CIN

2020

Annual Report

About CIN

CIN is a Portuguese company with over 100 years of experience. A continuous focus on balancing traditional culture and innovation in its activity has led the company to a leading position in the coatings market in the Iberian Peninsula since 1995. CIN also has a relevant presence in Europe and is recognised as one of the largest manufacturers in the continent, as well as a reference brand worldwide.

CIN's growth in turnover, which has been notable over the last X years, was slightly reduced in 2020 due to the pandemic caused by COVID-19. The state of national emergency declared on March 18th and the uncertainty felt by numerous sectors in Portugal and the rest of the world led to a slowdown in the economy, with adverse effects for all industries.

Although the pandemic has brought the country to a standstill in many sectors, CIN managed to achieve record sales with its construction products in Portugal, reaching 10 million euros in July – a 20% increase year-on-year. Revenues in June were 8 million euros, completing the first half of the year which was also marked by growth of more than 10% in CIN's business.

At the end of the year, CIN achieved a turnover of 226.5 million euros, down 3.4 % on the previous year.

Continuous innovation remains at the core of CIN's strategy, enabling process improvement, the anticipation of market needs and product success, reaching over 40 countries in Europe, the Americas, Asia and Africa. Following this line of work, CIN owns seven Research & Development (R&D) Centres in Portugal, Spain and France, employing around 150 R&D technicians.

CIN's other essential pillar has to do with operational sustainability, as shown by the certifications awarded over the years, specifically with regards to its management systems in Quality (ISO 9001), Environment (ISO 14001), Hygiene, Health and Safety (OHSAS 18001).

CIN focuses its activity on the three main market segments: Architectural Coatings, Industrial Coatings and Protective Coatings. With an installed capacity of 135 thousand tons, supported by 14 storage and distribution centres – the equivalent to more than 150 thousand square meters of floor – CIN's production is ensured by 10 factories located in Portugal, Spain, France, Angola and Mozambique.

CIN owns 126 stores throughout Portugal, Spain, Angola and Mozambique and has over 1,400 employees.

+25
Years of leadership

+100
Years of experience

226,5
Million euros in 2020

CIN in the world

In May 2020, CIN ranked 16th in the ranking of the largest coatings producers at European level, according to the European Coatings Journal. In July, CIN was recognised as the 47th largest producer worldwide by the Coatings World Top Companies Report. This international recognition is a sign of CIN's high level of rigour and excellence, which grants it a strong position at a global level.

During 2020, CIN's products were used in many significant projects in Portugal, such as the renovation and recovery of CP trains, the construction of CUF Tejo Hospital, the new Amazon logistics centres, the Inditex and El Corte Inglês logistics centres for the online channel, Mercadona Supermarkets in Portugal and the modular field hospitals.

Also in the African continent, where CIN has been present since 1970, we can see the brand's solutions in several important projects, such as the Xai-Xai Bridge rehabilitation in Gaza Province in Mozambique. CIN's paints were also used in other works, namely the Matola Provincial Assembly Building rehabilitation in Maputo Province, Matola City, the FADM Sergeants' Training School rehabilitation in Maputo Province, Boane Town, the painting of the Bank of Mozambique's Cultural Centre Complex in Maputo Province, Matola City, the painting of the 35 buildings that make up the Ministry of Defence Regiment in Maputo Province, Matola Gar, and the repainting of the sluice gates at the Cahora Bassa Hydroelectric Power Station.

In turn, in Angola, the brand's solutions are visible at CETEP – Centre for Epidemiological Treatment and Pandemics in Calumbo, the 2nd Phase of the National Assembly project, the new Standard Bank headquarters in Inara Park, Sagrada Esperança Talatona Clinic and Lubango Cathedral. CIN's paints were also used in the construction of the Freshmarkt supermarkets in Benfica, Fubu and Kilamba, in Maria Pia Paediatric Hospital and in the refurbishment of the Intercontinental Hotel.

16°

Europe's coatings producer

47°

World's coatings producer

Architectural Coatings

The Architectural Coatings Business Unit encompasses coatings for buildings, used by professionals and end customers (DIY), and is the most representative of the three market segments in which it operates. With production handled in the Iberian Peninsula and the African Continent, the commercialization is done with our own stores and distributors in Portugal, Spain (including the Canary Islands), France, Belgium, Luxemburg, Switzerland, Poland and Turkey.

The Architectural Coatings sector reached a turnover of 120 million euros in 2020 – the best year of all. Considering that this strategic area represents 53% of CIN's total turnover, it is important to highlight not only the corresponding increase in market share in Portugal, but also a considerable increase in the margin, an evolution that is also evident in all product categories.

The continuing reorganisation of the commercial area has made a considerable impact on the positive results achieved in all distribution channels, with particular emphasis on the 126 own stores distributed throughout Portugal, Spain, Angola and Mozambique.

In Spain, an ambitious organisational and commercial restructuring plan is still underway, which includes the renovation of existing points of sale, as well as the opening of new stores, promoting proximity with customers and generating greater involvement with the brand.

Among the projects consolidated in 2020 was the implementation of an online sales channel in Portugal, as well as the renewal of the CIN COLORiT app, two projects that reinforce the brand's commitment to digital media.

2020 was extremely difficult in most African countries, which suffered greatly from the limitations imposed by the pandemic.

In Angola, the recession felt for the 5th consecutive year had an enormous impact on commercial results, a situation aggravated by the fact that the entire operation stopped during the month of April due to the pandemic.

In Mozambique, the year was marked by great social instability. Despite this, CIN strengthened its leadership in the coatings market, not only increasing its market share, but also significantly increasing its margin as a result of the growth in sales in its own stores.

