2017

ANNUAL REPORT

100 YEARS OF EXPERIENCE
One century of innovation

For 100 years CIN has been developing a history of success, determination and innovation which placed the company in a position of relevance over the last two decades as sector leader in the Iberian Peninsula. Nowadays, the company is worldly renowned and one of the major manufacturers in Europe.

Created in 1917, the CIN brand has resisted wars and revolutions, renewed itself and expanded, internationalised and continued to innovate until today.

Working daily to improve processes, predict trends and develop efficient and environmentally friendly products, CIN operates in three main segments: Architectural, Industrial and Protective Coatings.

"This century long history would not have been possible without all of those who helped transform the small Portuguese paint factory into the innovative and dynamic CIN of 2017, a solid, dynamic and sustainable company fully prepared for the challenges that the future brings. Our guiding values of responsibility, ambition, drive and innovation still prevail one hundred years later."

João Serrenho, 2017

CIN

ABOUT CIN

CIN has been industry leader in the Iberian Peninsula for two decades, and one of the major manufacturers in Europe. It is a worldly renowned company with a turnover of 228 million euros in 2017.

With over 1400 employees, the company's activities are centred around three main market segments - Architectural, Industrial and Protective Coatings.

Owning three Research and Development (R&D) Centres in Portugal, Spain and France, CIN is committed to a continuous innovation in order to improve processes, predict market needs and ensure the success of its products, which already reach 40 countries in Europe, the Americas, Asia and Africa.

Along with innovation, CIN has long been committed to the quality and sustainability of its operations, having successfully achieved and maintained its certified Quality (ISO 9001), Environment (ISO 14001), Occupational, Health and Safety (OHSAS 18001) systems.

The production is held in by 10 factories in Portugal, Spain, France, Angola and Mozambique, wich totals more than 150.000 square metres with an overall production capacity of 135.000 tonnes and 14 storage and distribution centers.

100 **years of experience**
25 years of leadership in Portugal
20 years of leadership in the Iberian Peninsula

+1400 **employees**
+ 140 R&D technicians

228 **million euros**
global turnover in 2017

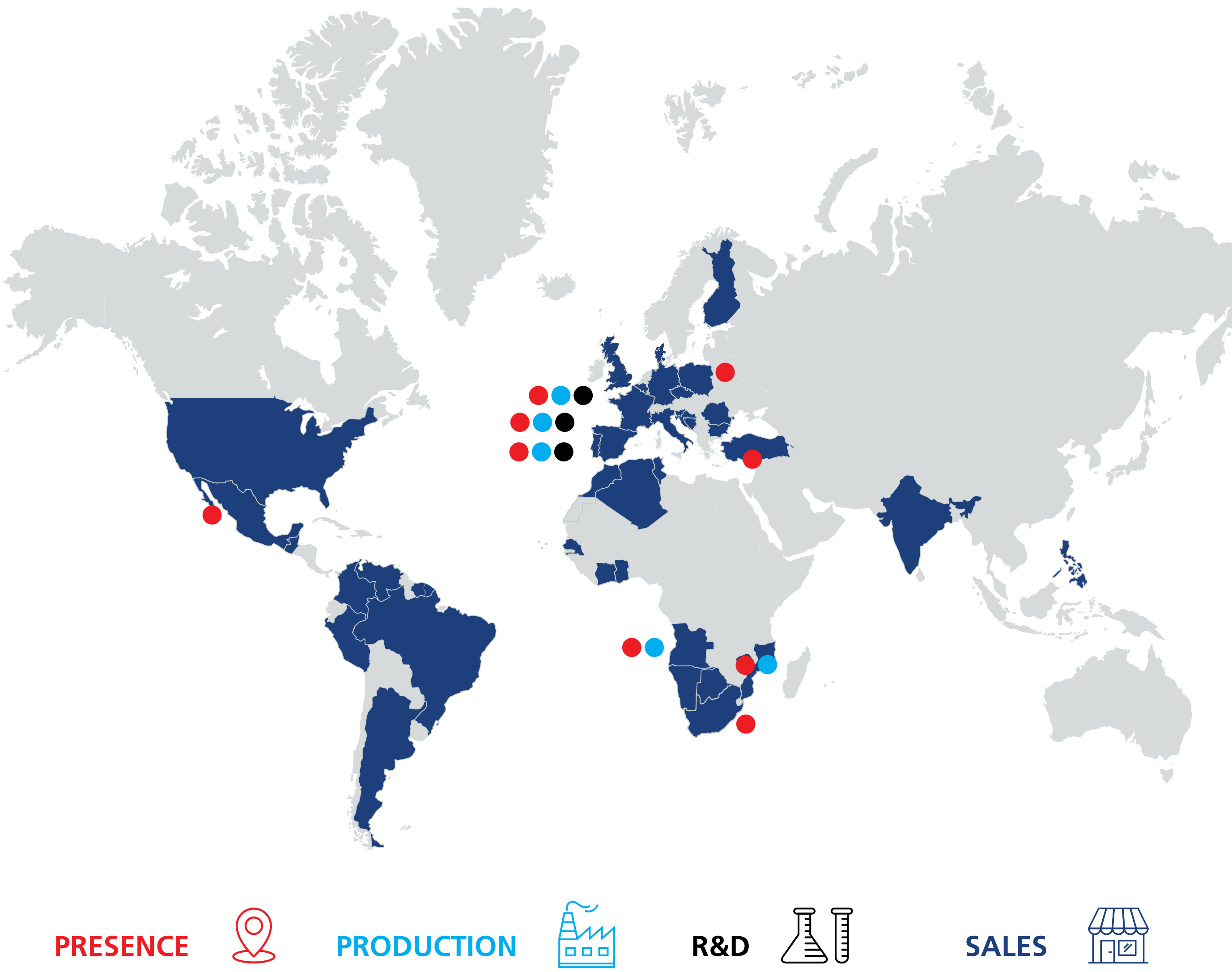
40 **countries**
in which the CIN brand is present

Many of the CIN products were chosen for reference works around the world, namely the new European Commission's headquarters in Brussels, where CIN was also involved in coating various other landmark buildings, such as Toison D'Or, Chambon and Generali.

CIN products are also present in the theatres Tivoli BBVA in Lisbon, Rivoli in Porto, in Portugal, Torre Agbar in Barcelona and Teatro Agora in Valencia, Spain.

CIN was selected to provide the coatings used to refurbish the Portuguese fast train fleet and the historical train at the Douro line.

FOOTPRINT



ARCHITECTURAL COATINGS

This business unit encompasses coatings for buildings applied by professionals painters and end customers (Do-It-Yourselfers) and is the most representative of the three. Production is held in the Iberian Peninsula and the African continent.

In all these territories, the innovation, quality and reliability of CIN production have earned the trust of both professionals and consumers for a variety of purposes, from a simple interior paint job to major projects such as Palacete Araújo Porto (a monument awarded with the Portuguese Urban Rehabilitation National Prize in 2017), Teatro Tivoli BBA (Portuguese public interest monument with 91 years of history, located at the centre of Lisbon), Urb. Hacienda Riquelme, in Sucina (Murcia) and Hospital Serrania de Ronda in Malaga, both in Spain.

The Architectural Coatings business unit represented 52% of the turnover in 2017. We highlight a market share increase in Portugal, an evolution which was felt in all product categories. In Spain, the business reorganization is already showing positive results both in modern distribution and in direct sales.

Currently, the company has 125 own shops, including 6 megastores and 19 superstores, distributed throughout Portugal, Spain, Angola and Mozambique. An aggressive renovation plan is underway for the existing shops, as well as a plan to open new stores, with a view to promoting proximity with the clients. Among the many interventions taking place, we highlight the implementation of the new ICS - Industrial Coatings Solutions - concept, a special range of industrial and protective coatings products for retail sale.

Other important development was the launch of the Color Trends colour card, with 12 new shades inspired by nature, complementing the iconic Color Revelation colour card. Worth mentioning too is the new image of the waterproofing range AQUASTOP and the multi-surface paint Cinacryl. These changes intend to enhance the products' superior performance, evidenced by the growth of both products and professional recognition.

Following the commitment with proximity and interaction with the consumer, CIN's presence in the social media was extended with the creation of an Instagram CIN page (www.instagram.com/tintascin) where the brand releases its colours, new products and services using image as the main focus.

20 **countries**
in Europe, Africa, the Americas and Oceania

52% **of the CIN business**
119 million euros in 2017

INDUSTRIAL COATINGS

The industrial coatings business unit produces and markets powder coatings for metal protection and finishing, as well as liquid coatings for a wide range of industrial applications.

With production units in Portugal, Spain and France, CIN serves more than a dozen sectors, including building components, commercial and industrial vehicles, plastic and glass containers and packaging. This business unit's growth and consolidation rests upon two strategic foundations: geographic expansion and increasing the product offering.

This business unit represented 37% of CIN's turnover in 2017, the year in which CIN acquired the Madrid based Govesan, one of the major powder coating manufacturers in Europe. With synergies such as the production unit already in place in Portugal, this acquisition aimed at integrating the productive and technical know-how and skills in order to provide the clients with a more diversified and robust offer of solutions available for the different markets and clients. This integration will result in a stronger presence in geographically strategic markets.

CIN is the largest manufacturer of coatings for drums (metal container) and in 2017 was chosen to provide of the largest European gas cylinders manufacturer and one of the largest crane manufacturers, thus extending its lead in that segment. CIN is still a major provider of coating for springs circulating in light and heavy duty commercial vehicles in Europe.

33 countries
in Europe, Africa, Asia and the Americas

37% of the CIN business
84 million euros in 2017

PROTECTIVE COATINGS

This business unit includes protective coatings for structures used in various sectors (petrochemical, mining, energy, civil infrastructure, heavy equipment OEM).

Its four large ranges of coating solutions - Anticorrosion Protection, Passive Fire Protection, Floors and Concrete Protection - have been selected for significant public and private works in Europe, Central America, Africa and the Middle East.

With production in Portugal and Spain, this business unit follows a strategy of opening new sales offices or establishing partnerships with local businesses in order to establish the CIN brand in the global market and widen its presence in strategic markets.

Representing 11% of the global business, CIN broke new ground in its internationalization strategy also in this area, consolidating and reinforcing operations in Poland, Turkey, Mexico and South Africa.

In 2017, a new portfolio of greater performance products was launched, focusing on protective coatings for metal and concrete. Additional investments were made in Research and Development activities in all product lines.

13 **countries**
in Europe, Africa, Asia and the Americas

11% **of the CIN business**
25 million euros in 2017

AFRICA

Within the African continent, where the three business units operate transversally, CIN is based in Angola and Mozambique. Having two units of production and storage.

The company continues to invest in these countries, aiming at increasing the installed capacity and operational efficiency. CIN still focuses on a wide and modern network of stores, as well as on establishing business partnerships with local companies.

At the same time expansion to new key markets in the African continent, is now under way. The creation of a company in South Africa exclusively dedicated to the Protective Coatings business is a testimony of that strategy.

In 2017, APCER granted an extension to CIN's Quality Management System Certification (ISO 9001) and to the Environmental Management System (ISO 14001) for Tintas CIN Mozambique. Tintas CIN Mozambique was the first company of the sector to obtain this double certification in Mozambique.

A renovation plan is still underway for the existing shops, as well as a plan to open new stores: in Mozambique a third store was opened in Maputo. Quifica store was relocated and the Lobito and Benguela stores were reopened.

Although we have a global Facebook page, for some markets there are dedicated Facebook pages, to allow a more targeted communication and interaction with our costumers. In this year a CIN Angola and CIN Mozambique dedicated Facebook pages were launched and rapidly became a success with a very large number of fans and an extremely high interaction rate.

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13 **countries** from Africa

10500 **tonnes** of production capacity

RESEARCH, DEVELOPMENT AND INNOVATION (RD&I)

With Research and Development (R&D) as the driver of innovation, CIN considers its strategy of Research, Development and Innovation (RD&I) as an investment with measurable results. The products developed over the last three years - new, modified and improved - accounting for 15% of the sales in 2017.

Our R&D centers are located in Portugal, Spain and France with a workforce of over 140 technicians that can also rely on the knowledge of academia to partnerships with renowed academic institutions, such as the University of Porto's Science Faculty and Engineering Faculty, the Porto Engineering Institute, the University of Aveiro and University of Minho.

In 2017, 110 R&D projects were developed, 25% of those successfully concluded. 660 new raw materials were tested, 3100 studies on colour were carried out and 1800 formulas were developed.

The R&D activity resulted in countless new products some of which due to their innovative nature we highlight:

- Tintometric base for XT Cryl 100 (100% acrylic paint for façades) and for Valón Premium Mate (acrylic paint for walls);
- C-Pox S605 RDL71, epoxy thermosetting varnish to protect the interior of metallic drums;
- Cinguard Bond Primer, a polyurethane adhesion promoter primer to use over old polyurea coatings;
- High solids epoxy-polyamide range of products for protection of steel structures (C-Pox Primer ZP230 FD, C-Pox S150 FD and C-Pox MIO FD);
- C-Thane S700 HD FD, high solids polyurethane enamel with excellent weather resistance;
- C-Thane S740 DTM, high solids one coat polyurethane primer/finish.

A completely innovative coating solution for the protection of cranes was developed by a team of portuguese and french technicians that worked collaboratively in this project. Also to be noted the number of approvals and certifications granted by a accredited third party entities to CIN products or CIN coating systems according to international regulations.

Seeking to improve production efficiency new quality testing methods and procedures were developed resulting in a 40% lower final quality control time but still upholding the same degree of detail and final quality of the products.

Lastly a mention to a 300.000 euro investment on a brand new application and drying equipment based on a new technology that was installed in our R&D facility in Lyon and that is paramount for the research and development of industrial coatings carried on those premises.

Management Report

Dear Shareholders,

In fulfilment of our legal obligations and, in particular, the provisions of Articles 508-A and 508-C of the Commercial Companies Code, we hereby submit the consolidated management report, the consolidated balance sheet, the consolidated financial statements of income by types, cash flow statements and accompanying notes for the financial year 2017.

Macroeconomic environment

The developed economies experienced strong economic growth, meeting the expectations created in 2016, as well as benefiting from a general improvement in confidence on the part of companies and consumers, despite the occurrence of political fragmentation, polarisation and internal and external tensions casting a shadow over the social spectrum.

In the USA, the recovery from the financial crisis spread to the middle class, with the labour market achieving indices of almost full employment, with a consequent rise in wages. At present, economic activity has not been affected by the uncertainty about the government policies of the Trump administration. Inflationary pressures continue not to be very significant and the implementation of the Fed's monetary policy, supported by moderate and controlled increases in interest rates, is being absorbed well by the market.

The economy of the euro zone grew above forecast (+2.4%) due to the improvement in the global economic environment, the reduction in political risk and the accommodative policy of the ECB. The improvement in prospects was matched by a more even distribution of growth between countries.

Of the euro zone economies, Spain and Portugal stand out for the robustness of their GDP growth indicators (+3.1% and +2.7%, respectively). The French economy was no exception to this positive trend, which was amplified by the feeling of confidence stemming from expectations about the implementation of President Macron's economic programme.

China has apparently succeeded in its efforts to control capital flows, and is continuing to transition gradually to a service-oriented economy and giving greater importance to the size of the domestic market.

The emerging economies also performed well, benefiting from the strong recovery in the world economy which positively influenced a rise in the price of raw materials, as well as from the exit from recession of key economies such as Russia and Brazil.

On the other hand, the Angolan and Mozambican economies are not benefiting from this favourable international economic environment due to internal macroeconomic imbalances, the adjustment of which is currently in progress.

This favourable economic climate was reflected in a positive environment in the capital markets, which experienced significant gains, particularly in the USA where the S&P 500 index rose by approximately 20%, with an even greater impact among emerging economies where the MSCI index appreciated by more than 30%.

Operations in 2017

Markets

Turnover in 2017 was €227.8 million, an increase of 8.3% compared with the previous year. This growth reflects the inclusion of CIN Govesan and CIN Coatings Turkey for the first time in the consolidation perimeter, and the effect of applying IAS 29 - Hyperinflationary Economies to the business in Angola.

The growth in sales from 2016 to 2017, using the same consolidation perimeter as in 2017, would show growth in turnover of 4.6%.

In Spain in the first quarter of the year, the Group acquired certain assets and liabilities in the Govesan production plant, which manufactures powder paints, incorporating them into a new company called CIN Govesan. This acquisition will substantially strengthen the Group's production capacity and international presence in this market segment and make possible significant synergies.

In terms of markets, sales in Portugal using the same perimeter grew by 5.1%, with a particular impact in the decorative paints and industrial coatings segment.

In Spain, like-for-like sales increased by 5.1% in 2017, with particular growth in the industrial and protective coatings segments, with the decorative paints segment maintaining the previous year's levels. In addition, with the incorporation of CIN Govesan, the weight of the industrial coatings sector has increased significantly.

In France, sales in 2017 increased by 1.9% compared with the previous year, albeit with unequal performances by different companies. Celliose's turnover grew by 3.9% with the greater emphasis on the decorative paints segment, while Monopol's turnover contracted by 0.3% due to the ongoing modification of its business model.

The export market decreased by 3.6% in like-for-like terms, mainly due to the decline in the segment of industrial coatings for the German market. Cin Govesan exports about two-thirds of its turnover, which contributed to a significant increase in the importance of the Group's export market.

The business in Angola showed a very significant increase in turnover (+25.5%), benefiting from the action of the monetary authorities in opening documentary credits for the import of raw materials, thereby encouraging local production.

In Mozambique turnover grew marginally (+1.6%) compared with the previous year, despite the stagnation of the main macroeconomic indicators, although benefiting from the stabilisation of the metical exchange rate against major international currencies.

Turkish market turnover was included in the consolidated statements for the first time in 2017 in export markets for protective coatings where there is a local presence. Using a like-for-like perimeter, turnover grew by an impressive 16.4%.

Business Units (B.U.)

In the **Decorative Paints** Business Unit, turnover grew by 6.1% compared with the same period in the previous year.

In Portugal, sales maintained their robust growth in line with the trend, already seen in previous periods, of gaining market share, benefiting from the positive trend in the indicators of domestic demand and renovation of buildings and from the market's recognition of the defined strategy.

