/fuels/water/other fluids	1,234,899	666,686
Travel and accommodation	5,125,626	4,533,285
Transport of goods	4,258,747	2,319,016
Rents and leases	19,832,960	17,563,936
Communications	1,399,285	1,349,121
Insurance	2,487,474	2,300,814
Clean hygiene and comfort	877,124	868,570
Other external supplies and services	5,351,305	6,388,143
Total	**68,318,162**	**63,837,296**

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

39. EMPLOYEE EXPENSES

On 31 December 2018 and 2017, Employee Expenses had the following composition:

	DEC-18	DEC-17
Payroll	48,912,184	47,690,930
Social charges	4,788,571	6,204,013
Insurance against labour accident	168,799	141,418
Commissions	5,892,823	5,372,221
Awards and Bonuses	7,865,400	5,604,984
Indemnities	599,778	885,942
Other staff related expenses	6,777,498	7,403,707
Total	**75,005,054**	**73,303,214**

The growth of "Employee expenses" in 2018, compared to 2017 is explained by the increase recorded in the total number of workers in 2018 (1,497 workers), compared to 2017 (1,444 workers).

40. OTHER EXPENSES AND LOSSES

On 31 December 2018 and 2017, other expenses and losses had the following composition:

	DEC-18	DEC-17
Taxes and fees	2,064,889	1,879,239
Bank commissions and other charges	648,471	1,376,565
Insufficient income tax estimate	16,696	0
Adjustments related to prior years	753	1,597
Donations	151,389	69,601
Subscriptions and contributions	12,338	13,883
Other costs	1,348,079	783,986
Total	**4,242,614**	**4,124,871**

41. ENVIRONMENTAL INFORMATION

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

ASCENDUM's Board of Directors, in 2019, 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 2018 financial year.

42. SUBSEQUENT EVENTS

Between 31 December 2018 and the date this consolidated annual report was issued, there were no material events or transactions of consequence requiring recognition or disclosure.

43. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 29 April 2019. Additionally, the financial statements attached on 31 December 2018 are awaiting approval by the General Assembly Meeting. However, ASCENDUM's Board of Directors believes they will be approved without significant changes.

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

EMPOWERING GENERATIONS.

Results are important, but what moves us, day after day, is to know that we stand side by side with our customers, **being part of solutions that improve the way the worls is moving and is built.**

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LEGAL CERTIFICATE OF CONSOLIDATED ACCOUNTS AND OPINION OF STATUTORY AUDITOR

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Statutory Audit Report

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Ascendum, S.A (The Group), which comprise the consolidated statement of financial position as at December 31, 2018 (which shows total assets of Euro 577.588.960 and total shareholders' equity of Euro 168.772.547, including a net profit of Euro 23.273.024), 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, 2018, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

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

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

Responsibilities of management for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria;

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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;

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;

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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.

May 8, 2019

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

José Miguel Dantas Maio Marques

José Miguel Dantas Maio Marques, R.O.C.

ALWAYS AHEAD.

In 2019, we're celebrating our 60th anniversary. Six decades of growth and confidence based on the knowledge and ambition to keep on challenging our limits. An attitude that has characterised us since our foundation, and that **makes us want to go further, day after day.**

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ASCENDUM

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