120
Million euros in 2020

20 countries
In Europe, Africa, Asia and the Americas

53%
Total turnover

Industrial Coatings

The Business Unit dedicated to industrial coatings produces and markets powder coatings for metal protection and finishing, as well as liquid coatings for various industrial applications. With production units in Portugal, Spain and France, CIN Industrial Coatings serves more than a dozen sectors, including building components, commercial and industrial vehicles and plastic and glass containers. The geographic expansion and the reinforcement of the portfolio of solutions are two strategic pillars for its growth and consolidation. The Industrial Coatings Business Unit represented 34% of CIN's turnover in 2020, equivalent to a 77 million euro turnover.

The difficulties associated with the COVID-19 crisis led to a sharp slowdown in industrial activity, especially in France (a key territory), which resulted in a drop in sales in most of the markets in which CIN Industrial Coatings operates.

Despite the impact of the pandemic, in 2020, this Unit's products were at the base of projects of high national and international relevance, of which we highlight: the renovation and recovery of CP trains, Cuf Tejo Hospital, the new Amazon, Inditex and El Corte Inglês logistics centres, Mercadona supermarkets as well as the modular field hospitals.

To deal with the effects caused by the pandemic, the strategy followed by CIN Celliose was to concentrate its efforts on segments considered strategic, namely Cosmetics, UV HS Plastics and Glass (with a range of water-based products). On the other hand, and in order to strengthen its presence in the ACE market, the renewal of an exclusive supply contract with one of the largest industrial groups of construction equipment should be highlighted.

Reference should also be made to the positive performance achieved in the Specialised Distribution segment, where CIN Monopol strengthened its presence, with a direct impact on the increase in market share.

In 2020, CIN Monopol adopted a differentiation strategy focused on high added-value sectors, which involved the renewal and extension of its product offer – for example the integration of the ICS concept – as well as the establishment of new strategic partnerships.

77
Million euros
in 2020

33 countries
In Europe, Africa, Asia
and the Americas

34%
Total turnover

Protective Coatings

This Business Unit encompasses coatings for the protection of parts and structures used in various sectors, such as Buildings and Infrastructures, Extraction and Industrial Facilities, Petrol and Gas, Energy, Water and the Food Industry. These extremely demanding markets have led CIN to increasingly strengthen its strategic investment in Research & Development & Innovation (R&D&I).

In 2020, the Protective Coatings Unit achieved a turnover of EUR 29 million, which represents 13% of CIN's global business.

With production in Portugal and Spain, this business area follows a strategy based on the opening of its own operations and the establishment of local partnerships aimed at securing the CIN brand in the global market, as well as expanding its physical presence in strategic markets such as in sub-Saharan Africa.

This Business Unit continues to invest heavily in the continuous improvement of its portfolio, as well as in developing and launching innovative and competitive products. In 2021, we highlight the launch of polyurethane and polyaspartic floor solutions, as well as an intumescent for the protection of (metallic) structures up to 150 minutes.

Following the international growth strategy defined, we highlight the partnerships established in order to ensure the distribution and commercialisation of the intumescent line in South America, as well as the restructuring of all the international activities (outside Iberia) in order to potentiate a global operation.

Despite the COVID-19 pandemic, it is worth noting a 9% increase in sales in Portugal compared to 2019, to which the (re)entry of CIN's protective coating solutions into the wind turbine market, accompanying the energy transition, contributed significantly.

29
Million euros in 2020

13 countries
In Europe, Africa, Asia and the Americas

13%
Total turnover

Research, Development & Innovation

In 2020, CIN Group's Technical Division, consisting of over 140 specialised technicians, was involved in 90 R&D projects, of which around 25% were successfully concluded.

During this period, 350 new raw materials were tested, over 2500 new formulations were developed and created, and around 3000 new colour studies were carried out.

It should also be noted that the activities carried out contributed to the fact that the (new, modified and improved) products developed by the various R&D laboratories in the last three years represented about 11% of the 2020 sales volume.

In 2020, several new products with relevant characteristics were developed for CIN's three Business Units, of which we highlight: water-based polyurethane and polyaspartic floor coatings, one-component solvent-based intumescent coatings for passive fire protection of steel structures up to 150 minutes, water-based anti-corrosion primer for the protection of truck crankcases, among others.

The focus on internationalisation and globalisation is also evidenced by an investment of 240 thousand euros in homologating and certifying products and paint schemes in official external laboratories, 40% of this amount relating to products of the Protective Coatings Business Unit.

Seeking continuous improvement and constant innovation, it should also be noted that the total amount invested in the acquisition of new equipment was 410 thousand euros, 80% of this amount relating to the remodelling of the Research & Development centre in Lyon.

Cooperation with academic institutions remains an area of strong investment for CIN, which continues to develop numerous Research & Development projects, namely with the University of Porto's Faculty of Sciences and Faculty of Engineering, Porto's Higher Institute of Engineering and the University of Minho's Department of Biological Engineering

150
Specialized technicians

7000
m^2 of laboratory area

+6M
Euros of annual investment

CIN

Management Report

CIN

To the Shareholders,

In compliance with the legal requirements and specifically the provisions of Articles 508-A and 508-C of the Companies Code, we herewith present for your approval the Consolidated Directors' Report, Balance Sheet, Income Statement by Nature and Cash Flow Statement and the Notes thereto for the financial year 2020.

Macroeconomic Environment

The past year was extraordinary in many ways. The impact of Covid-19 affected millions of people across the globe, placing enormous pressure on everyone, from families unable to visit one other to small businesses unable to react. The latter impact was mitigated by the actions of central banks and governments who launching financial and monetary stimulus plans.