In Spain, global sales of decorative paints remained at 2016 levels, with Cin Valentine and the chain of stores showing a marginally positive trend and Cin Canárias showing a slight fall in this segment.

In France, the CIN Deco project showed growth of 7.7%, returning to growth following the modifications to its business model.

In Angola, the decorative paints business unit grew by 32%, beating the overall performance of this market, and in Mozambique the decorative paints segment maintained the previous year's turnover.

Exports of decorative paints grew extremely positively (+24%), benefiting from the improvement of the economic climate of the destination countries.

The turnover of the **Industrial Coatings** Business Unit grew by an impressive 11.7%, mainly due to the incorporation of CIN Govesan, which brought an important contribution to the Spanish and export markets. Like-for-like sales grew by 2.2% due to good performance in the Portugal, Spain and Angola markets. Exports performed negatively due to problems in the German market.

In the **Protective Coatings** Business Unit, like-for-like sales grew by 9.2%, sustained by good performance in all the markets where we operate. Of particular note was the increase in sales in Spain, recovering from the fall in 2016.

Financial overview

Note: The 2017 accounts are not directly comparable with those of the previous year as the consolidation perimeter in 2017 includes for the first time the companies Cin Govesan and Cin Coatings Turkey and incorporates the effects of the application of IAS 29 – Hyperinflationary Economies, which are explained in note 1.2 (d) of the Notes to the Accounts. In addition, the comparability of operating performance in the years under review is affected by non-recurring movements, whose effects are stripped out in the subsequent analysis.

The Group's consolidated sales totalled €227.8 million, an increase of 8.3% compared with 2016. The change using a consolidation perimeter equivalent to that of 2017 would show growth in turnover of 4.6%.

The gross percentage margin decreased significantly compared with the previous year, from 53.6% to 52.6%, as a result of the exhaustion – already forecast in 2016 – of the process of lowering the price of raw materials which, on the contrary, experienced large increases that it was not possible to pass on in their entirety to customers and the enlargement of the turnover perimeter with below-average margins. In like-for-like terms the reduction would have been 0.4%.

Recurring EBITDA in 2017 totalled €24.8 million, an increase of €2.6 million compared with the previous year, reflecting a significant retention of the contribution of gross margin on operating performance (60%), on a like-for-like consolidation perimeter basis, reflecting control of the growth of operating costs and the marginal contribution of the companies now included in the consolidation perimeter.

This increase is due to the fact that it has been possible to improve profitability in all geographies, in particular in Portugal and Angola, with the exception of Spain which is in the process of restructuring and refining its business model. The result is that there is a lag between the period when additional costs are incurred, in order to strengthen the response capacity to the market, and the potential return that will be derived from that same market.

CIN Valentine's exposure to the Catalan market was an additional factor in the less successful performance in Spain in 2017, given the current political and social environment.

The Group's usual conservatism was maintained in hedging business risks and in investment policies to anticipate and ensure the response capacity to prospects of future growth of the business. As a result, recurring EBIT totalled €15.6 million, an increase of 12.9% compared with the same period in 2016 and, on a like-for-like consolidation perimeter basis, an improvement of 16.2%.

Net financial costs remained steady at 2016 levels, sustained by the decrease in the pricing of financing lines resulting from the ongoing process of debt renegotiation in terms of price and maturity. Against this, there was a significant increase in bank debt resulting from investments in progress and the large increase in working capital requirements due to the increase in stock levels. This policy was determined both by the need to ensure a safety stock of raw materials in case of scarcity in the market, and to hedge the continual rise in prices, as well as to take advantage of the opening of documentary credits for the import of raw materials by the National Bank of Angola.

Reflecting the activity described above, as well as a significant increase in the estimate of tax due, net profit for the year totalled €7.6 million, a slight increase compared with the previous year.

In 2017, the Group generated cash flow for operating activities totalling €10.9 million, 43% lower than in 2016. This variation is mainly due to the effect of payments to suppliers arising from the large increase in stocks, and the fact that it was not possible to pass on to the customers the entirety of the increase in raw materials prices that occurred during 2017.

€16.0 million were expended on investment activities, explained mainly by investments in tangible fixed assets totalling €7.8 million, mainly in Portugal, modernisation projects at the Maia plant, the new raw materials warehouse and the introduction of the new ERP (Enterprise Resource Planning) system. In addition, €4.1 million was expended on financial investments, mainly related to the acquisition of assets associated with CIN Govesan's business, and €2.3 million in net flows related to investment properties.

In terms of financing activities, payments were made of net financial charges costing €3.1 million and dividends of €3.5 million, and utilisation of financing lines increased by €2.7 million.

Total assets amounted to €282.7 million, an increase of €18.4 million compared with 2016. The non-current component increased significantly by approximately €12.0 million as the result of the incorporation of €2.9 million of goodwill from CIN Govesan and an increase of €7.5 million in net tangible fixed assets. Also under this item there was an increase in gross terms of €8.6 million relating to equipment and factory premises where CIN Govesan operates, and €2.6 million in investment properties.

Current assets increased by €6.4 million, mainly due to an increase of €10.8 million in inventories. Cash balances were reduced by €8.5 million in view of the fact that the stability of the world economy made it possible to reduce the liquidity buffer that it is deemed necessary to maintain, while customers' balances increased by €2.5 million which, given the growth in sales, demonstrates good management of credit risk.

Non-current liabilities totalled €103.7 million, an increase of €6.8 million compared with 2016, due to an increase of €3.9 million in financing obtained, an increase in the amount and maturity of a commercial paper programme and an increase of €2.6 million in deferred taxes resulting from the application of IAS 29 and the determination of the fair value of CIN Govesan's assets. Current liabilities totalled €89.1 million, an increase of €11.9 million compared with the previous year, due to the increase in accounts payable to suppliers and other creditors of €8.0 million and provisions of €4.0 million to cover potential risks related to the purchase of CIN Govesan's assets and liabilities and the restructuring in Spain.

Total shareholders' equity of €89.9 million is at the same level as in the previous year, giving a net debt-to-equity ratio of 37.1%, a slight decrease from the 42% in 2016.

Money market

The consolidation and increase in the rate of economic growth has been matched by an increase in the inflation rate, albeit at a slower rate than expected. The ECB has adopted a conservative approach in its stimulus withdrawal policy, given the apparent difficulty in inflation meeting the 2% target set by the central bank.

Against this background, the process of debt renegotiation was continued, increasing maturities and improving the all-in terms of loans, while at the same time stabilising the level of fixed-rate debt coverage.

Description of the dividend distribution policy

The Group has established the principle of distributing between 35% and 60% of net profit in order to ensure that there are stable resources to cover the requirements for financing the Group's growth.

The Group's operating performance improved considerably during 2017, with some risk of exposure to Spain being forecast, although corrective measures have been taken, the effect of which is expected to be seen in 2018-2019.

Cash flow was affected by short-term issues resulting from the increase in working capital requirements, which will be adjusted in due course.

The macroeconomic framework is sound, so no additional pressure on operating performance is expected, while investments in progress will bring increased flexibility and agility to the Group.

Given these circumstances, the Board of Directors intends to propose to the Annual General Meeting that, of the net profit of €7.6 million, €4.5 million be distributed in dividends, corresponding to 18 cents per share.

Governance bodies

1. Composition of the Board of Directors

The Board of Directors currently has five members, four of whom are representatives of shareholders, with one independent director. Executive directors have direct responsibility for business operations, while the non-executive director is responsible for making an independent and objective assessment of the decisions of the Board.

2. Board Member Remuneration Policy

Board remuneration is based on three components:

a) A fixed monthly salary;
b) An annual incentive based on an evaluation of achievement of the set objectives;
c) Long term incentives based on best market practice,

which are decided by the Remuneration Committee, comprising the Chairmen of the

General Meeting, the Supervisory Board and the Board of Directors.

Prospects

The macroeconomic and political framework of last year has not materially altered.

The rate of economic growth has been accelerating, creating a momentum of global growth.

The principal difference lies in monetary policy and the possible trumping of the immunity of economic activity to the impact of centrifugal forces on the current political and social framework.

The processes of monetary normalisation in the USA, the exit from QE by the ECB and the adjustments of margins by the Bank of China to de-lever the system are creating an environment of instability that needs to be taken into account. On the political side, the constant up and downs in the Brexit negotiations, the Catalan problem, Trump's protectionist decisions and uncertainties about Italy are leading to the creation of a potential environment of additional uncertainty. However, the long-awaited convergence of synchronised growth in the main economic blocs is starting to happen.

In responding to these challenges, the strategic vision defined for the growth and complementarity of the businesses, adopting a granular approach to markets and segments, remains valid.

In this context, the company is focused on growth in profits in order to guarantee its independence, supported by the continuous pursuit of maintenance of a solid organisational structure, without loss of agility and flexibility, and increasing the component in intangible investments.

For the Industrial Coatings Business Unit there is a clear global market vision – based on organic growth and appropriate methodologies and instruments – mergers, acquisitions and alliances.

In 2018 the objective is to strength France with the necessary instruments to consolidate its level of operating profitability, extend the business to high added value segments – e.g. aeronautics – and enter new markets, where significant competencies can be gained in intangible assets.

The DECO Business Unit will continue its strategy of consolidating its leading position in the Portuguese market, with the revision of the business model in Spain which involves a modification of the structure and search for integration solutions, in particular through the acquisition of distribution networks, with varied approaches depending on the relative local strength of the brand.

The Protective Coatings Business Unit is in the final stages of the rationalisation and revision of its core product range, and the key indicators suggest that we will see increased competitiveness of CIN's products in the Iberian and international markets. As a result, a number of business opportunities are expected to materialise in 2018, especially in the area of intumescent coatings, which will allow consolidation, on the one hand, of the CIN brand as a player recognised by the market, and on the other hand, of the position of the Protective Coatings business in the identified key geographies.

A contract has been signed for the implementation of a new ERP system, with the defined objective of choosing an information system that integrates all the data and processes in a single system, covering different functional areas and organisational aspects in different geographies, in order to capture a range of benefits associated with the efficiency and integration of core and non-core processes, the elimination of application and process redundancies, and the centralised visibility of the information supporting decision-making processes.

The implementation will take place over the next 2-3 years. The reliability and efficiency of this system will provide one of the pillars for the execution of a digital strategy, which will have as a second pillar a digital platform that provides speed and flexibility, in order to create additional response capacity to the constant changes in the market.

As a pilot project for this digital strategy, an evaluation process will be initiated in 2018 for the implementation of a digital commitment with customers with a view to strengthening ties of loyalty and trust, providing an innovative, personalised experience that integrates the experiences of individual clients.

Acknowledgements

To our customers, the principal reason for our existence, a word of appreciation for the confidence they have placed in us and their cooperation in the development of our products.

To our employees, for their hard work, cooperation and professionalism and the enthusiastic way they have responded to the challenges resulting from the growth and transformation of the company.

To the financial institutions and our suppliers, our appreciation of the professional way in which they have supported us.

Thank you to the Supervisory Board, the Statutory Auditor and our Auditors, for always being available to provide expert advice.

Maia, 10 May 2018

O CONSELHO DE ADMINISTRAÇÃO

João Manuel Fialho Martins Serrenho, *Presidente*
Maria Francisca Fialho Martins Serrenho Bulhosa, *Vogal*
Maria João Fialho Martins Serrenho Santos Lima, *Vogal*
Ângelo Barbedo César Machado, *Vogal*
Manuel Fernando de Macedo Alves Monteiro, *Vogal*

Financial Information

Consolidated statements of financial position
for the years ended as of 31 December 2017 and 2016

(Amounts expressed in Euro)

ASSETS	Notes	IAS/IFRS 31/12/17	IAS/IFRS 31/12/16
NON CURRENT ASSETS:			
Goodwill	7	26 670 398	23 771 320
Intangible assets	8	3 651 554	3 682 480
Tangible assets	6	102 188 791	94 682 239
Investment properties	9	9 644 577	6 958 781
Other financial assets	10, 11	2 788 679	3 761 961
Other investments	4	53 001	133 194
Deferred tax assets	12	4 361 708	4 398 433
Other non current assets	10, 13	264 293	258 470
Total non current assets		**149 623 001**	**137 646 878**
CURRENT ASSETS:			
Inventories	14	43 696 879	32 934 201
Customers	10, 15	37 910 338	35 383 005
Other current debtors	10, 16	3 950 453	3 684 495
State and other public entities	10, 26	4 373 396	4 063 585
Other current assets	10, 17	2 624 075	2 550 394
Other financial assets	10, 11	15 199 001	14 192 710
Cash and cash equivalents	10, 18	25 327 543	33 862 242
Total current assets		**133 081 685**	**126 670 632**
Total assets		**282 704 686**	**264 317 510**
SHAREHOLDERS' FUNDS AND LIABILITIES			
SHAREHOLDERS' FUNDS:			
Share capital	10	25 000 000	25 000 000
Legal reserve	20	5 000 000	5 000 000
Revaluation reserves	20	2 758 445	2 758 445
Conversion reserves	20	(7 414 217)	(4 327 808)
Cash-Flow Hedging reserves	20	(30 352)	-
Fair value reserves	20	(354 232)	(419 065)
Other reserves		57 369 398	54 913 877
Consolidated net profit for the year		7 609 480	7 326 121
		89 938 522	**90 251 570**
Non-controlling interests	21	2 637	4 987
Total shareholders' funds		**89 941 159**	**90 256 557**
LIABILITIES:			
NON CURRENT LIABILITIES:			
Bank loans	10, 22	91 739 028	87 800 000
Other non current creditors	10, 25	3 514 933	3 581 184
Derivative financial instruments	10	51 375	-
Retirement benefit obligations	23	1 461 611	1 231 278
Deferred tax liabilities	12	6 931 578	4 331 783
Total non current liabilities		**103 698 525**	**96 944 245**
CURRENT LIABILITIES:			
Bank loans	10, 22	22 748 153	24 767 181
Suppliers	10, 24	30 075 369	23 778 366
Other current creditors	10, 25	4 434 512	2 673 968
State and other public entities	10, 26	7 967 587	7 526 341
Other current liabilities	10, 27	15 182 434	13 765 036
Provisions	28	8 656 947	4 605 816
Total current liabilities		**89 065 002**	**77 116 708**
Total shareholders' funds and liabilities		**282 704 686**	**264 317 510**

The accompanying notes form an integral part of the consolidated financial statements as of 31 December 2017.

ACCOUNTANT Nº 63002
Paula Macedo

THE BOARD OF DIRECTORS
João Manuel Fialho Martins Serrenho, *President*
Maria Francisca Fialho Martins Serrenho Bulhosa, *Member*
Maria João Serrenho dos Santos Lima, *Member*
Ângelo Barbedo César Machado, *Member*
Manuel Fernando de Macedo Alves Monteiro, *Member*

Consolidated statements of profit and loss
for the years ended as of 31 December 2017 and 2016

(Amounts expressed in Euro)

	Notes	IAS/IFRS 31/12/17	IAS/IFRS 31/12/16
Operating income:			
Sales	29	227 799 208	210 297 066
Services rendered	29	20 820	11 142
Other operating income		2 970 401	2 197 468
Total operating income		**230 790 429**	**212 505 676**
Operating expenses:			
Raw materials and consumables used	14	110 154 200	98 025 331
Changes in inventories of finished goods and work in progress	14	(2 220 020)	(510 893)
External supplies and services		41 146 883	39 469 546
Payroll expenses		54 581 171	50 769 822
Amortisation and depreciation expenses	6, 8	9 316 172	8 390 247
Provisions and impairment losses	28	1 471 796	(33 958)
Other operating expenses		3 167 488	4 744 730
Total operating expenses		**217 617 690**	**200 854 826**
Operating results		**13 172 739**	**11 650 850**
Financial expenses	30	(3 271 628)	(3 071 426)
Financial income	30	760 876	625 757
Results before income taxes		**10 661 987**	**9 205 181**
Income taxes	31	(3 054 858)	(1 881 525)
Consolidated net profit for the year		**7 607 129**	**7 323 656**
Attributable to:			
Group		7 609 480	7 326 121
Non-controlling interests	21	(2 351)	(2 465)
		7 607 129	**7 323 656**
Earnings per share			
Basic	34	0,304	0,293
Diluted	34	0,304	0,293

The accompanying notes form an integral part of the consolidated financial statements as of 31 December 2017.

ACCOUNTANT Nº 63002
Paula Macedo

THE BOARD OF DIRECTORS
João Manuel Fialho Martins Serrenho, *President*
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Consolidated statements of changes in shareholders' funds for the years ended as of 31 December 2017 and 2016

(Amounts expressed in Euro)

		Reserves									
	Capital share	Legal reserve	Revaluation reserves	Conversion reserves	Holding reserves	Fair value reserves	Other reserves	Total reserves	Non-controlling interests	Net profit	Total
Balances as of 1 January 2016	25.000.000	5.000.000	2.758.445	(690 944)	-	(301 011)	51 851 221	58 617 711	7 452	8 454 641	92 079 804
Appropriation of consolidated net profit of 2015:											
Transfer to other reserves	-	-	-	-	-	-	4 954 641	4 954 641	-	(4 954 641)	-
Distributions	-	-	-	-	-	-	-	-	-	(3 500 000)	(3 500 000)
Comprehensive income for the year	-	-	-	(3 636 864)	-	(118 054)	-	(3 754 918)	(2 465)	7 326 121	3 568 738
Others	-	-	-	-	-	-	(1 891 985)	(1 891 985)	-	-	(1 891 985)
Balances as of 31 December 2016	**25.000.000**	**5.000.000**	**2.758.445**	**(4 327 808)**	**-**	**(419 065)**	**54 913 877**	**57 925 449**	**4 987**	**7 326 121**	**90 256 557**
Balances as of 1 January 2017	25.000.000	5.000.000	2.758.445	(4 327 808)	-	(419 065)	54 913 877	57 925 449	4 987	7 326 121	90 256 557
IAS 29 effect as of 1 of January 2017				(844 257)							(844 257)
Appropriation of consolidated net profit of 2016:											
Transfer to other reserves	-	-	-	-	-	-	3 826 121	3 826 121	-	(3 826 121)	-
Distributions	-	-	-	-	-	-	-	-	-	(3 500 000)	(3 500 000)
Comprehensive income for the year	-	-	-	(2 242 152)	(30 352)	64 833	-	(2 207 671)	(2 351)	7 609 480	5 399 459
Changes in perimeter	-	-	-	-	-	-	(414 483)	(414 483)	-	-	(414 483)
Others	-	-	-	-	-	-	(956 117)	(956 117)	-	-	(956 117)
Balances as of 31 December 2017	**25.000.000**	**5.000.000**	**2.758.445**	**(7 414 217)**	**(30 352)**	**(354 232)**	**57 369 398**	**57 329 042**	**2 637**	**7 609 480**	**89 941 159**

The accompanying notes form an integral part of the consolidated financial statements as of 31 December 2017.