However, all economies recorded falls in GDP, some double-digit, with the surprising exception of China, which saw its economy grow by 2%, with the mobility of the population now at almost pre-pandemic levels. Despite being severely hit by the effects of Covid-19, the USA was very swift to implement stimuli, with estimates pointing towards a 3.6% fall in GDP.

Europe, mired in its Brussels bureaucracy, still lags behind in implementing stimulus measures on a global scale, leaving the autonomy of decision-making to each government, which has caused imbalances in the volume of aid, given the different situations in each country with respect to budget balance. This ambiguity contributed to the extremely weak performance of the EU economy, with GDP shrinking by 7.4%.

The countries to which we are exposed in this geographical area were among those to register the sharpest falls, just above the overall figure.

This did have an impact on our performance, although we were able to neutralise these negative effects due to the flexibility we showed in adapting to changes in the business environment.

Angola continued to experience recession due to its dependence on the price of crude oil, government debt and the obvious impact of the pandemic.

Mozambique, already under pressure from internal problems, also suffered the effects of the pandemic, and market performance was also affected by the sharp devaluation of the metical.

Preliminary note:

CIN has experienced numerous crises in its history and has always been able to adapt to new and unexpected situations. Once again, the ability of our employees to adapt was extraordinary. Their resilience and creativity have enabled the Group to deliver a solid operational and financial performance.

2020 Activity

Markets

The Group's turnover was €226.5m in 2020, down 3.4% on the previous year.

By market, in Portugal sales grew 6.9%, sustained by the strong growth in the decorative paints segment, and to a lesser extent in the protective coatings segment, with the industrial coatings segment posting a fall compared to last year.

In Spain, sales decreased by 7.0% in 2020, more notably in the decorative paints and protective coatings segments. The industrial coatings segment bucked this trend, with turnover remaining at the previous year's level.

In France, there was a sharp fall in sales of 18.1% during 2020, with performance being worse in Celliose's industrial coatings segment than in that of Monopol, the latter being more exposed to retail. The decorative paints segment performed well.

The export market declined by 10.7%, as a result of the drop in the industrial coatings segment, greatly influenced by the pandemic situation, which primarily affected exports from France and Spain, with the impact being felt most in Italy, Tunisia and Mexico. The export market for the protective coatings and decorative paints segments performed well.

Business in Angola once again suffered a major fall in turnover (-32.8%). This contraction was felt across all the segments in which CIN Angola operates. In local currency terms, sales grew by approximately 9%. The recession and the process of correcting the country's significant macroeconomic imbalances led to a steady and significant devaluation of the currency. The good news in 2020 was the substantial improvement in access to foreign currency for service contract payments.

In Mozambique sales remained at the previous year's level. After an extremely positive first quarter, performance declined progressively as the pandemic took its toll on the economy, with the metical depreciating significantly.

In local currency, turnover grew by 13.9%.

In the foreign markets for Protective Coatings, local sales decreased by 15.8%, impacted by the increased slowdown of activity in South Africa. In Mexico and Turkey sales also fell but at a more moderate pace.

Business Units (BU)

In the Decorative Paints BU, turnover grew by 2.5% compared with the same period in the previous year.

In Portugal, sales maintained a robust growth rate (+11.4%), continuing the trend of gains in market share, in line with the performance already seen in previous periods.

In Spain, decorative paint sales fell by 10.0%, mainly due to the decline in modern distribution and the resale network. In CIN's own network of stores, turnover grew significantly.

In France, the Deco segment in the domestic market showed a 4.6% upturn, meaning we were able to improve on the previous year's growth rate despite the tough containment measures implemented.

In Angola, for the reasons listed above, the decorative paints unit declined by 39.4%.

In Mozambique, turnover grew by 6.6% in this segment, sustained by the brand's own network of stores, with resale having decreased compared to the previous year.

As for decorative paint exports, sales increased by 14.7%, primarily due to the improvement in exports from Portugal to other European countries, to the detriment of both sales to Africa and the performance of the Deco division's export component in France.

Turnover in the Industrial Coatings BU unit fell by 10.6%, most notably in the French market due to the pandemic's profound impact on the economy, felt more intensely in the sectors where the Group operates, in particular cosmetics. Portugal also recorded a fall of 6.8% across all the main sectors of activity. In Spain, performance remained at the previous year's level. In the other markets, less significant in terms of impact on the Group, the positive performance in Mozambique is worth highlighting.

Sales in export markets fell by 12.3%, essentially due to declining sales from France to European countries, Italy in particular, and Tunisia, but also in exports from Spain to Mexico and Costa Rica, in these cases due to the adverse effects of the major credit rating cuts resulting from the pandemic.

In the Protective Coatings BU sales fell by 1.5%. Despite this drop, the domestic market in Portugal performed very well, sustained by the portfolio of projects under way at the time of the outbreak and the increased provision of applicators previously supplied by the competition. In the other markets, turnover contracted compared to the previous year, especially in Spain, which saw falls across the board in the various distribution channels, as well as in Angola and South Africa.

This BU recorded export growth of 8.2%, driven primarily by Portugal, both to established customers and new destinations such as Brazil and Chile. Export performance was weaker in Spain and South Africa compared to last year, essentially due to lower demand among specific customers.

Financial Overview

Preliminary remark: 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 €226.5m, a decrease of 3.4% compared with 2019.

The gross margin percentage rose from 50.6% to 52.1%, consolidating the recovery trend that began in 2017 as a result of the change made in the mix of products, with the decorative paints segment being reinforced at the expense of industrial coatings, as well as a general increase in local margins across the board. With regard to raw material prices, at the end of 2020 there was already evidence of a reversal in the trend towards inflationary pressure on prices and even shortages of some references in the market.