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Consolidated statements of comprehensive income for the years ended as of 31 December 2017 and 2016

(Amounts expressed in Euro)

	IAS/IFRS 31/12/17	IAS/IFRS 31/12/16
Consolidated comprehensive income for the year, including non-controlling interests	7 607 129	7 323 656
Other consolidated comprehensive income:		
Items to be reclassified to net profit in the future:		
Variation in hedging reserves	(30 352)	-
Variation in exchange conversion reserves	(2 242 152)	(3 636 864)
Variation in fair value reserves	64 833	(118 054)
Balances as of 31 December	**5 399 459**	**3 568 738**

The accompanying notes form an integral part of the consolidated financial statements as of 31 December 2017.

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Consolidated statements of cash flows
for the years ended as of 31 December 2017 and 2016

(Amounts expressed in Euro)

	Notes	IAS/IFRS 31/12/17	IAS/IFRS 31/12/16
OPERATING ACTIVITIES:			
Receipts from customers		259 415 888	245 836 689
Payments to suppliers		(170 225 991)	(152 008 392)
Payments to employees		(29 843 967)	(28 664 617)
Cash generated from operations		**59 345 930**	**65 163 680**
Income taxes paid		(2 187 775)	(1 786 078)
Other receipts/(payments) relating to operating activities		(46 222 361)	(44 271 820)
Flows generated before extraordinary items		**(48 410 136)**	**(46 057 898)**
Discontinued operations			
Net cash generated by operating activities (1)		**10 935 794**	**19 105 782**
INVESTING ACTIVITIES:			
Receipts relating to:			
Investments available for sale		3 265 015	11 970 187
Investment properties		420 000	-
Tangible assets		5 489	66 030
		3 690 504	**12 036 217**
Payments relating to:			
Other investments	5	(4 127 679)	(1 186 350)
Investments available for sale		(4 987 992)	(11 043 312)
Investment properties		(2 746 743)	-
Tangible assets		(7 817 597)	(5 358 190)
Intangible assets		(9 800)	(70 695)
		(19 689 811)	**(17 658 547)**
Net cash used in investing activities (2)		**(15 999 307)**	**(5 622 330)**
FINANCING ACTIVITIES:			
Receipts relating to:			
Borrowings		44 226 108	103 050 424
Interest and similar income		590 017	438 292
		44 816 125	**103 488 716**
Payments relating to:			
Borrowings		(41 506 827)	(106 130 534)
Dividends		(3 500 000)	(3 500 000)
Interest and similar costs		(3 141 578)	(3 356 552)
		(48 148 405)	**(112 987 086)**
Net cash used in financing activities (3)		**(3 332 280)**	**(9 498 369)**
Variation of cash and cash equivalents (4) = (1) + (2) + (3)		(8 395 793)	3 985 083
Cash and cash equivalents at the beginning of the year		33 862 242	28 086 744
Changes in perimeter	5	110 354	3 238 256
Exchange variation in cash and cash equivalents at the beginning of the year		(249 260)	(1 447 841)
Cash and cash equivalents at the end of the year	18	**25 327 543**	**33 862 242**

The accompanying notes form an integral part of the consolidated statement for the year ended as of 31 December 2017.

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Notes to the Consolidated Financial Statements as of 31 December 2017

(Amounts expressed is Euro)

Introduction

CIN - Corporação Industrial do Norte, S.A. ("CIN" or "the Company") is a share capital company ("Sociedade Anónima"), established in 1926, with headquarters located in Maia and is the Parent Company of a group of companies ("CIN Group" or "Group") and its main activity is the production and sale of paint, varnish and similar products.

The Group develops its activities in Portugal, with subsidiaries in Spain, France, Netherlands, Luxembourg, Angola, Mozambique, South Africa and Mexico.

As of 31 December 2017, Pleso Holding B.V. (with headquarters located in Netherlands) fully owns CIN's share capital.

The accompanying financial statements are expressed in Euro (rounded to the nearest unit), as it is the functional currency used in the economic environment where the Group operates. Foreign operations and transactions are included in the financial statements in accordance with the policy established in Note 1.2.d).

1. Main accounting policies

The main accounting policies adopted in the preparation of the accompanying consolidated financial statements are as follows:

1.1. Basis of presentation

The accompanying consolidated financial statements have been prepared on a going concern basis from the books and accounting records of the companies included in the consolidation (Note 3), maintained in accordance with the International Financial Reporting Standards ("IFRS"), as adopted by the European Union for financial years started as from 1 January 2017. These standards include the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"), the International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC") and respective interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and by the Standing Interpretations Committee ("SIC"), as adopted by the European Union. The standards and interpretations mentioned above will generally be presented as "IFRS".

The Board of Directors has assessed the Company's and its subsidiaries and associates ability to operate on a continuous basis, based on all relevant information, facts and circumstances of a financial, commercial or other nature, including subsequent events to the reporting date of the financial statements, available about the future. As a result of the evaluation, the Board of Directors has concluded that it has adequate resources to maintain its activities, and there is no intention to cease activities in the short term, and therefore considered appropriate to use the assumption of continuity of operations in the preparation of the financial statements.

Adoption of new, amended or reviewed standards and interpretations.

The following standards, interpretations, amendments and endorsed revisions by the European Union and with mandatory application for first time in the year ended as of 31 December 2017:

Standard	Applicable in the European Union in the years starting on or after	Observations
Amendment to IAS 12 - Deferred tax assets recognition through unrealised losses	01-Jan-17	This amendment clarifies the conditions of measurement and recognition of deferred tax assets resulting from unrealised losses.
Amendment to IAS 7 - Disclosures	01-Jan-17	This amendment introduces aditional disclosures related to cash flow and financing activities.

There are no significant effects recorded in the Group's financial statements for the year ended December 31, 2017, as a result of the adoption of the standards, interpretations, amendments and revisions referred to above.

New, amended or reviewed standards and interpretations that will take effect in future years

The following standards, interpretations, amendments and revisions, with mandatory application in future years, were, until the approval date of the accompanying financial statements, endorsed by the European Union:

Standard	Effective date (annual periods beginning on or after)	Observations
IFRS 9 – Financial Instruments (2009) and subsequent amendments	01-Jan-18	This standard is part of the revision of IAS 39 and establishes the new requirements for the classification and measurement of financial assets and liabilities to the methodology for the calculation of impairment and for the application of hedge accounting rules.
IFRS 15 – Revenues from client contracts	01-Jan-18	This standard introduces a structure for revenue recognition based on principles and on a model to be applied to all contracts entered into with clients, substituting IAS 18 – Revenue; IAS 11 – Construction contracts; IFRIC 13 – Fidelity programs; IFRIC 15 – Real estate construction contracts; IFRIC 18 – Transfer of assets from clients and SIC 31 – Revenue – Direct exchange contracts involving services and publicity.
IFRS 16 – Leases	01-Jan-19	This standard introduced the principles for the measurement and recognition of leasing, substituting IAS 17 – Leases. This standard defines a single accounting model of leasing contracts which result in the lessor's recognition of assets and liabilities for all leases except those contracts shorter than 12 months or for contracts concerning low-value assets. Lessors will continue to classify leases as being either operating or financial leases, meaning that IFRS 16 will not bring substantial changes to these entities in the scope of standards set by IAS 17.
Clarifications concerning IFRS 15 - Revenues from client contracts	01-Jan-18	The changes will provide various clarifications in the standard, the aim of which will be eliminating the possibility of misguided interpretations on the various topics addressed by the norm.
Amendment to IFRS 4: Applying IFRS 9 – Financial instruments, with IFRS 4 – Insurance contracts	01-Jan-18	This amendment provides orientation with regards to the aplication of IFRS 4 in conjunction with IFRS 9. IFRS 4 will be substituted with the implementation of IFRS 17.

Regarding IFRS 9 there is an on-going analysis, already in its final stages, of the possible impacts resulting from the application of the standard.

The Group has analyzed the potential impact of the adoption of IFRS 15 on revenue recognition with regards to measurement and timing of recognition. From this analysis it has been concluded that the adoption of IFRS 15 for use in the Group's consolidated financial statements will, as of 1 January 2018, have an immaterial estimated net impact on the consolidated shareholder's funds.

At the date of issuing of these consolidated financial statements, the Group is carrying out indexing procedures of existing lease contracts. The Group is analyzing these contracts in their respective technical frameworks by considering what is proposed by IFRS 16. Furthermore, the Group is reviewing existing IT systems in order to ascertain the extent of which it will be necessary to proceed with the adaptation of these systems when faced with the requirements of this standard. At this stage, it is still not yet possible to estimate the impact inherent to its adoption.

The Group estimates that the adoption of the remaining standards will not produce relevant or material impacts.

New, amended or reviewed standards and interpretations not adopted

The following standards, interpretations, amendments and revisions, with mandatory application in future years, weren't, until the approval date of the accompanying financial statements, endorsed by the European Union:

Standard	Observations
FRS 17 - Insurance Contracts	For insurance contracts in its scope, this standard sets the principles for their recognition, measurement, presentation and disclosure. This norm substitutes FRS 4 - Insurance Contracts.
Amendment to FRS 2 - Classification and measurement of transactions of share payments	This amendment introduces various clarifications in the norm related to: (i) the accounting of transactions of share-based payments which are settled with cash, (ii) the registration of modifications in transactions of share-based payments (from being settled with cash to being settled with equity-based financial instruments); (iii) the classification of transactions with characteristics of cleared settlement.
Amendment to IAS 40: Transfer of investment properties.	This amendment clarifies that the change in classification to, or from, investment properties, must only be carried out when evidence exists of a change in how the asset is utilized.
Improvements to international norms of financial reporting (cycle 2014-2016)	These improvements involve the clarification of aspects related to: FRS 1 - First-time adoption of internacional financial reporting standards: eliminates some short-term exemptions; FRS 12 - Disclosures of interests in other entities: clarifies the aim of the standard regarding its applications of interests classified as being held with the intent selling or held to distribute under FRS 5; IAS 28 - Investments in Associates and Joint-Ventures: introduces clarifications over fair-value measuring of investment results in associates or joint-ventures held by private equity or investment funds.

Improvements to international norms of financial reporting (cycle 2015-2017)	These improvements involve the clarification of some aspects related to : FRS 3 - Concentration of business activities: requires the re-measurement of previously held interests when an entity acquires control over a subsidiary which it had previously co-controlled; IFRS 11 - Joint arrangements: clarifies that the re-measurement of interests previously held must not happen when an entity jointly acquires control of a joint-operation; IAS 12 - Income tax: clarifies that all fiscal consequences of dividends must be registered as profit/loss, independently of how the tax occurred; IAS 23 - Borrowing Costs - clarifies that part of a borrowing directly related with the acquisition/construction of an asset which is owed after the related asset became ready for its intended use, is, for the purposes of determining the capitalization rate, considered to be part of the generic borrowings of the entity.
Amendment to FRS 9: characteristics of advance payments with negative compensation	This amendment allows financial assets with contractual conditions which foresee, in its anticipated amortization, the payment of a considerable amount by the creditor, can be measured at the amortized cost or by fair value with reserves (depending on the business model), given that: (i) at the date of initial asset recognition, fair value of the advance amortization component is of residual value; and (ii) the possibility of negative compensation in the anticipated amortization is the only reason that the asset is not considered na instrument which includes only capital and interest payments.
Amendment to IAS 28: Investments in associates and joint-ventures	This amendment will clarify that FRS 9 must be applied (including its respective requirements relative to impairment) to investments in associates and joint-ventures when the equity accounting method is not applied to the measurement of these.
IFRIC 22 - Foreign currency Transactions and Advance Considerations	This interpretation serves to establish the date of initial recognition or of deferred income as the transaction date for the purpose of determining the exchange rate of revenue recognition.
IFRIC 23 - Uncertainty over Income Tax Treatment	This interpretation will provide guidance over how to determine taxable income, fiscal basis, reportable fiscal losses, fiscal credits to be used and tax rates in scenarios characterized by uncertainty, when related to income tax.

These standards have not yet been endorsed by the European Union and as such were not applied by the Group in the year ended 31 December 2017.

The accounting policies and measurement criteria adopted by the Group as of 31 December 2017 are consistent with those used in the preparation of the consolidated financial statements as of 31 December 2016.

In the preparation of the consolidated financial statements, in accordance with the IFRS, the Board of Directors adopted certain assumptions and estimates that affect the reported assets and liabilities, as well as the income and expenses in relation to the reported periods. All the estimates and assumptions made by the Board of Directors were made on the basis of its better existing knowledge, with reference to the date of approval of the financial statements, of the events and transactions in progress.

The accompanying consolidated financial statements have been prepared for appreciation and approval by the General Shareholders Meeting. The Group's Board of Directors believes that they will be approved without changes.

1.2. Consolidation policies

The consolidation policies adopted by the Group are as follows:

a) Investments in Group companies

The companies where the Group has control, i.e., where it has, cumulatively: (i) power over the investee; (ii) is exposed to, or has the right over variable results by the relationship it has with the investee; and (iii) has the capability to use its power to affect the amount of the results of the investee, are included in the consolidated financial statements by the full consolidation method. The equity and net result of those investments attributable to non-controlling shareholders are presented separately, under the caption "Non-controlling interests", in the consolidated statement of financial position and in the consolidated statement of profit and loss. Companies included in the consolidated financial statements by the full consolidation method are listed in Note 3.

In business combinations occurred after the date of transition to the International Financial Reporting Standards as adopted by the European Union – IFRS (1 January 2004), the assets and liabilities of each subsidiary are measured at fair value at the date of acquisition in accordance with IFRS 3 - "Business Combinations", with this measurement able to be concluded until 12 months after acquisition date. Any excess on the cost of acquisition over the fair value of the identifiable net assets acquired (including contingent liabilities) is recognized as goodwill (Note 1.2 c)). Any excess of the fair value of the identifiable net assets and liabilities acquired over its cost is recognized as an income in the profit and loss statement of the period of acquisition, after reassessment of the estimated fair value attributed to the net assets acquired. Non-controlling interests are presented according to their share in the fair value of the acquired identifiable assets and liabilities.

The results of the subsidiaries acquired or disposed during the year are included in the consolidated income statement as from the effective date of acquisition or up to the effective date of disposal, respectively.

Adjustments to the financial statements of the affiliates are performed, whenever necessary, in order to adapt its accounting policies to those used by the Group. All intercompany transactions, balances and distributed dividends are eliminated during the consolidation process.

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

As of 31 December 2017 and 2016, there are no special purpose entities within the Group perimeter.

b) Investments in associated companies

Investments in associated companies (companies where the Group has significant influence but has no control over the financial and operating decisions - usually corresponding to holdings between 20% and 50% in a company's share capital) are accounted for in accordance with the equity method.

According to the equity method, the investments in associated companies are initially recorded at acquisition cost, which is adjusted proportionally to the Group's corresponding share capital, as at the acquisition date or as at the date of the first adoption of the equity method. On a yearly basis, investments are subsequently adjusted in accordance with the Group's participation in the associated company's net result. Additionally, the dividends of the subsidiary are recorded as a reduction in the investment's book value, and the Group's proportion in the changes occurred in the associated company's equity are recorded as a change in the Group's equity.

Any excess of the cost of acquisition over the Group's share in the fair value of the identifiable net assets acquired is recognized as goodwill, which is included in the caption "Investments in associated companies" (Note 1.2.c)). If that difference is negative, it is recorded as a gain in the caption "Gains and losses in associated companies" after reassessment of the fair value of the identifiable assets and liabilities acquired.

An evaluation of investments held in associated companies is performed on an annual basis to assess if there are signs of impairment in those investments. Impairment losses are recorded in the statement of profit and loss for the period in the caption "Gains and losses in associated companies". When those losses recorded in previous periods are no longer applicable, they are reversed in the statement of profit and loss for the period.

When the Group's share of losses in the associated company exceeds the investment's book value, the investment is recorded at null value, except to the extent of the Group's commitments to the associate. In such case, the Group records a provision to cover those commitments.

Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the associate against the investment held. Unrealized losses are also eliminated, but only to the extent that there is no evidence of impairment of the transferred asset.

As of 31 December 2017 and 2016, the Group has no investments in associated companies.

c) Goodwill

In acquisitions made after the date of transition to IFRS (1 January 2004), the difference between the acquisition cost of financial investments in Group companies (subsidiaries), added by the amount of the non-controlling interests, and the attributable amount to the fair value of the identifiable assets and liabilities of those companies, as of the acquisition date, when positive, is recorded under the caption "Goodwill" (Note 7) and, when negative, after reassessing its computation, is directly recorded in the statement of income. The differences between the acquisition cost of financial investments in associated companies and in jointly controlled entities and the amount attributable to the fair value of the identifiable assets and liabilities of those companies, as of the acquisition date, when positives, are maintained in the caption "Investments in associated companies" and, when negatives, after a reassessment of its computation, are directly recorded in the statement of income.

Additionally, the excess of the cost of acquisition of investments in foreign companies over the fair value of their identifiable assets and liabilities as at the date of acquisition is calculated using the local currency of each of those companies. Translation to the Group's currency (Euro) is performed using the exchange rate as at the balance sheet date. Exchange rate differences arising from this translation are recorded under the equity caption "Conversion reserves".

Goodwill arising from acquisitions made prior to the date of transition to IFRS (1 January 2004) is stated using the carrying amounts in accordance with generally accepted accounting principles in Portugal as of that date, and was then subject to impairment tests. The impact of these adjustments was recorded in the caption "Retained earnings", in accordance with IFRS 1. Goodwill arising from the acquisition of foreign companies was recomputed retrospectively using the local currency of each subsidiary.

The Group, in a transaction basis (for each business combination), will choose to measure any non-controlling interest in the acquire either at fair value or at the proportionate share of the non-controlling interest of the acquire's identifiable net assets. Until January 1, 2010, the non-controlling interests were valued solely in accordance with the proportion of the fair value of assets and liabilities acquired.

Future contingent payments are recognized as a liability as of the date of the business combination at its fair value, with any change in the initial amount being recorded against "Goodwill", but only during the reassessment period (12 months following the acquisition date) and if related with events prior to the acquisition date, otherwise, it will have to be recorded in the statement of profit and loss.

Acquisitions or disposals of stakes in already controlled entities, as long as they do not represent a loss of control, are treated as transactions between shareholders, thus only affecting the equity caption with no impact on goodwill or net results.

Whenever a disposal generates a loss in control, all assets and liabilities of the disposed entity will have to be disregarded and whatever interest recognized in the disposed company will have to be reassessed at fair value and the resulting gain or loss arising from the disposal recorded in the statement of profit and loss.

Goodwill is not amortized, but is subject to impairment tests on an annual basis. The recoverable amounts of cash generating units are determined based on the estimation of its value of use and from its disposal at the end of its useful life. The recovery amount is estimated to individual assets or, if not possible, for the cash-generating unit to which the asset belongs. These estimations require the use of assumptions based on estimates of future circumstances, which may be different from the expected outcomes. Impairment losses identified in the period are recorded in the statement of profit and loss under the caption "Provisions and impairment losses", and may not be reversed.

d) Conversion of financial statements of foreign companies

Assets and liabilities in the financial statements of foreign entities are translated to Euro using the exchange rates in force at the balance sheet date. Profit and loss and cash flows are converted to Euro using the average exchange rate for the period. The resulting exchange rate differences are recorded in equity captions. The exchange rate differences originated after 1 January 2004 are recorded in equity, under the caption "Conversion reserves". The accumulated exchange differences until before 1 January 2004 (IFRS transition date) were written-off against the caption "Other reserves".

Goodwill and adjustments to the fair value arising from the acquisition of foreign subsidiaries are recorded as assets and liabilities of those companies and translated to Euro at the balance sheet date exchange rate. Exchange differences occurring in this conversion are recorded in the equity capitation "Conversion reserves".

Whenever a foreign company is disposed, the accumulated exchange rate differences are recorded in the statement of profit and loss as a gain or loss associated with the disposal.

In the last trimester of 2017, the Angolan economy was considered hyperinflationary in accordance with IAS 29 – Financial reporting in Hyperinflationary Economies.

This standard demands that financial statements prepared in the currency of a hyperinflationary economy must be expressed in terms of the current unit of measurement at the date of the preparation of the financial statements. In summary, the key considerations to have in account when re-expressing the financial statements are the following:

- Monetary assets and liabilities are unaltered as these are already accurate at the date of the financial statements;

- Non-monetary assets and liabilities (those which are not expressed at the current unit at the date of the financial statements) are re-stated by the application of an index;

- The inflationary effect of the monetary position of associated companies is reflected in the statement of profit and loss as a loss in the net monetary position.

The Group's Board of Directors has opted not to affect the statement of profit and loss, as required by the standard, with the impact of approximately 1.500.000 Euros relative to the re-expression of the year of 2017 of the non-monetary assets and liabilities, equity, and items of the consolidated statement of comprehensive income and of the adjustment of indexed assets and liabilities, opting to record this amount against caption "Retained earnings", as it is the understanding of the Board of Directors that the affectedness of CIN Angola's profit and loss statement of 2017 of this amount would distort the aforementioned statement, not providing a truthful and appropriate image of the operational activity of this subsidiary for the year ending 31 of December 2017. It is worth mentioning that such procedure does not affect the value of the consolidated shareholder's funds of the CIN Group.

Additionally, according to the IAS 21, the re-expression of the consolidated financial statements when the parent company does not operate within a hyperinflationary economy is forbidden.

As a result of the high rate of inflation in Angola and subsequent application of the IAS 29, the individual profit and loss statements of CIN's subsidiary in Angola were re-stated, in order to consolidate, with effects from 1 January 2017, having the impacts of this re-expression been reflected in CIN's shareholder's funds.

The conversion coefficient utilized in the re-expression of the individual financial statements of the Angolan subsidiaries was the Consumer Price Index (CPI), published by the Banco Nacional de Angola, as follows: Exchange rates used in the translation of foreign group companies were as follows:

	Base 100	IPC	Converted CPI (Base 100 Year 2010)
Dec/10	Year 2010	100,0	100,0
Dec/11	Year 2010	111,4	111,4
Dec/12	Year 2011	109,0	121,5
Dec/13	Year 2014	93,0	130,8
Dec/14	Year 2014	100,0	140,6
Dec/15	Year 2014	114,3	160,6
Dec/16	Year 2014	162,2	228,0
Dec/17	Year 2014	204,6	287,9

The quotations utilized for conversion to Euros of the associated foreign accounts were the following:

	31 December of 2017		31 December of 2016	
	End of the year	Year average	End of the year	Year average
Kwanza (AOA)	185,400	185,393	174,537	180,569
Metical (MZN)	70,637	64,701	75,463	69,346
South African Rand (ZAR)	14,817	15,041	14,4541	16,2835
Mexican Peso (MXM)	23,582	21,335	21,8100	20,6677
Turkish Lira (TRY)	4,534	4,210	N/A	N/A

1.3. Main accounting policies

The main accounting policies used by CIN Group in the preparation of its consolidated financial statements are as follows:

a) Tangible assets

Tangible assets acquired until 1 January 2004 (IFRS transition date), are recorded at their respective deemed cost, which corresponds to its acquisition cost, or its acquisition cost restated in accordance with generally accepted accounting principles in Portugal (and in other countries) until that date, net of accumulated amortization and accumulated impairment losses.

Tangible assets acquired after those dates are recorded at acquisition cost, net of depreciation and accumulated impairment losses.

The impairments that are detected are booked in the year, in the "Amortization and depreciation" caption of the profit and loss statement.

Depreciation is calculated on a straight line basis, as from the date the asset is available for use, over the expected useful life for each group of assets.

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

	Years	
Buildings and other constructions	20	50
Machinery and equipment	7	17
Transport equipment	3	5
Office equipment	3	14
Other tangible assets and tools	4	14

Maintenance and repair costs are recorded as expenses in the year they are incurred. The significant improvements of fixed assets, that increase the corresponding estimated useful life, are capitalized and depreciated in accordance with the remaining useful life of the asset.

Tangible assets in progress represent fixed assets still in construction/development and are stated at acquisition cost. These assets are transferred to fixed assets and depreciated as from the date they are concluded or ready to be used, in accordance with management's intentions.

Gains or losses arising from the disposal or write-off of tangible assets are calculated as the difference between the selling price and the assets' net book value as of the date of its disposal/write-off, being recorded in the statement of profit and loss under the captions "Other operating income" or "Other operating expenses".

b) Intangible assets

Intangible assets are recorded at cost, net of depreciation and accumulated impairment losses. Intangible assets are only recognized if it is likely that future economic benefits will flow to the Group, are controlled by the Group and if its cost can be reliably measured.

Research costs and expenses with new technical knowledge are recorded in the statement of profit and loss, when incurred.

Development costs are recognized as an intangible asset if the Group has proven technical feasibility and ability to finish the development and to sell/use such assets and it is likely that those assets will generate future economic benefits. Development costs which do not fulfill these conditions are recorded as an expense in the period in which they are incurred.

Intangible assets, which mainly comprise project development costs, industrial property and other rights, and software are amortized on a straight line basis over a period of 3 to 5 years.

Commercial goodwill is not subject to depreciation, being subject to annual impairment tests.

Brands with indefinite useful life are not amortized and are subject to an annual impairment analysis.

Amortization and depreciation of intangible assets are recorded in the statement of profit and loss in the caption "Amortization and depreciation".

c) Investment properties

Investment properties corresponding to real estate assets held for rental or capitalization rather than industrial or administrative purposes are stated at acquisition cost. The Group disclosures the investment properties fair value (Note 9).

d) Financial instruments

i) Investments

Investments held by the Group are classified as follows: 'Investments measured at fair value through profit and loss', 'Loans and account receivables', 'Investments held to maturity' e 'Investments available-for-sale'. The classification depends on the intention behind the acquisition of investment.

Investments measured at fair value through profit and loss

This category is divided into two subcategories: "Financial assets classified as held for trading" and "Financial assets designated by the Group at fair value through profit or loss". A financial asset is classified under this category if it is acquired principally for the purpose of selling it in the short term or its performance or investment strategy are analyzed and defined by the Board of Directors based on the fair value of the financial asset. Derivatives are also classified as instruments held for trading, except if designated as an effective hedging instrument. Financial instruments in this category are classified as current assets if they are held for trading or if it is expected that they will be realized within twelve months of the balance sheet date.

Investments held to maturity

This category includes financial assets, non derivatives, with fixed or variable repayments and fixed maturity and is the intention of the Board of Directors to hold them until its maturity date. These investments are classified as non-current assets, unless they mature within 12 months of the balance sheet date.

Investments available-for-sale

It includes financial assets, non derivative, designated as available for sale or all the other investments that are not classified as held to maturity or measured at fair value through profit and loss. This category is included in non-current assets except if the Board of Directors has the intention to sale the investment in less than twelve months as of the balance sheet date.

All purchases and sales of investments are recognized on its trade date, which the date the Group assumes all risks and obligations inherent in the purchase or sale of the asset. All investments are initially recognized at fair value more transaction costs, the only exception being the 'investments recorded at fair value through profit and loss'. In this case, investments are initially recognized at fair value and the transaction costs are recognized in the statement of profit and loss.

The investments are derecognized when the right to receive financial flows have expired or have been transferred and, consequently, all the risks and benefits involved have been transferred.

Investments available-for-sale and investments measured at fair value through profit or loss are subsequently recorded at fair value excluding any deduction of transaction costs which may be incurred during its sale taking into consideration the stock market price at the balance sheet date, without any deduction of transaction costs that may occur until its disposal.

Held to maturity investments, loans and accounts receivables are carried at amortized cost using the effective interest rate method.

Changes in the fair value of investments measured at fair value through profit or loss are included in the consolidated income statement for the period under financial expenses or gains. Gains or losses arising from changes in fair value of available-for-sale investments are recorded directly under the "Fair value reserve" in Equity, until the investment is sold or otherwise disposed of, or until it is considered to be impaired, at which time the cumulative gain or loss previously recorded in equity is transferred to net profit or loss for the period.

The fair value of investments held for sale is based on current market prices. If the market in which investments are included is not an active market, or has no liquidity, (unquoted investments), the Group records at cost, taking into account the existence of impairment losses. The Board of Directors believes that the fair value of these investments does not differ significantly from their acquisition cost. The fair value of quoted investments is based on the closing price of the stock market where they are traded at the balance sheet date.

Group assesses at each balance sheet date 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 decline in the fair value to below its cost is indicative of the asset is on impairment. If there is some evidence of impairment to 'Investments available for sale', the accumulated losses - calculated by the difference between the acquisition cost and fair value less any impairment loss previously recognized in the statement of profit and loss - is removed from equity and recognized in the statement of profit and loss.

All purchases and sales of investments are recorded on its trade date, independently of the settlement date.

ii) Accounts receivable

The debts from customers and other debtors that don´t bear interests are recorded at their nominal amount and presented in the consolidated statement of financial position deduced from impairment losses, in order to reflect their net realizable value. The accounts receivable, when current, do not include interests given the immaterial impact of discounting the cash flows.

iii) Loans

Loans are recorded as liabilities at the respective nominal value net of up-front fees and commissions directly related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the statement of profit and loss on an accrual basis.

iv) Accounts payable

Non interest bearing debts to third parties are stated at their nominal value, except if the impact of discounting the cash flows is material.

v) Derivative instruments and Hedge accounting

The Group may use derivative instruments to manage its exposure to financial risks. Derivative instruments are only used for hedge accounting purposes. Derivative instruments are not used for speculation purposes.

The cash-flow hedges used by the Group relate to swaps of interest rates to cover (hedge) the interest rate variation risk of bank loans obtained.

The Group uses the following criteria to classify derivative instruments as cash-flows hedges:

– The hedge transaction is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;

- The hedging efficiency can be reasonably measured;
- There is proper documentation about the hedging transaction at the inception date;
- T he hedged transaction has to be highly probable.

Cash flow hedges are initially recorded at cost, if any, and subsequently revaluated at their fair value. Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity in the caption "Hedging reserves" and transferred to income in the same period that the hedged instrument affects the profit and loss statement.

In cases when the derivative instruments do not comply with the above mentioned requirements to be considered as a cash-flow hedge, although initially engaged for that purpose, the changes in its fair value are recognized directly in the profit and loss statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised. When a hedging instrument no longer qualifies for hedge accounting, the cumulative gain or loss that was deferred in equity is transferred immediately to the profit and loss of the year and the subsequent revaluations of the derivative are recorded in the income statement, or added to the carrying amount of the hedged asset. Subsequent revaluations are recorded directly in the income statement.

In the case of derivatives embedded in other financial instruments or contracts, these are treated as separate derivatives when the risks and characteristics are not closely related with the host contracts and when the contracts are not reflected by its fair value with unrealized gains and losses recognized in the income statement.

vi) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at banks on demand and term deposits and other treasury applications which reach its maturity within less than three months and may be mobilized without significant risk of change in value.

e) Lease contracts

Lease contracts are classified as (i) a financial lease if the risks and rewards incidental to ownership lie with the lessee and (ii) as an operating lease if the risks and rewards incidental to ownership do not lie with the lessee.

Classifying a lease as financial or as operational depends on the substance of the transaction rather than on the form of the contract.

Tangible fixed assets acquired under financial lease contracts and the corresponding liabilities are recorded in accordance with the financial method. Under this method, the cost of the fixed assets and the corresponding liability are reflected in the statement of financial position. In addition, interests included in the lease installments and depreciation of the fixed assets, calculated as explained in Note 1.3 a), are recorded in the statement of profit and loss of the period to which they apply.

The operational lease installments on assets acquired under long-term rental contracts are recognized in full as expenses in the period to which they refer to (Note 33).

f) Inventories

Merchandise, raw, subsidiary and consumable materials are stated at acquisition average cost, which is lower than market value.

Finished and intermediate goods are stated at production cost (includes the cost of raw materials, direct labor and production overheads), which is lower than market value.

Whenever necessary, the Group companies record impairment losses to reduce inventories to their net realizable or market value.

g) Provisions

Provisions are recognized when, and only when, the Group has a present obligation (legal or constructive) arising from a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of that obligation. Provisions are reviewed and adjusted at each balance sheet date so as to reflect the best estimate of its fair value as of that date (Note 28). Restructuring provisions are recorded by the Group whenever a formal and detailed restructuring plan exists and has been communicated to those affected by it.

h) Government or other public entities subsidies

Government subsidies are recognized at their fair value if only it is highly likely that it will receive them and will be able to accomplish the conditions required to its concession.

Non-repayable subsidies obtained to finance investments in tangible fixed assets are recorded as "Other non-current liabilities" and "Other current liabilities". These subsidies are recognized in the statement of profit and loss in accordance with the depreciation of the related tangible fixed assets.

Subsidies related to incurred costs are recorded as income in the financial statements since there is reasonable assurance that they will be received, the entity has already incurred in costs and all conditions to reimbursement are fulfilled.

i) Pension complements

As mentioned in Note 23, the Group has assumed (through its Parent company and some subsidiaries) commitments to provide pension complements to its employees due to age or disability, which comprise defined benefit plans. For this effect, the Group has constituted pension funds and insurances.

With the purpose of estimating its responsibilities related to these commitments, the Group determines each year the actual cost of those responsibilities, based in the "Projected Unit Credit Method".

In accordance with IAS 19 – "Employees Benefits" the costs with past responsibilities are immediately recognized in situations where the benefit is being paid. Otherwise, they are recognized on a straight line basis during the average estimated period until the start of the benefits payment.

The responsibilities related to pensions complements recognized at balance sheet date represent the present value of the future benefits, adjusted by actuarial gains/losses and/or past responsibilities non-recognized, deducted of the fair value of net pension funds assets.

j) Accrual basis and Revenue recognition

Income and expenses are recorded on an accrual basis. Under this basis, income and expenses are recognized in the period to which they relate independently of when the amounts are received or paid. Differences arising between the amounts received and paid and the corresponding income and expenses are recorded in the captions "Accruals and deferrals" included in "Other current assets" and "Other current liabilities".

Revenue arising from the sale of goods is recognised in the consolidated income statement when (i) the risks and benefits have been transferred to the buyer, (ii) the Company retains neither continued management involvement in a degree usually associated with ownership nor effective control over the goods sold, (iii) the amount of the revenue can be measured reasonably, (iv) it is likely that the economic benefits associated with the transaction will flow to the Company, and (v) the costs incurred or to be incurred related with the transaction can be reliably measured. Sales are recorded net of taxes, discounts and other expenses arising from the sale, and are measured at the fair value of the amount received or receivable.

Income and expenses for which the actual amount is yet unknown, are recorded based on the best estimate of the Board of Directors of the Group companies.

k) Income tax

Income Tax for the year is determined based on the taxable results of the companies included in the consolidation, in accordance with tax legislation in force in each company´s jurisdiction, and considers deferred taxation.

Current Income Tax is computed based on the taxable results of the companies included in consolidation.

Deferred taxes are computed using the balance sheet liability method and reflect the timing differences between the amount of assets and liabilities for accounting purposes and the correspondent amounts for tax purposes. Deferred taxes are computed an reassessed on a yearly basis using the tax rate that is expected to be in force at the time these temporary differences are reversed.

Deferred tax assets are only recorded when there is reasonable expectation that sufficient taxable profits will arise in the future to allow such deferred tax assets to be used. At the end of each period the Company reviews its recorded and unrecorded deferred tax assets which are reduced whenever its recoverability ceases to be likely, or recorded if it is likely that taxable profits will be generated in the future to enable them to be recovered.