The amount for supplies and external services shows a significant reduction of around €5.5m compared to 2019, resulting from containment measures taken across the Group, essentially in items associated with: a) travel and representation costs, as a result of the restrictions imposed by the pandemic, which required new ways of approaching the market and organising work; b) marketing and advertising components and, to a lesser degree, variable costs associated with the reduction and/or shutdown of activity in some locations.

There was also a significant reduction in recurring personnel costs, amounting to €3.1m, a trend seen in practically all countries, due to both the actual decrease in the number of employees (-54 employees) and the lay-off support measures implemented, most notably in France but also in Spain. Only in Portugal was there a rise in costs, due to an increase in the variable component of remuneration, as a result of strong business performance, as well as an increase in the average number of employees, due to the concentration of some of the Group's activities in Portugal.

Recurring EBITDA reached €36.0m in 2020, registering a robust 26.6% growth compared to 2019 (+€7.6m), a reflection of strong performance as regards gross margin percentage and operating cost structure, despite the fall in sales.

Amortisation and depreciation remain at the same level as the previous year and we have continued with the same conservative rigour when it comes to covering business risks. Recurring EBIT stood at €22.5m, an increase of €7.9m (+54.6%) compared with the same period in the previous year.

The activity described above resulted in a net income for the year of €13.7m, a 45.6% increase on the previous year.

Net financial costs remained the same as the previous year and the tax estimate significantly increased compared to 2019, based on the contribution of Portugal as a result of robust operational performance.

The operating component was cash flow positive, to the tune of €36.6m, a significant increase compared to 2019. Cash received from customers fell in line with turnover and payments to suppliers decreased significantly, the result of reduced purchases of raw materials and external supplies and services. The payments to staff component was lower than in the previous year, mainly in France, Angola, and Spain. Income tax payments increased considerably due to the sums paid in Portugal, the result of increased payments on account in 2020, as well as the amount received from the State in 2019 relating to tax benefits in 2018.

A total of €19.5m was spent on investment activities in net terms, with disbursements focused on the purchase of a qualifying holding in the Media Capital Group ("Media Capital"), the increase of the holding in the Italian Group Boero Bartolomeo, SPA ("Boero"), the acquisition of the company Conceitcor - Comércio de Tintas, Lda, ("Conceitcor"), which conducts the resale and CIN brand product activities in the Algarve area, as well as on the expansion of the portfolio of financial assets held for sale and evaluated at fair value in the regulated market. Proceeds from investments held for sale relate entirely to sales of bonds held in Angola. In addition, a further €5.3m was invested in tangible and intangible fixed assets, mostly in Portugal, in projects related to the operations area and implementation of the new ERP, and in France, in projects to upgrade the Saint-Symphorien d'Ozon factory and the Pierre Bénite laboratory. In addition, €1.7m was invested in investment properties, with the development of two real estate projects in the city of Porto.

With regard to financing activities, lease liabilities of €4.5m, net financial charges of €2.5m and dividends of €3.5m were paid. The use of credit lines increased by €20.8m.

Total assets amounted to €304.3m, an increase of €15.6m on the previous year.

Non-current assets increased by €8.1m. The €16.7m increase in investments in associates, net of the respective advances, is due to the financial holdings in Boero Bartolomeo, Media Capital and Conceitcor being included under this item. Other financial investments decreased by €2.3m, due to the stake held in Boero Bartolomeo in 2019 being recategorised as "investments in associates".

Still in the non-current component of assets, it is worth noting the reduction in tangible fixed assets, whose depreciation was much higher than the investment in new projects, indicating the conclusion of the investment expansion period. Additionally, investment properties increased by €1.2m, relating to the two real estate projects mentioned previously, while use rights decreased by €2.1m.

Current assets increased by €7.5m in 2020, mainly due to the €26.2m increase in cash and cash equivalents. All other current asset items showed a decrease compared to 2019, reflecting the €5.8m fall in the value of inventories, seen across the Group, and the €9.5m reduction in the balance of trade receivables, due both to decreased sales and changes to the procedure for recording annual customer bonuses, which are now included in the same financial year. Other current financial assets also fell by €2.3m, a trend that includes a significant increase in the assets held by CIN and a significant decrease in the assets held by CIN Angola (local cash and Angolan treasury bonds).

Non-current liabilities of €116.9m amounted to a €30.1m increase on 2019, explained by the funding item (+€33.2m) as a result of obtaining more structured credit lines during the year, combined with the decrease in other non-current liabilities, namely leases and other long-term debt.

Current liabilities of €95.4m amounted to a €19.0m fall compared with the previous year, due essentially to the reduction in current loans drawn (-€12.5m) and the significant reduction in other current liabilities (-€4.1m), due to the substantial decrease in bonuses payable to customers, as mentioned above. There was also a €1.1m decrease in provisions, which were used to cover restructuring costs, mainly in Spain.

The €92.4m in equity reflects an increase of €4.6m compared to 2019, and includes, in addition to the results for the period and the distribution of dividends, significant impacts due to currency devaluation related to the activity in Angola and Mozambique.

Financial and money markets

As a result of the pandemic, economic activity suddenly plummeted, causing turmoil in the stock markets during the spring, which recorded significant drop-offs. However, in the second half of the year, as a result of countries adapting better than expected to the second wave, the capacity of governments to provide income support to those no longer able to work (in the USA a cheque was even distributed to all Americans with income below a certain level) and, lastly, the news that vaccination was imminent, conditions were created for losses to be recovered, with, as an example, the MSCI ACWI increasing by 16.8% in annual terms.

Within this framework of launching stimulus programmes, interest rates remained at a fairly low level, although towards the end of the year concerns about inflation began to apply pressure for an upward trend.