Deferred tax assets and liabilities are recorded in the statement of profit and loss, except if related to items directly recorded in equity. In these cases the corresponding deferred tax is also recorded in equity captions.

l) Tax consolidation

The Income Tax accrual that is reflected in the consolidated financial statements is computed in accordance with the Special Taxation Regime for Groups of Companies ("Regime Especial de Tributação dos Grupos de Sociedades"), which includes most of CIN Group companies with headquarters in Portugal. Cin Group companies with headquarters in Spain: Amida Inversiones, S.L., CIN Valentine, S.A.U., Pinturas Cin Canárias, S.A.U., Cin Pinturas y Barnices, Cin Inmuebles, S.L., CIN Soritec S.A. and CIN Govesan, S.A. are also taxed by the respective consolidated tax result, in accordance with Spanish legislation. CIN Group companies with headquarters in France, Celliose e PFI are also taxed by the respective consolidated tax result, in accordance with French legislation. Additionally, the other CIN Group companies are taxed on an individual basis and according to the applicable legislation.

m) Balance sheet classification

All assets and liabilities, including deferred taxes, accomplishable or demandable in more than one year after the balance sheet date are classified as "Non-current assets or liabilities". Deferred taxes are also included as "Non-current assets or liabilities".

n) Legal reserve

Portuguese commercial legislation requires that, at least, 5% of net profit for each year must be appropriated for increases in legal reserve until it represents at least 20% of share capital. Such reserve is not attributable unless the Company is under liquidation, but it can be used either to absorb losses after the extinction of all the other reserves or to be incorporated in share capital.

o) Balances and transactions expressed in foreign currencies

All assets and liabilities expressed in foreign currencies were translated to Euro using the exchange rates at the date of the balance sheet.

Favorable and unfavorable exchange differences arising from changes in the exchange rates between those prevailing on the dates of the transactions and those in force on the dates of payment, collection or as of the balance sheet date are recorded in the consolidated statement of profit and loss of the year.

p) Impairment of assets, except Goodwill

Assets are assessed for impairment at each balance sheet date and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the statement of profit and loss under the caption "Provisions and impairment losses". The recoverable amount is the higher of an asset's net selling price and its value of use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of the disposal. The value of use is the present value of estimated future cash flows expected to arise from the continued use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash-generating unit to which the asset belongs.

Reversal of impairment losses recognized in prior years is recorded when the company concludes that the impairment losses previously recognized for the asset no longer exist or have decreased. The reversal is recorded in the statement of profit and loss as "Other income". However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation and amortization) had no impairment loss been recognized for that asset in prior years.

Evidence of impairment in accounts receivable arises when:

- the counterparty presents significant financial difficulties;
- there are significant delays in payments by the main counterpart; and
- it is likely that the debtor goes into liquidation or in financial restructuring.

For accounts receivable, the Group uses historical information and information for its legal department, which allow estimate the amounts in impairment. For inventories, the impairments are based on market values and in several indicators of rotation of inventories.

q) Financial expenses

The financial expenses related with loans obtained (interests, bonus, accessory costs and lease contracts' interest) are recorded as costs in the statement of profit and loss, on an accrual basis, except if the expense is related to construction/development of assets that qualify. The capitalization of these expenses takes place after the beginning of the construction preparation activities' and ends when the asset is ready for use or the project is suspended.

r) Contingent assets and liabilities

Contingent liabilities are defined by the Company as (i) possible obligations that arise from past events and which existence will be confirmed, or not, by one or more occurrences of uncertain future events not controlled by the Company, or (ii) present obligations that arise from past events but that are not recorded because it is unlikely that an outflow of resources occurs to settle the obligation or the obligation amount cannot be reliably measured.

Contingent liabilities are not recorded in the consolidated financial statements, being disclosed, unless the probability of a cash outflow is remote, in which case no disclosure is made.

Contingent assets are possible assets arising from past events and whose existence will be confirmed, or not, by uncertain future events not controlled by the Company.

Contingent assets are not recorded in the consolidated financial statements but only disclosed when the existence of future economic benefits is likely.

s) Judgments and estimates

In preparing the consolidated financial statements, the Board of Directors based it on the best knowledge and experience of past and/ or current events considering certain assumptions concerning future events.

The most significant accounting estimates reflected in the consolidated financial statements for the twelve month period ended 31 December 2017 and 31 December 2016 include:

a) Useful lives of the tangible and intangible assets;
b) Impairment analysis of goodwill and intangible assets with indefinite useful life;
c) Recognition of adjustments on assets (accounts receivable and inventories) and provisions;
d) Recoverability of deferred tax assets; and
e) Computation of retirement benefits obligations.

The estimates were based on the best information available at the time of preparation of consolidated financial statements and based on best knowledge and experience of past and/ or current events. However, situations that occur in subsequent periods which are not foreseeable at the time, were not considered in these estimates. Changes to these estimates, which occur after the date of the consolidated financial statements will be corrected by results of a prospective as required by IAS 8. For this reason and given the degree of uncertainty associated, the actual results of these transactions may differ from corresponding estimates.

The key estimates and assumptions concerning future events included in the preparation of consolidated financial statements, are described in the corresponding notes.

t) Risk management policies

The Group is exposed to several risks in the course of its activity, namely: market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. Group's risk management program focuses in the financial market unpredictability and aims to minimize the collateral effects in its financial performance.

Group's risk management is assured by the financial department of CIN in accordance with the policies approved by the Board of Directors. Accordingly, the Board of Directors has been setting the main overall risk management policies and some specific rules for certain areas, such as interest rate risk hedging, credit risk and liquidity risk.

i) Exchange rate risk

In the course of its operations, the Group performs non Euro transactions. The normal procedure is to elect a functional currency to each subsidiary that fits its main economic environment and that best represents the composition of its cash-flows. Thus, this exchange rate risk arises mainly from trade, resulting from the purchase and sale of products and services in currencies other than the functional currency of each business. The management policy of exchange rate risk and transaction of the Group seeks to minimize or eliminate this risk, contributing to a lower sensitivity of the results of the Group to currency fluctuations.

The amount of assets and liabilities (in Euro) of the Group recorded in currency other than Euro can be summarized as follows:

	Tintas Cin Angola	Tintas Cin Moçambique	Tintas Cin México	Tintas Cin África do Sul	Tintas Cin Turquia
December 31, 2017					
Assets	32.102.915	4.619.788	618.105	1.160.863	887.243
Liabilities	(3.327.455)	(711.597)	(87.481)	(46.582)	(153.985)
	28.775.460	**3.908.191**	**530.624**	**1.114.281**	**733.258**
December 31, 2016					
Assets	26.101.212	4.613.009	468.425	1.189.395	-
Liabilities	(980.990)	(538.944)	(26.148)	(108.097)	-
	25.120.222	**4.074.065**	**442.277**	**1.081.298**	-

Foreign companies' financial statement translation risk or accounting risk consists of the impact on the Parent company's net equity as a result of having to 'translate' the foreign subsidiaries' financial statements. The existing guidelines to cover this risk include an individual approach of each hedging opportunity given the specific currency at stake and the subsidiary's capital structure (as of 31 December 2017, this situation only applies to subsidiaries disclosed above).

As mentioned in note 1.2 d), assets and liabilities in the financial statements of foreign entities are translated to Euro using the exchange rates in force at the balance sheet date. Gains and losses, as well as cash flows are translated to Euro using the average exchange rate for the year. The underlying exchange difference is posted into equity in caption "Conversion reserves".

ii) <u>Price Risk</u>

Price risk mainly applies to raw materials such as zinc, resin and titanium dioxide.

There is a permanent monitoring of price evolution and trends for these raw materials as to develop expectations and act upon them.

In relation to zinc, price risk is managed through futures' market hedging. As of 31 December 2017 and 2016 there are no open positions for these instruments.

Resin and titanium dioxide price change risk is minimized by contracts celebrated with suppliers that fix a steady price for larger periods, typically, one semester.

Abnormal price variations in raw materials may be reflected in the selling prices.

iii) <u>Credit Risk</u>

The Group's exposure to credit risk mainly relates to accounts receivable resulting from its operating activities. Credit risk is the risk that the counterpart fails its contractual obligations, thus originating a Group loss.

Credit risk is essentially associated with receivables from sales and services rendered to customers. Managing this risk assures that effective collections are performed in the agreed terms so that the Group's financial position is not affected. This risk is monitored on a regular basis, ensuring that (a) credit to customers is limited and is based on the average days of sales outstanding of each customer; (b) credit limit evolution is assessed on a regular basis; (c) receivables impairment assessments are performed in a timely manner.

Group's credit risk is moderate and it is not focused in a single customer or group of customers, as receivables balance are composed by a large variety of entities from different business segments and geographical areas. Credit guarantees are asked whenever a customer's financial position might be questionable. These guarantees may consist of credit insurances and bank guarantees.

Accounts receivables impairment losses are computed according to the following criteria: (a) the customer credit profile; (b) the average days of sales outstanding; (c) the customer's financial position. Adjustments recorded in the years ended as of 31 December 2017 and 2016 are disclosed in Note 28.

As of 31 December 2017 and 2016 the Group does not consider the need for any additional impairment losses, besides those recorded and disclosed in Note 28.

Amounts regarding financial assets recorded in the accompanying consolidated financial statements are net of accumulated impairment losses, and represent the maximum exposure of the Group to credit risk.

iv) <u>Liquidity Risk</u>

Liquidity risk is the lack of capacity to fulfill all due liabilities in the agreed terms and at a reasonable cost. Liquidity indicators must be set to manage the liquidity levels as to ensure that the maximum return is obtained at a minimum cost and in a safe and efficient way.

CIN Group's liquidity risk management aims to:

– Liquidity – to ensure permanent, efficient and sufficient access to funds to liquidate obligations in due time;
– Security – to minimize the likelihood of non-collection of applications of funds; and
– Financial efficiency – to minimize the opportunity cost of excess liquidity detention in the short term.

The Group's procedures seek to match assets and liabilities maturity dates. Group's balances as of 31 December 2017 and 2016 show that the 'permanent capital' is higher than non-current assets, thus confirming Group's concern towards a well-balanced financial management. The Group ensures that the financial instruments, credit lines, and amounts meet the businesses and subsidiaries' specific needs and allow a reasonable liquidity surplus. Typically, these credit facilities are obtained without the concession of guarantees.

v) Interest rate risk

The exposure of the Group to interest rate risk results of loans that bear interest at variable rates.

Borrowing costs are therefore vulnerable to variable interest rate changes. The impact of volatility on the Group's results and net equity isn't significant as Group's financial debt level is low. Moreover, the presumed correlation between interest market rates and economic growth allows operating gains and compensates the additional borrowing costs ('natural hedge').

As of 31 December 2017 and 2016 the financial net debt of the Group amounts to 73,960,637 Euros and 64,512,229 Euros, respectively. These balances are composed of current and non-current loans (Note 22), and cash and cash equivalents (Note 18) celebrated with different entities. Additionally, there is the amount of 15,199,001 euros (14,192,710 euros in 2016) included in "Other financial assets" short-term, depending on their characteristics.

Group's income and cash-flows are not very influenced by interest rate changes, as Group's cash and bank balances as well as eventual loans granted to Group companies depend only on the Euro interest rates, which volatility is historically low.

As for long term loans, the procedure is to use whenever appropriate cash-flow hedging derivative instruments (e.g. 'interest rate swaps'), that perfectly cover interest rate risk.

Interest Rate Sensitivity Analysis

The sensitivity analysis was conducted based in the exposure to the interest rate risk as of balance sheet date and both for derivate and non-derivative financial instruments. As for liabilities based on variable interest rates, the following assumptions were made:

- The liabilities amount was stable throughout the year and price re-fixation happened in the beginning of the year;
- Variations in market interest rates changes interest amounts to be paid or received of variable interest rate financial instruments;
- Fixed interest rate financial instrument's interest to be paid or received are only affected if financial instruments are expressed at fair value;
- Changes in interest market rates will be reflected in the fair value of hedging derivatives and all hedging derivatives are efficient;
- Derivative financial instruments (swaps) fair value of any financial asset or liability is estimated by discounting future cash-flows to the present time at interest market rates at the end of each year, assuming a parallel variation in the yields' curves.

Sensitivity analysis was performed on a 'ceteris paribus' basis, this is, by manipulating one variable and assuming that all the others remain unchanged. Realistically, this situation isn't often met and changes in some of the assumptions might be correlated.

If interest rates have been higher or lower in 0.75 basis points, ceteris paribus, [hardly that could have happened], the estimated impact on the Group's net result and reserves had been the following:

	2017		2016	
	-0,75 b.p.	+0,75 b.p.	-0,75 b.p.	+0,75 b.p.
Net profit (1)	426.000	(403.000)	380.000	(390.000)
Net equity (2)	(16.000)	8.000	-	-

(1) mainly results from the Group's exposure to interest rate risk on its variable interest rate loans;

(2) mainly results from changes in the fair value of hedging derivatives.

It is the Board of Director's understanding that this sensitivity analysis doesn't properly reflect the Group's inherent interest rate risk, as the exposure at year end might not reflect the exposure throughout the year and because it does not account for payments made during the year.

u) Subsequent events

Post balance sheet date events that provide additional information about conditions that existed at the balance sheet date (adjusting events), are reflected in the consolidated financial statements. Post balance sheet date events that provide information about conditions that have only arised after the balance sheet date are considered non adjusting events and are disclosed in the Notes to the financial statements, if material.

2. Changes in accounting policies and corrections of misstatements

During the year ended as of 31 December 2017 there were no changes in accounting policies and no material mistakes related with prior periods.

3. Group companies included in consolidation

The affiliated companies included in consolidation by the full consolidation method, their headquarters and percentage participation held as of 31 December 2017, are as follows:

Designation	Headquarters	Share Capital held Direct	Indirect	Effective
With headquarters in Portugal:				
CIN - Corporação Industrial do Norte, S.A. ("Parent Company")	Maia	-	-	-
Cin Industrial Coatings, S.A. ("Cin Industrial Coatings")	Maia	-	100%	100%
Sotinco Refinish, S.A. ("Refinish")	Maia	-	100%	100%
Terraços do Souto – Sociedade Imobiliária, S.A. ("Terraços do Souto")	Maia	100%	-	100%
Martolar – Materiais de Construção, Lda. ("Martolar")	Alenquer	100%	-	100%
Nictrading – Comércio Internacional, Lda. ("Nictrading")	Machico	-	100%	100%
Navis – Marina Paints, S.A. ("Navis")	Maia	45%	-	45%
Atossa Imobiliária, Sociedade Unipessoal, Lda. ("Atossa")	Maia	100%	-	100%
With headquarters in others countries:				
CIN Valentine, S.A. ("CIN Valentine")	Barcelona (Spain)	-	100%	100%
Pinturas Cin Canarias, S.A. ("Pinturas Cin Canarias")	Tenerife (Spain)	-	100%	100%
Amida Inversiones, S.L. ("Amida Inversiones")	Madrid (Spain)	5%	95%	100%
Cin Inmuebles, S.L. ("Cin Inmuebles")	Barcelona (Spain)	-	100%	100%
Cin Pinturas & Barnices, SLU ("Cin Pinturas & Barnices")	Madrid (Spain)	-	100%	100%
Cin Internacional B.V. ("Cin BV")	Amesterdam (Netherlands)	100%	-	100%
Tintas Cin de Angola, SARL ("Cin Angola")	Benguela (Angola)	1%	99%	100%
Tintas Cin (Moçambique), SARL ("Cin Moçambique")	Maputo (Mozambique)	-	100%	100%
Coatings RE, S.A. ("Coatings RE")	Luxembourg	-	100%	100%
Vita Investments, S.A. ("Vita Investments")	Luxembourg	-	100%	100%
PF Investissements, S.A. ("PF Investissements")	Lyon (France)	-	100%	100%
Cin Celliose, S.A. ("Celliose")	Lyon (France)	-	100%	100%
Cin Coatings Mexico S de RL de CV ("Cin Coatings Mexico")	Izcalli (Mexico)	-	100%	100%
Cin Coatings South Africa (PTY), Ltd. ("Cin Coatings South Africa")	Johannesburg (South Africa)	-	99%	99%
Cin Monopol, SAS ("Monopol")	Valence (France)	-	100%	100%
Laboratoires des PPC , SRL ("PPC")	Lyon (France)	-	100%	100%
CIN SORITEC, S.A. ("Soritec")	Girona (Spain)	-	100%	100%
NASA, Sociedad de R.L.	Valence (France)	-	100%	100%
CIN Coatings Turkey Boya Ticaret A.S. ("CIN Turquia")	Istambul (Turkey)	-	100%	100%
CIN Govesan, S.A. ("CIN Govesan")	Madrid (Spain)	-	100%	100%

These subsidiaries were included in the consolidated financial statements using the full consolidation method, as established in IAS 27 – "Consolidated and Separate Financial Statements" (subsidiary control through the major voting rights or other method, being owner of the company's share capital - Note 1.2.a)).

During the period ended 31 December 2017, the company CIN Coatings Turkey, Limited held by Amida Inversiones, began to be included in the consolidation method through the full consolidation method (Note 5).

During the period ended 31 December 2017, a company was established (subsequently it was re-named as CIN Govesan), based in Spain, that acquired a group of assets and liabilities which form a business unit dedicated to the production and sales of powder paint (Note 5).

4. Subsidiaries excluded from consolidation

The subsidiaries excluded from consolidation, their respective headquarters and the proportion of capital held as of 31 December 2017, are as follows:

Designation	Headquarteres	Book Value	Share Capital held Direct	Indirect	Effective
Held by CIN:					
Tintas Cin Guiné, Lda. ("Cin Guiné")	Bissau (Guiné)	-	51%	-	51%
Tintas Cin Macau, Lda. ("Cin Macau")	Macau (China)	-	90%	-	90%

The financial investments in Group companies – CIN Guiné and CIN Macau are recorded at acquisition cost. Impairment losses are recorded to reduce these investments to their estimated net realizable value in order to reflect restrictions motivated by their country conditions, or by their inactivity.

The Group owns the subsidiaries "CINBRASIL Participações, Ltda." (Brasil) and "Cin Coatings Polska Sp. Zoo.", which do not have relevant activity, thus being excluded from consolidation. Additionally, net investment for these entities amounts to, approximately, 373 thousand euros. Cin's Board of Directors believes that not consolidating these entities does not produce a relevant effect on the consolidated financial statements.

5. Changes in the consolidation perimeter

As mentioned in Note 3, the Group acquired in the period ended 31 of Decemer 2017, the entity CIN Govesan.