At the end of 2019 and during January 2020, the Group bolstered its available funds through bond loans and commercial paper programmes in order to ensure additional liquidity capacity.

Description of the dividend distribution policy

The Group has established a principle of distributing between 35% and 60% of net profits in order to guarantee stable resources to cover the borrowing required for growth.

Despite the exceptionally challenging and uncertain situation that we experienced during 2020, the Group has made significant progress relative to its performance in recent years.

On the other hand, the uncertainty surrounding control of the pandemic (although greatly reduced), due to the delay in achieving group immunity in most European countries and other areas to which we are exposed, dictates conservatism in the distribution of dividends.

Within this context, the Board of Directors will propose to the General Meeting the distribution of a dividend of €6m or 24 cents per share.

Governance bodies

1. Composition of the Board of Directors

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

2. Board Member Remuneration Policy

Board remuneration comprises three components:

- A fixed monthly salary;
- An annual incentive based on the achievement of set objectives;
- Long-term incentives based on best market practice,

which are decided by the Remuneration Committee, comprising the Chairs of the General Meeting, the Supervisory Board and the Board of Directors.

Outlook

In our report last year we defined a set of actions that we succeeded in achieving almost entirely, and which were fundamental to the performance attained

- We increased the Group's level of liquidity;
- We reduced some cost thresholds, as Covid-19 demonstrated that certain cost structures were redundant, at least in their degree of importance, thereby promoting value creation for the business;
- We improved some supply chain networks, which has provided a buffer to the severe disruptions in the raw materials market seen since the end of last year.

The pandemic has led to one of the worst crises since World War II, distorting both supply and demand, and its control is dependent on group immunity.

We still envisage some challenging months in 2021, given the delay in the vaccination process, so we will remain vigorous in maintaining liquidity levels and applying robust cost control.

Nevertheless, there are shoots of recovery in the world economy: world trade fell less than expected in the second wave and the WTO, which monitors international trade volumes, indicated a recovery to pre-Covid levels by the end of 2020. The IMF forecasts 5.5% growth for the global economy in 2021 and 4.2% in 2022. Meanwhile, it is anticipated that the IMF will issue 500 billion SDRs that countries can exchange for currency, which will mean at least 165 billion SDRs in additional financing for developing economies, with this set to increase if developed countries cede all or part of their quota.

On the other hand, we are aware that part of the reduction in costs resulted from the state aid we received in Spain and continue to receive in France.

In addition, there is a strong prospect that the world economy will enter a period of inflationary tension.

If this materialises, it will foster strong market growth in the short term.

The challenges ahead include improving productivity in order to mitigate the effects of inflationary pressure and being prepared to respond positively to the challenge of a potential growth in activity, these being underpinned by actions taken to:

a) Step up digitalisation and automation programmes: closing unviable production centres and strengthening online channels;
b) Optimise capital allocation, eliminating marginal businesses, selling non-core business assets, and taking advantage of the momentum of strong competition on the demand side for high quality assets, which in the process of optimising the business portfolio implies carve-outs;
c) Reorganise business structures, removing complexity;
d) Make the organisational model flexible, thereby accelerating the Group's market share capture and growth;
e) Initiate the process of integrating Boero Bartolomeo, SPA.

Subsequent Events

In January 2021, the Group acquired a majority stake (+80%) in the share capital of the Italian company Boero Bartolomeo, SPA.

The company operates in the decorative, yacht, and marine paint segments. It generated a turnover of €87m in 2020, with recurring EBITDA of €11.4m, according to the pro forma P&L (see note 40 of the Appendix)

With this acquisition, the Group strengthens its position in the European (14th) and world (40th) paint manufacturer rankings and gains critical mass to enable the above-mentioned projects to be implemented, namely those relating to supply chain costs and broadening the support base in order to consolidate market share and growth paths.

Acknowledgements

To our customers, our raison d'être, a word of appreciation for the trust they have placed in us and for their collaboration in developing our products.

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

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

To the Supervisory Board, the Statutory Auditor and our own Auditors, our appreciation for their prompt and professional advice.

Maia, 15 April 2021

THE BOARD OF DIRECTORS

João Manuel Fialho Martins Serrenho, Chair

Maria Francisca Fialho Martins Serrenho Bulhosa, Board Member

Maria João Fialho Martins Serrenho Santos Lima, Board Member

Ângelo Barbedo César Machado, Board Member

Manuel Fernando de Macedo Alves Monteiro, Board Member

João Luís Baldaque da Costa Serrenho, Board Member

Fernando Jorge de Almeida Ferreira, Board Member

CIN

Financial Information

CIN

Consolidated statements of financial position for the years ended as of 31 December 2020 and 2019

(Amounts expressed in Euros)