The inclusion of the acquired company at 1 of March 2017 had the following impact on the variation in the scope of the consolidated financial statements for 2017:

Net assets acquired	Notes	Accounting Value	Adjustments Fair Value	Fair Value
Tangible fixed assets	6	3.500.000	5.151.700	8.651.700
Intangible assets	8	100.000	-	100.000
Inventory	14	714.699	(71.152)	643.547
Customers and other third party debts		94	-	94
Cash and cash equivalents		2.392	-	2.392
Provisions for liabilities and charges	28	-	(5.942.699)	(5.942.699)
Other Assets		(934.586)	-	(934.586)
Suppliers and other creditors		(29.578)	-	(29.578)
Deferred tax liabilities		-	(1.289.000)	(1.289.000)
		3.353.021	**(2.151.151)**	**1.201.870**
Goodwill	7			2.899.078
Acquisition price				4.100.948
Net cash flow arising from the acquisition:				
Payments made				(4.100.948)
Cash and cash equivalents acquired				2.392
				(4.098.556)

The fair value adjustments made are a consequence of contractual terms, as well as a result of contingencies identified in the due diligence process, in which we highlight the following:

- Investments to be performed to adequate the facilities to the safety and quality and risk prevention standards of the Cin Group;
- Impairments identified in inventories;
- Impairments identified in real estate;
- Recognition of non-recorded liabilities.

At 31 of December 2017, after the initial identification of fair value of assets and acquired liabilities, the Group is still reviewing the period, in conformity with the requisites laid out by IFRS 3.

Starting from 1 of January 2017, the Group started including the associated entity "CIN Turkey" in its scope of consolidation, meaning that the impact of this in the consolidated financial statements as of 31 of December 2017 is the following:

Rubric	Note	Gross Value	Amortizations	Value
Tangible Fixed Assets	6	15.312	(3.745)	11.567
Inventory	14	106.807	-	106.807
Customers and other third-party debts		132.901	-	132.901
Cash and cash equivalents		107.962	-	107.962
Other Assets		84.870	-	84.870
Suppliers and other creditors		(858.590)	-	(858.590)
		(410.738)	**(3.745)**	**(414.483)**

6. Tangible assets

During the years ended 31 December 2017 and 2016, the movements in the gross value of tangible fixed assets, as well as in the respective depreciation and accumulated impairment losses, was as follows:

2017	Land and natural resources	Buildings and other constructions	Machinery and equipment	Transport equipment	Administrative equipment	Other tangible assets and tools	Tangible assets in progress	Total
Gross assets								
Opening Balance	24.267.163	110.288.968	68.119.424	4.946.425	24.633.764	3.730.334	5.554.766	241.540.844
Additions	-	878.212	684.401	36.450	562.812	127.812	6.564.549	8.854.239
Disposals and write-offs	(1.249.000)	(4.664.252)	(186.402)	(323.362)	(312.225)	(13.170)	(832.182)	(7.580.593)
Transfers	-	3.869.460	655.313	-	208.176	(178.079)	(4.165.311)	389.559
Perimeter variation (Note 5)	5.150.000	270.411	3.223.200	-	23.401	-	-	8.667.012
IAS 29 effect	-	3.134.369	937.241	468.126	242.111	1.086.500	(1.021.299)	4.847.048
Adjustments	-	(13.730)	(103.001)	(20.974)	(34.130)	(450)	(6.954)	(179.239)
Closing Balance	28.168.163	113.763.438	73.330.176	5.106.665	25.323.909	4.752.950	6.093.569	256.538.870
Accumulated depreciation and impairment losses								
Opening Balance	-	65.000.393	57.602.650	3.429.555	18.602.408	2.223.593	-	146.858.605
Depreciations	-	3.729.126	2.560.940	365.356	1.726.726	284.518	-	8.666.665
Disposals and write-offs	-	(4.664.252)	(184.598)	(252.282)	(258.938)	(12.981)	-	(5.373.051)
Transfers	-	103.136	317.008	-	(298.267)	(121.877)	-	-
Perimeter variation (Note 5)	-	-	2.310	-	1.435	-	-	3.745
IAS 29 effect	-	1.196.661	1.047.597	585.033	280.435	1.084.470	-	4.194.196
Adjustments	-	(6.068)	(5.917)	3.458	8.234	211	-	(82)
Closing Balance	-	65.358.996	61.339.990	4.131.120	20.062.033	3.457.934	-	154.350.079
Net value	**28.168.163**	**48.404.442**	**11.990.186**	**975.545**	**5.261.876**	**1.295.016**	**6.093.569**	**102.188.791**

2016	Land and natural resources	Buildings and other constructions	Machinery and equipment	Transport equipment	Administrative equipment	Other tangible assets and tools	Tangible assets in progress	Total
Gross assets								
Opening Balance	21.989.527	107.194.687	64.261.238	4.612.782	23.807.045	3.336.389	6.265.499	231.467.167
Additions	1.959.708	691.467	573.876	222.512	319.088	205.439	1.962.803	5.934.894
Disposals and write-offs	-	(208.881)	(387.260)	(374.751)	(66.793)	(48.050)	(885.517)	(1.971.252)
Perimeter variation	-	347.474	961.060	24.482	290.314	-	(1.935.505)	(312.175)
Transfers	317.928	2.122.707	2.752.589	421.152	311.941	158.584	-	6.084.901
Adjustments	-	141.514	(42.079)	40.248	(27.831)	77.972	147.486	337.310
Closing Balance	24.267.163	110.288.968	68.119.424	4.946.425	24.633.764	3.730.334	5.554.766	241.540.844
Accumulated depreciation and impairment losses								
Opening Balance	-	60.412.980	53.473.683	3.225.214	16.762.303	1.958.717	-	135.832.897
Depreciations	-	3.369.067	2.097.127	331.480	1.620.099	153.448	-	7.571.220
Disposals and write-offs	-	(205.890)	(388.474)	(341.119)	(61.282)	(44.737)	-	(1.041.502)
Transfers	-	78.760	(86.183)	24.536	(1.084)	-	-	16.029
Perimeter variation	-	1.284.087	2.421.813	122.309	258.159	114.693	-	4.201.061
Adjustments	-	61.389	84.684	67.135	24.213	41.472	-	278.893
Closing Balance	-	65.000.393	57.602.650	3.429.555	18.602.408	2.223.593	-	146.858.605
Net value	**24.267.163**	**45.288.575**	**10.516.774**	**1.516.869**	**6.031.356**	**1.506.741**	**5.554.766**	**94.682.239**

As of 31 December 2017 and 2016, the caption "Tangible assets in progress" was made up as follows:

	31.12.2017	31.12.2016
Portugal 2020 – New factory in central complex	1.320.158	-
Portugal 2020 – New raw material warehouse	1.339.108	-
Warehouse Angola	991.070	2.656.550
New facilities factory solvents – France	-	508.713
Investments in Information Technologies	379.822	353.872
Equipments to factory (Angola)	-	290.283
Works in building of Maia	-	335.444
Others	2.063.411	1.409.904
	6.093.569	**5.554.766**

Following the transfer operation of the industrial facilities of subsidiary CIN Valentine, on 18 July 2006, the "Junta de Gobierno del Ayuntamiento de Montcada y Reixach" finally approved the "Proyecto de Reparcelación en el âmbito del Plan Parcial Urbanístico del Sector Discontinuo Can Milans – Can Cuiás Nord". According to the above referred land division plan, Barnices Valentine swapped its owned parcels of land denominated "Can Cuyás", by another parcel of property owned by the municipality and denominated "Can Milans", where the new industrial facilities were built. According to IAS 16 – Tangible assets – the land received was stated at its fair value based on an external evaluation performed by an expert.

Part of the transfers included in caption "buildings and other constructions" relate to the transfer of the Group's headquarters building, in Maia, Portugal, which had renovation works done during the period ended 31 of December 2017. This being said, the disposals/write-offs recorded in the same rubric relate to the disposals of the Group's old facilities, which at the date of publication are fully amortized.

7. Goodwill

During the period ended as of 31 December 2017 the Company recorded the Goodwill generated in the acquisition of CIN Govesan in the value of 2,899,078 Euros (Note 5).

The Group performs formal impairment analysis as of the date of presentation of annual financial accounts.

As of December 31, 2017 and 2016, the net book value of goodwill, which was originated by acquisitions made by the Group in the referred markets in order to expand its operations in these markets, was made up as follows:

Country / business	31.12.2017	31.12.2016
Spain	10.381.460	7.482.382
- CIN Govesan (Note 5)	2.899.078	-
- Others	7.482.382	7.482.382
France		
- Celliose Group	8.704.940	8.704.940
- Monopol Group	3.693.586	3.693.586
Portugal	3.890.412	3.890.412
	26.670.398	**23.771.320**

The impairment tests of the goodwill recorded in the financial statements are prepared in accordance with the business plans approved by the Board of Directors of each company. These tests are prepared in accordance with the following main assumptions:

Main assumptions	Spain	France	Portugal
Discount rate	10,00%	10,00%	10,00%
Explicit projection period	2018-2022	2018-2022	2018-2022
Rate of growth of perpetuity	1,50%	1,50%	1,50%

A 0.25% increase in the discount rate over the projection years does not imply the need to record impairment losses as of 31 December 2017. Similarly, a decrease of 0.5% on the perpetuity growth rate would not result in significant losses as of 31 December 2017.

8. Intangible assets

During the years ended as of 31 December 2017 and 2016, the movement in intangible assets as well as in the respective accumulated depreciation and accumulated impairment losses, was as follows:

2017	Installation expenses	Development expenses	Industrial property and other rights	Goodwill	Total
Gross Assets:					
Opening balance	5.113	7.632.385	6.128.481	2.407.952	16.173.929
Additions	9.011	566.299	119.043	22.747	717.100
Disposals and write-offs	-	(225.349)	186.666	38.683	-
Changes in perimeter (Note 5)	-	-	100.000	-	100.000
Adjustments	(2.097)	-	(213.192)	(8.417)	(223.706)
Closing balance	12.027	7.973.335	6.320.998	2.460.965	16.767.323
Depreciation and amortization Accumulated impairment:					
Opening balance	4.644	7.785.316	5.247.481	454.010	12.491.451
Depreciation of the year	9.462	577.559	20.700	41.786	649.507
Transfers	-	(155.326)	155.326	-	-
Adjustments	(2.079)	7.668	-	(30.776)	(25.187)
Closing balance	12.027	7.215.217	5.423.507	465.020	13.115.771
Net value	**-**	**758.118**	**897.491**	**1.995.945**	**3.651.554**

2016	Installation expenses	Development expenses	Industrial property and other rights	Goodwill	Total
Gross Assets:					
Opening balance	30.469	6.450.889	5.828.433	2.398.609	14.708.398
Additions	-	352.583	158.941	-	511.525
Disposals and write-offs	-	(13.600)	-	-	(13.600)
Changes in perimeter (Note 5)	-	508.213	132.023	-	640.236
Transfers	(9.011)	334.300	-	9.011	334.300
Adjustments	(16.345)	-	9.084	332	(6.929)
Closing balance	5.113	7.632.385	6.128.481	2.407.952	16.173.929
Depreciation and amortization Accumulated impairment:					
Opening balance	15.290	6.117.488	4.967.537	212.994	11.313.309
Depreciation of the year	-	470.123	44.052	304.852	819.027
Downloads	(9.010)	(25.501)	103.869	(69.358)	-
Changes in perimeter (Note 5)	-	198.722	132.023	-	330.745
Adjustments	(1.636)	24.484	-	5.522	28.370
Closing balance	4.644	6.785.316	5.247.481	454.010	12.491.451
Net value	**469**	**847.069**	**881.000**	**1.953.942**	**3.682.480**

The "Goodwill" rubric includes the amount of 2,107,069 Euros relative to the sales contract celebrated between CIN and the entity Tintas Robbialac, S.A. at 19 November 2007, through which CIN acquired the commercial activities of this entity named "Industry Segment".

The Group does not proceed to the amortization of that goodwill, performing on an annual basis, formal tests of impairment.

The formal impairment test assumes as cash-generating unit the revenue associated with the segment of products purchased under this contract, and is made regarding the business plan approved by the Board of Directors, which is prepared in accordance with the projected cash flows for the next 10 years. The discount rate used is based on the weighted average cost of capital, and is 10%. In perpetuity the growth rate used is approximately 1.5%.

9. Investment properties

As of 31 December 2017, the caption "Investment properties" includes real estate assets held by CIN Group, mainly located in Guardeiras, Maia that is held for capital appreciation. These assets are stated at the respective acquisition cost.

It is the Board of Directors' understanding that the fair value of these investment properties does not significantly differ from their book value.

As of 31 December 2017 and 2016, the movement in these captions was as follows:

	31.12.2017	31.12.2016
Investment properties:		
Balance as of 1 January	6.958.781	6.958.781
Aditions	2.685.796	-
Balance as of 31 December	**9.644.577**	**6.958.781**

During the period ended 31 December 2017 the Group acquired two real estate assets located in the city of Porto, with the aim of obtaining revenues and value increases.

Investment properties have generated costs in the amount of approximately 5,736 Euros in 2017 and 7,033 Euros in 2016, which were recorded in the income statement.

10. Classes of financial instruments

The financial instruments in accordance with the policies described in Note 1.3 d), were classified as follows:

Financial assets

	Notes	Loans and account receivables	Investments available for sale	Sub-total	Assets not covered by IFRS 7	Total
December 31, 2017						
Non-current assets						
Other finantial assets	11	-	2.788.679	2.788.679	-	2.788.679
Other non-current assets	13	264.293	-	264.293	-	264.293
		264.293	2.788.679	3.052.972	-	3.052.972
Current assets						
Customers	15	37.910.338	-	37.910.338	-	37.910.338
Other current debtors	16	3.950.453	-	3.950.453	-	3.950.453
State and other public entities	26	-	-	-	4.373.396	4.373.396
Other current assets	17	2.624.075	-	2.624.075	-	2.624.075
Other finantial assets	11	15.199.001	-	15.199.001	-	15.199.001
Cash and cash equivalents	18	25.327.543	-	25.327.543	-	25.327.543
		85.011.410	-	85.011.410	4.373.396	89.384.806
		85.275.703	**2.788.679**	**88.064.382**	**4.373.396**	**92.437.778**
December 31, 2016						
Non-current assets						
Other finantial assets	11	-	3.761.961	3.761.961	-	3.761.961
Other non-current assets	13	258.470	-	258.470	-	258.470
		258.470	3.761.961	4.020.431	-	4.020.431
Current assets						
Customers	15	35.383.005	-	35.383.005	-	35.383.005
Other current debtors	16	3.684.495	-	3.684.495	-	3.684.495
State and other public entities	26	-	-	-	4.063.585	4.063.585
Other current assets	17	2.550.394	-	2.550.394	-	2.550.394
Other finantial assets	11	14.192.710	-	14.192.710	-	14.192.710
Cash and cash equivalents	18	33.862.242	-	33.862.242	-	33.862.242
		89.672.846	-	89.672.846	4.063.585	93.736.431
		89.931.316	**3.761.961**	**93.693.277**	**4.063.585**	**97.756.862**

Financial liabilities

	Notes	Coverage derivatives	Financial liabilities registered at amortized cost	Sub-total	Liabilities not covered by IFRS 7	Total
December 31, 2017						
Non-current liabilities						
Financing obtained	22	-	91.739.028	91.739.028	-	91.739.028
Other debts to third parties	25	-	3.514.933	3.514.933	-	3.514.933
Financial derivative instruments		51.376	-	51.376	-	51.376
		51.376	95.253.961	95.305.337	-	95.305.337
Current liabilities						
Financing obtained	22	-	22.748.153	22.748.153	-	22.748.153
Suppliers	24	-	30.075.369	30.075.369	-	30.075.369
Other debts to third parties	25	-	4.434.512	4.434.512	-	4.434.512
State and other public entities	26	-	-	-	7.967.587	7.967.587
Other current liabilities	27	-	15.182.434	15.182.434	-	15.182.434
		-	72.440.468	72.440.468	7.967.587	80.408.055
		51.376	**167.694.429**	**167.745.805**	**7.967.587**	**175.713.392**
December 31, 2016						
Non-current liabilities						
Financing obtained	22	-	87.800.000	87.800.000	-	87.800.000
Other debts to third parties	25	-	3.581.184	3.581.184	-	3.581.184
		-	91.381.184	91.381.184	-	91.381.184
Current liabilities						
Financing obtained	22	-	24.767.181	24.767.181	-	24.767.181
Suppliers	24	-	23.778.366	23.778.366	-	23.778.366
Other debts to third parties	25	-	2.673.968	2.673.968	-	2.673.968
State and other public entities	26	-	-	-	7.526.341	7.526.341
Other current liabilities	27	-	13.765.036	13.765.036	-	13.765.036
		-	64.984.551	64.984.551	7.526.341	72.510.892
		-	**156.365.735**	**156.365.735**	**7.526.341**	**163.892.076**

Financial instruments recognized at fair value

The table below details the financial instruments measured at fair value after initial recognition, grouped into three levels according to the possibility of observing its fair market value:

Level 1: fair value is determined based on current active market prices;

Level 2: fair value is determined based on valuation techniques. The main inputs of the valuation models are observable in the market;

Level 3: fair value is determined based on valuation models, whose main inputs are not observable in the market.

	31-12-2017		
	Level 1	Level 2	Level 3
Financial assets measured			
Investments availabe for sale (Note 11)	**2.115.063**	**-**	**673.616**
Financial assets measured at fair value			
Investments in financial derivatives	**-**	**51.376**	**-**

	31-12-2016		
	Level 1	Level 2	Level 3
Financial assets measured			
Investments availabe for sale (Note 11)	**2.760.006**	**-**	**1.001.955**

11. Other financial assets

As of 31 December 2017 and 2016, these captions included financial investments classified as available for sale and had the following movement in the year:

	2017		
	Gross value	Impairment losses (Note 28)	Net value
Investments available for sale:			
Balances as of 1 January 2017	4.756.400	(994.439)	3.761.961
Fair value variations	133.332	-	133.332
Increases	265.942	(644.162)	(378.220)
Decreases	(728.395)	-	(728.395)
Balance as of 31 December 2017	**4.427.280**	**(1.638.601)**	**2.788.679**

	Exercício de 2016		
	Gross value	Impairment losses (Note 28)	Net value
Investments available for sale:			
Balances as of 1 January 2016	3.806.418	(277.887)	3.528.531
Fair value variations	(390.365)	-	(390.365)
Increases	1.340.347	(716.552)	623.795
Balance as of 31 December 2016	**4.756.400**	**(994.439)**	**3.761.961**

As of 31 December 2017, the fair value of the Boero Bartolomeo, S,p,A, shares, corresponding to 2,515% of this entity's share capital, amounted to, approximately, Euro 2,115,063 (1,981,731 Euro as of 31 December 2016), based on the year end stock quotation.