ASSETS	Notes	IAS/IFRS 31/12/20	IAS/IFRS 31/12/19
NON CURRENT ASSETS:			
Goodwill	7	27 468 498	26 918 498
Intangible assets	8	6 158 336	6 061 900
Tangible assets	6	91 916 633	97 615 701
Investment properties	10	16 262 648	15 123 284
Investments in associated companies	3	17 781 211	548 003
Advances on account of Financial Investments		-	519 380
Other financial assets	11, 12	619 329	2 877 402
Right of Use Assets	9	7 214 909	9 263 331
Other investments	4	771 525	771 526
Deferred tax assets	13	3 122 662	3 552 292
Other non current assets	11, 14	474 786	462 432
Total non current assets		**171 790 537**	**163 713 749**
CURRENT ASSETS:			
Inventories	15	41 084 604	46 941 589
Customers	11, 16	29 664 131	39 153 739
Other current debtors	11, 17	2 960 922	3 340 292
State and other public entities	11, 27	3 190 995	3 578 601
Other current assets	11, 18	1 464 228	1 707 331
Other financial assets	11, 12	10 524 939	12 839 818
Cash and cash equivalents	11, 19	43 652 839	17 427 162
Total current assets		**132 542 658**	**124 988 532**
Total assets		**304 333 194**	**288 702 281**
SHAREHOLDERS' FUNDS AND LIABILITIES			
SHAREHOLDERS' FUNDS:			
Share capital	20	25 000 000	25 000 000
Legal reserve	21	5 000 000	5 000 000
Revaluation reserves	21	2 758 445	2 758 445
Conversion reserves	21	(22 076 239)	(17 889 250)
Cash-Flow Hedging reserves	21	(160 811)	(243 707)
Fair value reserves	21	283 732	(226 097)
Other reserves		67 591 007	63 671 312
Consolidated net profit for the year		13 692 609	9 405 925
		92 088 743	**87 476 628**
Non-controlling interests	22	(2 646)	4 885
Total shareholders' funds		**92 086 097**	**87 481 513**
LIABILITIES:			
NON CURRENT LIABILITIES:			
Bank loans	11, 23	107 134 788	73 880 484
Lease Liabilities	9, 11	3 861 844	5 671 659
Other non current creditors	11, 26	23 174	1 112 936
Derivative financial instruments	11	221 743	326 673
Retirement benefit obligations	24	1 722 896	1 652 376
Deferred tax liabilities	13	3 892 300	4 179 465
Total non current liabilities		**116 856 745**	**86 823 593**
CURRENT LIABILITIES:			
Bank loans	11, 23	33 666 088	46 164 659
Lease Liabilities	9, 11	3 447 402	3 752 117
Suppliers	11, 25	32 264 878	32 207 314
Other current creditors	11, 26	3 674 425	3 667 680
State and other public entities	11, 27	7 432 997	8 530 601
Other current liabilities	11, 28	11 050 212	15 130 008
Provisions	29	3 854 350	4 944 796
Total current liabilities		**95 390 352**	**114 397 175**
Total shareholders' funds and liabilities		**304 333 194**	**288 702 281**

The accompanying notes form an integral part of the consolidated financial statements as of 31 December 2020.

ACCOUNTANT No 63002
Paula Macedo

THE BOARD OF DIRECTORS
João Manuel Fialho Martins Serrenho, *President*
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Ângelo Barbedo César Machado, *Member*
Manuel Fernando de Macedo Alves Monteiro, *Member*
João Luís Baldaque da Costa Serrenho, *Member*
Fernando Jorge de Almeida Ferreira, *Member*

Consolidated statements of financial position for the years ended as of 31 December 2020 and 2019

(Amounts expressed in Euros)

	Notes	IAS/IFRS 31/12/20	IAS/IFRS 31/12/19
Operating income:			
Sales	30	226 479 846	234 437 950
Services rendered	30	2 703	8 535
Other operating income		2 004 247	3 680 097
Total operating income		**228 486 796**	**238 126 582**
Operating expenses:			
Raw materials and consumables used	15	103 130 276	116 299 186
Changes in inventories of finished goods and work in progress	15	5 367 811	(417 753)
External supplies and services		31 595 469	37 133 461
Payroll expenses		50 445 101	53 819 618
Amortisation and depreciation expenses	6, 8	13 147 370	13 440 058
Provisions and impairment losses	29	368 033	443 920
Other operating expenses		3 549 388	2 559 310
Total operating expenses		**207 603 448**	**223 277 800**
Operating results		**20 883 349**	**14 848 782**
Impact of Hyperinflation in Angola		-	-
Financial expenses	31	(3 311 402)	(3 469 210)
Financial income	31	591 526	744 426
Gains / (Losses) in associated companies	3	135 057	90 492
Results before income taxes		**18 298 531**	**12 214 490**
Income taxes	32	(4 607 726)	(2 805 702)
Consolidated net income for the year		**13 690 805**	**9 408 788**
Attributable to:			
Group		13 692 609	9 405 925
Non-controlling interests	21	(1 805)	2 863
		13 690 804	**9 408 788**
Earnings per share			
Basic	35	0,548	0,376
Diluted	35	0,548	0,376

The accompanying notes form an integral part of the consolidated financial statements as of 31 December 2020.

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CIN

Consolidated statements of changes in shareholders' funds for the years ended as of 31 december 2020 and 2019

(Amounts expressed in Euros)

		Reserves									
	Share capital	Legal reserve	Revaluation reserves	Conversion reserves	Hedging reserves	Fair value reserves	Other reserves	Total reserves	Non--controlling interests	Net profit	Total
Balances as of 1 January 2020	25 000 000	5 000 000	2 758 445	(17 889 250)	(243 707)	(226 097)	63 671 312	53 070 703	4 885	9 405 925	87 481 513
Appropriation of consolidated net profit of 2019:											
Transfer to other reserves	-	-	-	-	-	-	5 905 925	5 905 925	-	(5 905 925)	-
Distributions	-	-	-	-	-	-	-	-	-	(3 500 000)	(3 500 000)
Rendimento integral consolidado do exercício	-	-	-	(4 186 989)	82 896	227 525	(1 412 395)	(5 288 963)	(1 805)	13 692 609	8 401 841
Outros	-	-	-	-	-	282 304	(573 835)	(291 531)	(5 726)	-	(297 257)
Balances as of 31 December 2020	**25 000 000**	**5 000 000**	**2 758 445**	**(22 076 239)**	**(160 811)**	**283 732**	**67 591 007**	**53 396 134**	**(2 646)**	**13 692 609**	**92 086 097**
Balances as of 1 January 2019	25 000 000	5 000 000	2 758 445	(16 359 548)	(220 259)	(299 080)	59 182 537	50 062 095	2 837	8 221 138	83 286 070
Appropriation of consolidated net profit of 2018:											
Transfer to other reserves	-	-	-	-	-	-	4 721 138	4 721 138	-	(4 721 138)	-
Distributions	-	-	-	-	-	-	-	-	-	(3 500 000)	(3 500 000)
Comprehensive income for the year	-	-	-	(1 529 702)	(23 447)	72 983	(28 157)	(1 508 324)	2 863	9 405 925	7 900 464
Others		-	-	-	-	-	(204 206)	(204 206)	(816)	-	(205 022)
Balances as of 31 December 2019	**25 000 000**	**5 000 000**	**2 758 445**	**(17 889 250)**	**(243 707)**	**(226 097)**	**63 671 312**	**53 070 703**	**4 885**	**9 405 925**	**87 481 513**

The accompanying notes form an integral part of the consolidated financial statements as of 31 December 2020.

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Fernando Jorge de Almeida Ferreira, *Member*

Consolidated statements of comprehensive income for the years ended as of 31 December 2020 and 2019

(Amounts expressed in Euros)

	IAS/IFRS 31/12/20	IAS/IFRS 31/12/19
Consolidated comprehensive income for the year, including non-controlling interests	13 690 804	9 408 788
Other consolidated comprehensive income:		
Items that will be reclassified to net income in the future:		
Net actuarial gains and losses	(311 373)	(28 157)
Exchange differences on net foreign currency investments	(1 101 022)	-
Variation in hedging reserves	82 896	(23 447)
Variation in exchange conversion reserves	(4 186 989)	(1 529 702)
Variation in fair value reserves	227 525	79 983
Balances as of 31 December	**8 401 841**	**7 907 464**

O Anexo faz parte integrante da Demonstração consolidada da posição financeira em 31 de Dezembro de 2020.

A TÉCNICA DE CONTAS Nº 63002
Paula Macedo

THE BOARD OF DIRECTORS
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Fernando Jorge de Almeida Ferreira, *Vogal*

Consolidated statements of cash flows
for the years ended as of 31 december 2020 and 2019

(Amounts expressed in Euros)

OPERATING ACTIVITIES:	Notes	IAS/IFRS 31/12/20	IAS/IFRS 31/12/19
Receipts from customers		269 355 664	274 733 213
Payments to suppliers		(152 703 795)	(175 253 713)
Payments to employees		(28 918 200)	(29 574 026)
Cash generated from operations		**87 733 670**	**69 905 475**
Income taxes paid		(4 350 074)	(959 128)
Other receipts/(payments) relating to operating activities		(46 739 350)	(46 480 449)
Flows generated before extraordinary items		**(51 089 424)**	**(47 439 577)**
Discontinued operations		-	-
Net cash generated by operating activities (1)		**36 644 245**	**22 465 897**
INVESTMENT ACTIVITIES:			
Receipts relating to:			
Investments available for sale		9 790 573	2 772 426
Investment properties		-	2 055 000
Tangible assets		1 634	13 435
		9 792 207	**4 840 860**
Payments relating to:			
Other investments		(14 943 215)	(559 881)
Investments available for sale		(7 360 482)	(2 669 910)
Investment properties		(1 678 415)	(5 081 743)
Tangible assets		(4 948 009)	(7 965 877)
Intangible assets		(363 126)	(1 040 194)
		(29 293 247)	**(17 317 605)**
Net cash used in investing activities (2)		**(19 501 040)**	**(12 476 745)**
FINANCING ACTIVITIES:			
Receipts relating to:			
Borrowings		109 868 179	58 553 755
Interest and similar income		526 247	694 901
		110 394 427	**59 248 656**
Payments relating to:			
Borrowings		(89 031 277)	(65 383 180)
Lease Liabilities		(4 484 150)	(4 249 711)
Dividends		(3 500 000)	(3 500 000)
Interest and similar costs		(3 037 761)	(3 318 947)
		(100 053 189)	**(76 451 838)**
Net cash used in financing activities (3)		**10 341 238**	**(17 203 182)**
Variation of cash and cash equivalents (4) = (1) + (2) + (3)		27 484 444	(7 214 030)
Cash and cash equivalents at the beginning of the year		17 427 162	26 253 005
Exchange variation in cash and cash equivalents at the beginning of the year		(1 258 766)	(1 611 813)
Cash and cash equivalents at the end of the year	19	**43 652 839**	**17 427 162**

The accompanying notes form an integral part of the consolidated financial statements as of 31 December 2020.

ACCOUNTANT No 63002
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CIN

Notes to the Consolidated Financial Statements as of 31 December 2020

(Amounts expressed in Euros)

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 paints, varnishes and similar products.

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

As of 31 December 2020, 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, as adopted by the European Union for financial years started from 1 January 2020. These standards include the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), the International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC") and 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 referred 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 consolidated financial statements.