During the period ended 31 December 2017, the Group carried out the sale of shares which it possessed relative to publicly-traded entities quoted in the Euronext Lisboa stock market, in the amount of 728,200 Euros.

The remaining financial investments referred to above mainly represented small investments in non-listed companies, The Board of Directors believes that the net value of these investments is similar to the respective fair value.

As of 31 December 2017 and 2016, the amounts classified as short-term, included investments in banks that did not meet the requirements for classification as "Cash and cash equivalents", namely bank deposits and investments within economies suffering from restrictions on capital transfers.

12. Taxes

The detail of the amounts and nature of assets and liabilities for deferred taxes recorded in the accompanying consolidated financial statements, and the respective movement as of 31 December 2017, are as follows:

Deferred tax assets:	Opening balances	Perimeter variations	Effect on results	Effect on Equity	Closing balances
Depreciation not accepted for tax purposes	482.295	-	38.601	-	520.896
Provisions and adjustments not accepted for tax purposes	2.125.317	-	98.987	(49.181)	2.175.124
Pension fund (relating to accrued cost)	344.537	-	(15.675)	-	328.862
Merger reserve	814.808	-	(197.583)	-	617.225
Tax losses	376.927	-	176.117	-	553.044
Valuation of hedging derivate instruments	-	-	-	11.560	11.560
Others	254.549	-	22.920	(122.472)	154.997
	4.398.433	**-**	**(123.367)**	**(160.093)**	**4.361.708**

Deferred tax liabilities:	Opening balances	Perimeter variations	Effect on results	Effect on Equity	Closing balances
Amortization of revaluations not accepted for tax purposes	5.424	-	(484)	-	4.940
Reinvestment of capital gains	7.403	-	(1.900)	-	5.503
Pension fund (relative to deferred cost)	17.172	-	(2.534)	-	14.638
Barnices Valentine's fair value land exchange	981.538	-	-	-	981.538
Fair value of investments held for sale	34.210	-	-	39.506	73.716
Write-off of provisions	1.992.091	-	-	(339.084)	1.653.007
Adjustments in fair value of properties	1.265.944	1.289.000	(72.956)	-	2.481.988
IAS 29 effect	-	-	-	1.683.790	1.683.790
Others	28.001	-	4.457	-	32.458
	4.331.783	**1.289.000**	**(73.417)**	**1.384.212**	**6.931.578**

The detail of the amounts and nature of assets and liabilities for deferred taxes recorded in the accompanying consolidated financial statements, and the respective movement as of 31 December 2016, are as follows:

Deferred tax assets:	Opening balances	Perimeter variations	Effect on results	Effect on Equity	Closing balances
Depreciation not accepted for tax purposes	559.682	-	(77.387)	-	482.295
Provisions and impairment losses not accepted for tax purposes	2.324.638	-	(217.317)	17.996	2.125.317
Pension fund (referring to accrued costs)	219.957	-	124.580	-	344.537
Merger reserve	1.008.811	-	(194.003)	-	814.808
Tax losses	241.818	-	169.020	(33.911)	376.927
Others	260.141	-	12.671	(18.263)	254.549
	4.615.047	**-**	**(182.436)**	**(34.178)**	**4.398.433**

Deferred tax liabilities:	Opening balances	Perimeter variations	Effect on results	Effect on Equity	Closing balances
Amortization of revaluations not accepted for tax purposes	5.915	-	(491)	-	5.424
Reinvestment of capital gains	9.303	-	(1.900)	-	7.403
Pension fund (referring to deferred costs)	19.705	-	(2.533)	-	17.172
Barnices Valentine's fair value land exchange	981.538	-	-	-	981.538
Fair value of investments held for sale	157.508	-	-	(123.298)	34.210
Write-off of provisions	2.510.655	-	-	(518.564)	1.992.091
Adjustments in fair value of properties	1.338.900	-	(72.956)	-	1.265.944
Others	36.573	-	(13.992)	5.420	28.001
	5.060.097	**-**	**(91.872)**	**(636.442)**	**4.331.783**

The "Merger reserve" is a consequence of the merger held in previous years by former Spanish subsidiaries of subsidiary Barnices Valentine (and that was written-off in the previous years in the consolidation process) and is being depreciated for tax purposes over a period of 20 years.

In accordance with the applicable legislation, the income tax returns of CIN and other Group companies are subject to review and correction by the tax authorities for a 4-year period (5-year for Social Security) except when tax losses have occurred or tax benefits have been granted, or tax inspections, claims or refutations are in progress, in which cases and depending on the circumstances, the deadlines are delayed or suspended, Therefore, the tax declarations of the Group Companies (established in Portugal) since 2014 are still subject to review.

The Board of Directors of CIN believes that eventual corrections following such revisions/inspections by the tax authorities will not have significant effect on the consolidated financial statements as of 31 December 2017.

In Spain, since the beginning of the year 2014, tax losses no longer have time limit for future use, In France, the future use of tax losses not also has a time limit.

As of 31 December 2017, the following Group companies had tax losses that can be carried forward, as follows (in accordance with the respective tax returns):

Year in which they were generated	Spain	France
Year 2004	143.761	-
Year 2005	1.583.106	-
Year 2006	887.467	-
Year 2008	3.919.312	-
Year 2009	-	241.669
Year 2010	15.196.261	581.203
Year 2011	10.837.227	2.226.426
Year 2012	9.669.035	1.442.147
Year 2013	6.943.987	443.956
Year 2014	4.607.897	1.348.948
Year 2015	5.203.274	-
Year 2016	4.681.090	-
Year 2017	7.999.218	-
	71.671.635	**6.284.349**

During the period, there were no recorded deferred tax liabilities relative to these amounts.

The Group companies Amida Inversiones, S.L., CIN Valentine, S.A., Pinturas Cin Canárias, S.A., Cin Inmuebles, S.L., CIN Soritec S.A. and CIN Govesan, S.A. located in Spain, are being in accordance with theirs consolidated tax result, whose parent company is Amida Inversiones, S.L.U., which aggregates the tax losses generated by the companies in the tax perimeter. The Group companies located in France, Celliose and PFI, are also taxed in accordance with theirs consolidated tax result, in accordance with French legislation.

As of 31 December 2017 and 2016, the tax rates used to calculate the assets and liabilities for deferred taxes can be detailed as follows:

	Tax rates	
	31.12.2017	**31.12.2016**
Country of origin of the subsidiary:		
Portugal	22,5%	22,5%
Spain	25,0%	25,0%
Luxembourg	29,2%	29,2%
Angola	30,0%	30,0%
Mozambique	32,0%	32,0%
France	33,3%	33,3%
Mexico	30,0%	30,0%
South Africa	28,0%	28,0%

In accordance with article 88 of Corporate Income Tax Code ("Código do Imposto sobre o Rendimento das Pessoas Colectivas") CIN and its subsidiaries with headquarters in Portugal are also subject to an autonomous taxation over a group of expenses at the rates defined in the referred article.

Tax benefits and exemptions

(I) Spain - Canarias

According to Spanish legislation, namely "Ley 19/1994, of 6 July – Modificación del Régimen Económico y Fiscal de Canarias", modified by "Royal Decree-Law 12/2006 of 29 December" sets a tax measure to "reserve for investments in the Canary Islands," which allows companies in relation to their properties in the Canary Islands, allocate benefits such reservations, as a reduction of their tax calculation basis, with a maximum of 90% of undistributed profit. The amount of allocated benefit was materializing for a maximum period of three years from the fiscal year in which it was provided, the investments and the requirements laid down by that legislation.

The amounts must be invested in fixed assets in the Canary Islands and is necessary for the development of their economic activities, except for contributing to the improvement and environmental protection in that territory.

Assets must remain operational in the company at least five years without being transferred, leased or transferred to third parties for use. The reserve, which is included in the equity caption "Other reserves" is unavailable while goods that should remain associated with the Company, and the amount at 31 December 2017 amounted to 4,993,975 Euros, Pending realizable values were recorded in taxes of the respective companies, in a total amount of 265,235 Euros.

13. Other non-current assets

As of 31 December 2017 and 2016, the composition of the caption was up as follows:

	31.12.2017	31.12.2016
Retirement benefits (Note 23)	65.063	76.323
Guarantee	199.230	182.147
	264.293	**258.470**

14. Inventories

As of 31 December 2017 and 2016, the composition of the caption was up as follows:

	31.12.2017	31.12.2016
Raw, subsidiary and consumable materials	16.453.045	8.572.886
Merchandise	4.278.996	3.507.149
Finished and intermediate goods	29.358.696	27.288.851
		39.368.887
Accumulated impairment losses on inventory (Note 28)	(6.393.858)	(6.434.686)
	43.696.879	**32.934.201**

The cost of goods sold and consumed for the years ended as of 31 December 2017 and 2016 were computed as follows:

	31.12.2017	31.12.2016
Opening balances:		
Raw, subsidiary and consumable materials	8.572.886	10.454.957
Merchandise	3.507.149	2.951.649
Changes in perimeter (Note 5)	750.355	1.961.782
Purchases	116.581.346	97.934.023
Inventory adjustments	(364.141)	(593.358)
IAS 29 effect	1.408.750	-
Exchange rate effect	429.896	(2.603.686)
Closing Balance:		
Raw, subsidiary and consumable materials	(16.453.045)	(8.572.886)
Merchandise	(4.278.996)	(3.507.149)
	110.154.200	**98.025.331**

The changes in inventories of finished goods and work in progress for the years ended as of 31 December 2017 and 2016, was calculated as follows:

	31.12.2017	31.12.2016
Closing balances	29.358.696	27.288.851
Inventory adjustments	150.175	1.740.950
Changes in perimeter (Note 5)	-	(2.262.954)
Opening balances	(27.288.851)	(26.255.955)
	2.220.020	**510.893**

15. Customers

As of 31 December 2017 and 2016, this caption was composed as follows:

	31.12.2017	31.12.2016
Customers, current accounts	35.744.702	35.234.423
Customers, notes receivable	3.484.477	1.423.518
Customers, doubtful accounts	9.949.273	11.349.412
	49.178.452	**48.007.353**
Accumulated impairment losses on costumers (Note 28)	(12.268.114)	(12.624.348)
	37.910.338	**35.383.005**

The Group's exposure to credit risk is mainly attributable to the accounts receivable resulting from its operating activities. The amounts presented in the balance sheet are net of accumulated impairment losses for doubtful accounts that were estimated by the Group, in accordance with its experience and based on the analysis of the economic environment. The Board of Directors believes that the net accounting values of the accounts receivable from customers are similar to their respective fair value. The Group has not a significant concentration of credit risk, as this risk is diluted within a vast number of customer.

In accordance with the information of the Group's balance sheet, the aging of accounts receivable from customers is as follows:

	31.12.2017	31.12.2016
Not due:	29.498.494	24.472.330
Due and not adjusted:		
0-30 outstanding days	6.728.078	6.628.016
30-90 outstanding days	1.610.052	1.830.087
More than 90 outstanding days	73.714	2.452.572
Due and adjusted:		
0-90 outstanding days	276.992	382.871
90-180 outstanding days	241.779	175.586
180-360 outstanding days	1.019.148	868.615
More than 360 outstanding days	9.730.195	11.197.276
	49.178.452	**48.007.353**

16. Other debtors

As of 31 December 2017 and 2016, this caption was made up as follows:

	31.12.2017	31.12.2016
Suppliers debtors balances	338.837	292.332
Personnel	128.069	302.535
Advances to suppliers and suppliers of fixed assets	2.682	19.790
Others debtors	4.039.122	3.573.676
	4.508.710	**4.188.333**
Accumulated impairment losses (Note 28)	(558.257)	(503.838)
	3.950.453	**3.684.495**

17. Other current assets

As of 31 December 2017 and 2016, this caption was made up as follows:

	31.12.2017	31.12.2016
Prepaid insurance	114.686	157.739
Prepaid rental	235.564	216.418
Prepaid financial expenses	430.545	435.355
Others	1.843.280	1.740.882
	2.624.075	**2.550.394**

18. Cash and cash equivalents

As of 31 December 2017 and 2016, the caption "Cash and cash equivalents" was as follows:

	31.12.2017	31.12.2016
Cash and cash equivalents:		
Cash	51.192	52.352
Bank deposits on demand	25.230.701	33.762.537
Cash equivalentes	45.650	47.353
	25.327.543	**33.862.242**

As of 31 December 2017, the Company and its subsidiaries have credit facilities amounting to 70,293,523 Euros available for future operating activities and to meet financial commitments, without any restriction to its use.

19. Share capital

As of 31 December 2017, CIN – Corporação Industrial do Norte, S.A.'s fully subscribed and paid up capital consisted of 25,000,000 bearer shares, with a nominal value of 1 Euro each.

As of 31 December 2017, Pleso Holding B.V. owned 100% of the Company's share capital (Introduction).

20. Equity

Legal Reserve

Portuguese commercial legislation defines that at least, 5% of annual net profit must to be allocated to the legal reserve until it represents 20% of a company's share capital. This reserve cannot be distributed to shareholders unless the company is to be liquidated. This reserve can be used to compensate accumulated losses provided that all other reserves are used first and can be incorporated into share capital.

Revaluation reserves

The revaluation of reserves may not be distributed to shareholders unless it is fully depreciated or if the property subject to reassessment has been sold.

Currency conversion reserves

The currency conversion reserves reflect the exchange rate changes occurred in the transposition of the financial statements of subsidiaries in currencies other than Euro and cannot be distributed or used to absorb losses.

Fair value reserves

The fair value reserves reflect the changes in fair value of financial instruments available for sale and cannot be distributed or used to absorb losses.

21. Non-controlling interests

During the year ended 31 December 2017 and 2016, the movement in the caption "Non-controlling interests", is detailed as follows:

	31.12.2017	31.12.2016
Balance as of 1 January	4.987	7.452
Net profit of the period	(2.351)	(2.465)
Balance as of 31 December	**2.637**	**4.987**

22. Loans

As of 31 December 2017, the detail by nature of bank loans was made up as follows:

	Plafond	Used amount	Current	Non current
Bank loans	7.896.578	1.503.055	1.248.153	254.902
Commercial Paper Programs	131.500.000	67.600.000	21.500.000	46.100.000
Bonds	45.000.000	45.000.000	-	45.000.000
Investment subsidies	399.677	399.677	-	399.677
Effective interest rate method	n.a.	n.a.	-	(15.551)
	184.796.255	**114.502.732**	**22.748.153**	**91.739.028**

Bank loans

As of 31 December 2017, the detail of bank loans (except for commercial paper programs) was made up as follows:

Company	Plafond	Used amount	Current	Non current
Barnices Valentine	2.500.000	1.156.477	1.156.477	-
CIN	4.800.000	-	-	-
CIN Soritec	250.000	-	-	-
Monopol	219.128	219.128	91.676	127.452
PFI Investissments	127.450	127.450	-	127.450
	7.896.578	**1.503.055**	**1.248.153**	**254.902**

The other bank loans referred above bear interest at market rates.

Commercial Paper Programs

As of 31 December 2017, the Commercial Paper Programs can be detailed as follows:

	Program total amount	Nominal value	Current	Non-current	Interest	Book value as at December 31, 2017
CIN- Corporação Industrial do Norte, S.A						
Contract (40.000.000 Euros) 4th Emission	40.000.000	7.500.000	-	7.500.000	6.557	7.493.443
Contract (40.000.000 Euros) 5th Emission	40.000.000	13.500.000	-	13.500.000	8.994	13.491.006
Contract (11.500.000 Euros) 33rd Emission	11.500.000	6.500.000	6.500.000	-	2.889	6.500.000
Contract (12.500.000 Euros) 4th Emission	12.500.000	2.350.000	-	2.350.000	1.306	2.350.000
Contract (15.000.000 Euros)	grouped contract	11.500.000	11.500.000	-	57.660	11.500.000
Contract (10.000.000 Euros) 9th Emission	10.000.000	10.000.000	-	10.000.000	5.333	10.000.000
Contract (10.000.000 Euros) 5th Emission	10.000.000	10.000.000	-	10.000.000	8.889	10.000.000
Contract (10.000.000 Euros) 5th Emission	10.000.000	2.750.000	-	2.750.000	2.933	2.750.000
Contract (10.000.000 Euros) Not used	10.000.000	-	-	-	-	-
Contract (5.000.000 Euros) Not used	5.000.000	-	-	-	-	-
Contract (7.500.000 Euros) Not used	7.500.000	-	-	-	-	-
Cin Valentine SL						
Contract (15.000.000 Euros) 9th Emission	grouped contract	1.000.000	1.000.000	-	5.014	1.000.000
Amida Inversiones						
Contract (15.000.000 Euros) 8th Emission	grouped contract	2.500.000	2.500.000	-	12.535	2.500.000
		67.600.000	**21.500.000**	**46.100.000**	**112.110**	**67.584.449**

Commercial Paper Program balances have the following underlying contracts:

Company	Program total amount	Beginning date	Maturity
CIN - Corporação Industrial do Norte, S.A.	40.000.000	June 2017	June 2022
CIN - Corporação Industrial do Norte, S.A.	15.000.000	September 2014	September 2020
CIN - Corporação Industrial do Norte, S.A.	12.500.000	June 2017	June 2020
CIN - Corporação Industrial do Norte, S.A.	11.500.000	September 2014	September 2021
CIN - Corporação Industrial do Norte, S.A.	10.000.000	June 2016	June 2020
CIN - Corporação Industrial do Norte, S.A.	10.000.000	May 2017	May 2022
CIN - Corporação Industrial do Norte, S.A.	10.000.000	May 2017	May 2024
CIN - Corporação Industrial do Norte, S.A.	10.000.000	March 2014	March 2019
CIN - Corporação Industrial do Norte, S.A.	7.500.000	June 2014	June 2019
CIN - Corporação Industrial do Norte, S.A.	5.000.000	October 2015	October 2018
	131.500.000		

In accordance with these contractual terms, the Commercial Paper Programs issuances can be made up to one year, up to the agreed limit. The financial institutions have committed themselves to the full distribution of every issuance.

CIN's Board of Directors intends to make use of the programs mentioned above for a period longer than 12 months.

Bonds

On 31 December 2017, this caption consisted of two loans denominated "CIN / 2016-2021" and "CIN 2014/2019", in the amount of Euro 25,000,000 and Euro 20,000,000 respectively, issued by CIN – Corporação Industrial do Norte, S.A.. According to their conditions, the loans bear interest indexed to Euribor, with 1,8625% and 3,35% spread, and maturity is December 2021 and December 2019, respectively.

Borrowings payback plans

As of 31 December 2017, Commercial Paper Programs classified as non-current and the bonds, had the following projected repayment and interest payment plan, considering full use of the existing programs:

	Effective interest rate	2018	2019	2020	2021	2022	2023	2024	Total
Repayment		-	23.000.000	25.500.000	28.000.000	38.000.000	-	10.000.000	124.500.000
Interest	1,50%	1.911.250	1.181.250	1.100.000	771.250	141.667	100.000	41.667	5.947.083
		1.911.250	**24.881.250**	**26.600.000**	**28.771.250**	**38.141.667**	**100.000**	**10.041.667**	**130.447.083**

The detail of the liabilities occurring from financing activities as of the period ended 31 December 2017 can be found below:

	Borrowings
Balance as of 1 January 2017	112.567.181
Cash-Flows:	
Income from financial debt	44.226.108
Expense from financial debt	(41.506.827)
Conversion of borrowings into non-repayable subsidies.	(726.319)
Others	(72.962)
Balance as of 31 December 2017	**114.487.181**

23. Pension commitments

CIN Pension Fund:

The CIN Pension Fund, which was created by public deed on 31 December 1987 and is managed by "SGF - Sociedade Gestora de Fundos de Pensões, S,A,", was set up to provide employees retired as from that date, due to age or disability, the right to a monthly pension complement. This pension complement is calculated at the rate of 0.5% per year of employment, up to a maximum of 12,5% of the employee's gross salary at the date of retirement.

In accordance with an actuarial valuation performed by the Fund manager, the present value of the liabilities for past services of retired and current employees as of 31 December 2017 and 2016 was as follows:

	31.12.2017	31.12.2016
Current	5.073.396	4.680.283
Retired	2.519.036	2.469.339
	7.592.432	**7.149.622**

As of 31 December 2017 and 2016, those liabilities were calculated using the "Projected Unit Credit" method and the mortality table TV 88/90 and disability table SR (Suisse Re). In addition to the technical parameters referred to above, the valuation was made assuming annual salary increases of 0.5% (0.5% in 2016), a rate of return for the fund of 3.77 (3.77% in 2016, zero rate of increase of the pensions on payment, technical interest rate of 3.77 (3.77% in 2016) and personnel "turnover" computed in accordance with the average historical data for the Company between 1994 and 2016.

The movement in the liabilities for past services for the periods ending 31 December 2017 and 2016 was as follows:

	31.12.2017	31.12.2016
Liabilities for past services as of 1 January	7.149.622	6.914.664
Current services cost	190.246	187.175
Interest cost	264.639	244.352
Actuarial losses (gains)	267.435	70.292
Retirement supplements paid	(279.510)	(266.861)
Liabilities for past services as of 31 December	**7.592.432**	**7.149.622**

During the years 2017 and 2016, the movement in the net assets of the Fund was as follows:

	31.12.2017	31.12.2016
Balance as of 1 January	5.918.344	5.937.075
Contributions	300.000	300.000
Fund income, net	215.835	(51.870)
Retirement supplements paid	(279.510)	(266.861)
Difference related to the prior period valuation	(23.848)	-
Estimated balance as of 31 December	**6.130.821**	**5.918.344**

The Group maintains recorded in the caption "Retirement benefit obligations" the amount necessary to cover the liabilities for past services not covered by the assets of the Fund in accordance with the actuarial study reported as of 31 December 2017, totalling the balance of this caption Euro 1,461,611 as of 31 December 2017 (Euro 1,231,278 as of 31 December 2016), which was subjected to an increase in financial year 2017 of Euro 498,244 (increase of Euro 587,469 in 2016), as detailed below:

	31.12.2017	31.12.2016
Cost of current services	190.246	187.175
Interest cost	264.639	244.352
Fund income, net	(215.835)	51.870
Actuarial losses (gains)	267.435	70.292
Cost of past services ("Deffered Costs")	11.260	33.780
Diference related to prior period valuation	(19.501)	-
	498.244	**587.469**

Consequently, the movement occurred during periods ended 31 December 2017 and 2016 on the caption "Retirement benefit obligations" for retirement benefits not covered by the assets of the Pension Fund was as follows:

	31.12.2017	31.12.2016
Balance as of 1 January	1.231.278	977.589
Personnel	498.244	587.469
Contributions to the pension Fund	(300.000)	(300.000)
Cost of past services ("Deffered Costs")	(11.260)	(33.780)
Diference related to prior period valuation	43.349	-
Estimated balance as of 31 December	**1.461.611**	**1.231.278**

The Group deferred actuarial gains or losses related to changes in criteria in the actuarial estimate of remaining employees active period, which currently amounts to 22 years. Thus, the cost of past services established in 2003, comprising mainly the effects associated with changes in the universe of workers included in the Pension Fund, was recorded in the caption as "Other non-current assets" (Note 13).

Movements in this caption in 2017 and 2016 related to retirement benefits were made up as follows:

	31.12.2017	31.12.2016
Balance as of 1 January	76.323	87.583
Amortization of the cost of past services	(11.260)	(11.260)
Estimated balance as of 31 December	**65.063**	**76.323**

24. Suppliers

As of 31 December 2017 and 2016, this caption refers to accounts payable for acquisitions resulting from the normal course of the Group's activities, and has the following composition:

	31.12.2017	31.12.2016
Suppliers – current accounts	29.568.360	23.519.889
Suppliers – outstanding bills	507.009	258.477
	30.075.369	**23.778.366**

As of 31 December 2017 and 2016, payables to suppliers are due within less than four months.

25. Other creditors

Current

As of 31 December 2017 and 2016, this caption was made up as follows:

	31.12.2017	31.12.2016
Fixed assets suppliers	2.423.151	1.443.333
Clients credit balance	478.217	293.090
Personnel	252.652	184.647
Others	1.280.492	752.898
	4.434.512	**2.673.698**

Non - Current

As of 31 December 2017 and 2016, this caption respects entirely about leasing contracts related to computer hardware in the amounts of 2,721,116 Euros and 3,581,183 Euros respectively.

The minimum payments for leases as of 31 December 2017 and 2016 are detailed as follows:

	Minimum payment		Present value of minimum payments	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Until 1 year	877.036	985.093	860.066	805.774
Between 1 to 5 years	2.904.998	3.907.345	2.721.116	3.581.183
More than 5 years	-	-	-	-
	3.782.034	4.892.438	3.581.183	4.386.957
Discount financial effect	(200.851)	(505.481)	n/a	n/a
Presente value of minimum payments	**3.581.183**	**4.386.957**	**3.581.183**	**4.386.957**

26. State and other public entities

As of 31 December 2017 and 2016, the amounts of liabilities in this caption were as follow:

	Asset		Liability	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Corporate Income Tax	2.508.392	3.373.237	(3.762.246)	(3.552.107)
Value Added Tax	1.025.583	350.079	(2.152.239)	(1.967.550)
Social Security contributions	-	-	(1.211.041)	(1.345.272)
Withholding Income Taxes	190.474	216.839	(656.142)	(531.577)
Others	648.947	123.430	(185.919)	(129.835)
	4.373.396	**4.063.585**	**(7.967.587)**	**(7.526.341)**

27. Other current liabilities

As of 31 December 2017 and 2016, this caption was made up as follows:

	31.12.2017	31.12.2016
Accrued costs:		
Accrued payroll	5.095.790	5.942.185
Rappel	5.489.217	4.433.543
Accrued interest	134.617	104.744
Accrued insurances	17.328	99.015
Royalties	16.284	18.056
Others	3.562.222	2.965.308
	14.315.458	**13.562.851**
Deferred income:		
Investments Subsidies	838.993	190.927
Others	27.983	11.258
	866.976	202.185
	15.182.434	**13.765.036**

28. Provisions and accumulated impairment losses

The movement occurred in provisions and accumulated impairment losses for the years ended as of 31 December 2017 and 2016 was as follows:

	2017					
	Opening Balances	Increase	Utilization	Decrease	Transfer	Closing
Impairment losses in accounts receivable (Notes 15 and 16)	13.128.185	1.424.718	(1.656.941)	(1.069.591)	-	11.826.371
Impairment losses in inventories (Note 14)	6.434.686	1.911.196	4.601	(1.956.625)	-	6.393.858
Impairment losses in available for sale Investments (Note 11)	994.440	623.163	20.998	-	-	1.638.601
Provision	4.605.815	2.625.796	(3.029.363)	(1.488.000)	5.942.699	8.656.947

	2016					
	Opening Balances	Increase	Utilization	Decrease	Transfer	Closing
Impairment losses in accounts receivable (Notes 15 and 16)	15.937.840	1.255.206	(2.904.426)	(1.496.380)	335.945	13.128.185
Impairment losses in inventories (Note 14)	5.588.733	1.872.238	0	(2.254.479)	1.228.194	6.434.686
Impairment losses in available for sale Investments (Note 11)	277.887	742.125	0	(25.572)	0	994.440
Provision	4.869.998	1.326.938	(543.831)	(1.317.289)	270.000	4.605.816

The "Accumulated impairment losses" are recorded in the attached consolidated balance sheet as a deduction to the corresponding asset.

29. Sales and services rendered by geographic markets

Sales and services rendered by geographic markets during 2017 and 2016 were as follows:

	31.12.2017	31.12.2016
Domestic market	194.004.273	180.149.353
International market	33.815.755	30.158.855
	227.820.028	**210.308.208**

The Group defines as domestic market the sales made in the countries where it has its operational activity (introduction).

30. Financial results

As of 31 December 2017 and 2016, the financial results were as follows:

	31.12.2017	31.12.2016
Financial expenses:		
Interest	1.750.916	1.948.639
Other financial expenses	1.520.712	1.123.057
	3.271.628	3.071.426
Financial results	(2.510.752)	(2.445.669)
	760.876	**625.757**
Financial income:		
Interest	705.708	562.403
Other financial income	55.168	63.354
	760.876	**625.757**

31. Corporate income tax

The Corporate Income Tax recorded in the years ended as of 31 December 2017 and 2016 can be detailed as follows:

	31.12.2017	31.12.2016
Current tax	3.251.643	1.790.962
Deferred taxes (Note 12)	(196.785)	90.563
	3.054.858	**1.881.525**

32. Responsibilities for guarantees provided

As of 31 December 2017, the Group had assumed responsibilities for guarantees granted to third parties as follows:

Ayuntamiento de Montcada (Spain)	586.885
IAPMEI	338.121
Câmara Municipal da Maia	75.000
Others	149.713

33. Operating leases

During the year end as of 31 December 2017, was recognized as expense of the period the amount of 1,380,948 Euro (1,905,645 Euro as of 31 December 2016) relating to operating lease contracts.

Additionally, as of the balance sheet date, irrevocable operating lease contracts were in place, which had the following renting payments:

	31.12.2017	31.12.2016
Due in N+1	864.651	1.778.599
Due in N+2	518.177	1.101.658
Due in N+3	303.440	686.390
Due after N+3	107.863	1.225.267
	1.794.131	**4.791.914**

The lease contracts mentioned above refer to vehicle leases, which serve the Group's commercial network, technical services and other employees and administrative teams. The average duration for these leases is 4 years.

34. Earnings per share

The earnings per share, basic and diluted, are calculated dividing the consolidated net result by the average number of existing shares during the period.

	31.12.2017	31.12.2016
Profit/(Loss):		
Net profit for the period	7.609.480	7.326.123
Number of shares		
Average number of shares in circulation	25.000.000	25.000.000
Basic earnings per share	0,304	0,293

35. Contingent assets and liabilities

Tax Payments:

In December 2002, in the context of the Special Regime for the Settlement of Debts to the Tax Authorities and Social Security ("Regime Excepcional de Regularização de Dívidas ao Fisco e Segurança Social" - Decree Law 248-A/2002, of 14 November), and during the year ended as of 31 December 2013, in the context of the Special Regime for the Settlement of Debts ("Regime Excepcional de Regularização de Dívidas" - Decree Law 36/2013, of 24 September), CIN paid additional liquidations of Corporate Income Tax ("Imposto sobre o Rendimento de Pessoas Colectivas"), which were previously contested.

The Company recorded as a debit balance in the caption "State and other public entity" the amount paid of Euro 443,745 and did not create any provision to face the risk of recovery of the amount paid since the Board of Directors believes that the outcome from the claim will be favorable to the Company.

Lawsuits:

On the date of approval of these accounts, the group company, CIN Valentine S.A., is co-defendant in several lawsuits brought against the modification of the "General Plan Metropolitano" and, as a consequence of the referred land division plan mentioned in Note 6. The financial statements at December 31, 2017 do not include any provision, since the Board of Directors, supported in its legal counsel, believe that the outcome of such lawsuits will be favorable to the group, as any loss generated will be subject to an indemnity from the state authorities in accordance with the contracts in force.

36. Statutory bodies' members remuneration

As of 31 December 2017 and 2016, CIN ("Mother Company") attributed to its statutory bodies members of the parent company the following remuneration:

	31.12.2017	31.12.2016
Board of Directors	373.700	344.400
Supervisory Board	21.050	20.600
General Assembly	4.300	4.200

37. Number of personnel

As of 31 December 2017 and 2016, the number of employees of the companies included in consolidation was 1,364 e 1,329, respectively.

38. Financial statements approval

The consolidated financial statements were approved by the Board of Directors and authorized for issuance as of 10 May 2018. Additionally, the attached financial statements as of 31 December 2017 are pending approval by the General Assembly of Shareholders. However, the Board of Directors believes that they will be approved without significant changes.

39. Environmental area information

The Group takes the necessary measures regarding the environmental area, in order to comply with the prevailing legislation.

In relation with this matter, it is important to highlight that CIN Group is currently monitoring and taking the necessary measures to comply with the rules set forth in Decree-Law n,º 181/2006, of 6 September, namely the limitation of the volatile organic compounds ("VOC") emissions from paints and varnishes (that are responsible for the formation of tropospheric ozone) and consequently prevent or reduce atmospheric pollution.

The Board of Directors of CIN Group believes that there are no risks associated to environmental protection and improvement, and confirms that no communication or sanction related with these matters was received during 2017

40. Explanation added for translation

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards (IFRS/IAS), some of which may not conform or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

Maia, May 10th, 2018

ACCOUNTANT Nº 63002
Paula Macedo

THE BOARD OF DIRECTORS
João Manuel Fialho Martins Serrenho, *President*
Maria Francisca Fialho Martins Serrenho Bulhosa, *Member*
Maria João Serrenho dos Santos Lima, *Member*
Ângelo Barbedo César Machado, *Member*
Manuel Fernando de Macedo Alves Monteiro, *Member*

Statutory Audit Report

STATUTORY AUDIT CERTIFICATION

(Translation of a report originally issued in Portuguese)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Qualified opinion

We have audited the accompanying consolidated financial statements of CIN – Corporação Industrial do Norte, S.A. ("the Entity") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017 (that presents a total of Euro 282,704,686 and equity of Euro 89,941,159, including a net profit of Euro 7,609,480), the consolidated statement of profit and loss 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 accompanying notes to the consolidated financial statements, including a summary of the significant accounting policies.

In our opinion, except for the effects of the matter described in the "Basis for qualified opinion" section, the accompanying consolidated financial statements present true and fairly, in all material respects, the consolidated financial position of CIN – Corporação Industrial do Norte, S.A. as at 31 December 2017 and of its consolidated financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted in the European Union ("IFRSs").

Basis for a qualified opinion

As mentioned in Note 1.2 d) of the Annex to the consolidated financial statements of the Entity, the Group applied the requirements of IAS 29 - Financial Reporting in Hyperinflationary Economies regarding the subsidiary CIN Angola as of 31 December 2017, as from the analysis performed to the requirements of that standard we understand that the functional currency of the financial statements of that subsidiary, as of 31 December 2017, were consistent to the one of a hyperinflationary economy. However, as stated in the above mentioned Note, the Group recorded the restatement of the year of the non-monetary assets and liabilities and of the equity items in the amount of, approximately, Euro 1,500,000 in equity caption "Conversion reserves" and not in the consolidated statement of profit and loss as required by that accounting standard.

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards, technical and ethical directives of the Portuguese Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. We are independent from the entities that are part of the Group in the terms of the law and we have fulfilled our other ethical responsibilities arising from the requirements of the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

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

Responsibilities of Management and Supervisory Body for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that present true and fairly, in all material respects, the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards as adopted in the European Union ("IFRSs");
- the preparation of a management report under the applicable legal and regulatory terms;
- the implementation and maintenance of an appropriate internal control system that allows the preparation of financial statements that are free from material misstatements due to fraud or error;

- the adoption of accounting principles and criteria appropriate in the circumstances; and
- the evaluation of the Group's ability to continue as a going concern, disclosing, whenever applicable, the matters that may cast significant doubt on the continuity of the Group's operations.

The Supervisory Body is responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility consists in obtaining a reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatements, 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 skepticism throughout the audit. We also:

- 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;
- 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- 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 report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- 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;
- 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;
- we 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 includes also the verification of the agreement between the information included in the Management report with the consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management report

In compliance with article 451, number 3.e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), in our opinion, the Management report was prepared in accordance with the applicable law and regulations and the information included therein is in agreement with the audited consolidated financial statements, and considering our knowledge and appreciation of the Entity, we did not identify material misstatements.

Porto, 15 May 2018

Deloitte & Associados, SROC S.A.
Represented by António Manuel Martins Amaral, ROC

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