Norms, interpretations, amendments and revisions that came into force

Up to the date of approval of these financial statements, the following accounting standards, interpretations, amendments and revisions have been approved by the European Union, with mandatory application to the financial year beginning 1 January 2020:

Standard / Interpretation	Aplicável na União Europeia nos exercícios iniciados em ou após	
Emendas a referências à Estrutura Conceptual nas Normas IFRS	1-Jan-20	Corresponds to amendments to various standards (IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32) in relation to the revised Conceptual Framework in March 2018. The revised Framework includes revised definitions of an asset and liability and new guidance on measurement, de-recognition, presentation and disclosure.
Amendment to IAS 1 and IAS 8 - Definition of Material	1-Jan-20	Corresponds to amendments to clarify the definition of material in IAS 1. The definition of material in IAS 8 is referred to in IAS 1. The amendment changes the definition of other standards to ensure consistency. The information is material if its omission, distortion or concealment is reasonably expected to influence the decisions of the primary users of the financial statements based on the financial statements.
Amendment to IFRS 3 - Definition of business	1-Jan-20	Corresponds to amendments to the definition of business, aiming to clarify the identification of business acquisition or acquisition of a group of assets. The revised definition further clarifies the definition of a business's output as the supply of goods or services to customers. The changes include examples for identifying a business acquisition.
Amendments to IFRS 9, IAS 39 and IFRS 7 - reform of benchmark interest rates	1-Jan-20	Corresponds to amendments to IFRS 9, IAS 39 and IFRS 7 related to the benchmark interest rate reform project (known as "IBOR reform"), in order to reduce the potential impact of changes in reference interest rates on financial reporting, namely in hedge accounting.
Amendment to IFRS 16 - Leases - "Covid 19 Related Rent Concessions"	1-Jan-20	This amendment introduces an optional practical expedient whereby tenants are exempted from analyzing whether income concessions, typically income suspensions or reductions, related to the "COVID-19" pandemic correspond to contractual modifications.

Changes to references to the Conceptual Structure of IFRS standards (applicable for exercises starting on or after 1 January 2020) - this amendment contains changes in several standards, the references of which to the Conceptual Framework have been updated.

The application of these changes to accounting standards from 1 January 2020 had no relevant effect on these separate financial statements.

Standards, interpretations, amendments and revisions that will take effect in future years

Standard / Interpretation	Applicable in the European Union in the financial years initiated in or after	
Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform (IBOR Reform)	1-Jan-21	Corresponds to amendments to IFRS 9, IAS 39 and IFRS 7 related to the Interest Rate Benchmark Reform Project (known as "IBOR reform"), in order to reduce the potential impact of changes in benchmark interest rates on financial reporting, namely in hedge accounting.
Amendment to IFRS 4 Insurance Contracts - deferral of IFRS 9	1-Jan-21	Corresponds to the amendment to IFRS 4 that prolongs the deferral of application of IFRS 9 for initial years on or after 1 January 2023.

These amendments, although approved ("endorsed") by the European Union, were not adopted by the Group in 2020, as their application is not yet mandatory. The future adoption of these amendments is not expected to have significant impacts on the financial statements.

New, amended or revised standards and interpretations not adopted

The following accounting standards and interpretations have been issued by the IASB and are not yet endorsed by the European Union:

Standard / Interpretation	Applicable in the European Union in the financial years initiated in or after	
IFRS 17 - Insurance contracts	1-Jan-23	This standard establishes, for insurance contracts within its scope, the principles for their recognition, measurement, presentation and disclosure. This standard replaces IFRS 4 - Insurance Contracts.
Amendment to IAS 1 Presentation of financial statements - Classification of liabilities as current and non-current	1-Jan-23	This amendment published by the IASB clarifies the classification of liabilities as current and non-current by analyzing the contractual conditions existing at the reporting date.
Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements 2018-2020	1-Jan-22	These amendments correspond to a set of updates to the various standards mentioned, namely - IFRS 3 - update of the reference to the 2018 conceptual framework; additional requirements for analyzing obligations in accordance with IAS 37 or IFRIC 21 on the acquisition date; and explicit clarification that contingent assets are not recognized in a business combination. - IAS 16 - prohibition of deducting the cost of a tangible asset from income related to the sale of products before the asset is available for use - IAS 37 - clarification that costs of fulfilling a contract correspond to costs directly related to the contract Annual improvements 2018-2020 correspond essentially to amendments to 4 standards, IFRS 1, IFRS 9, IFRS 16 and IAS 41.

These standards have not yet been endorsed by the European Union and as such have not been applied by the Group for the year ended 31 December 2020.

Regarding these standards and interpretations, issued by the IASB, but not yet endorsed by the European Union, the Group is analyzing the impacts of future adoption of these standards.

Except for the new standards adopted in the year referred above, the accounting policies and measurement criteria adopted by the Group at 31 December 2020 are comparable to those used in the preparation of the financial statements as at 31 December 2019.

In preparing the consolidated financial statements in accordance with IFRS, the Group's Board of Directors has adopted certain assumptions and estimates that affect the reported assets and liabilities, as well as the income and costs incurred in the reported periods. All estimates and assumptions made by the Board of Directors were based, to the best of their knowledge and at the date of approval of the financial statements, on current events and transactions.

The accompanying consolidated financial statements were prepared for approval at the Shareholders' General Meeting. The Group's Board of Directors believes that they will be approved without change.

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 statement of Profit and Loss 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.

(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 / (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 / (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, while the associated company's equity is not positive, 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.

(c) Goodwill

In acquisitions made after the date of transition to International Financial Reporting Standards as adopted by the European Union - IFRS (1 January 2004) , the differences between the acquisition cost of financial investments in Group companies (subsidiaries) and associated companies and the fair value of the identifiable assets and liabilities (including contingent liabilities) of those companies, as of the acquisition date, when positive, are recorded under the caption "Goodwill" (Note 7) or maintained in the caption "Investments in associated companies", whether they refer to Group companies or associated companies, and, when negative, are directly recorded as gains in the statement of Profit and Loss, after reassessing its attributed fair value.

Additionally, the excess of the cost of acquisition of investments in foreign companies over the fair value of their identifiable assets and liabilities (including contingent liabilities) as at the date of acquisition is registered using the local currency of each of those companies. The conversion to the Group's reporting currency (Euro) is performed using the exchange rate as at the Balance statement date. Exchange rate differences arising from this conversion 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 were then subject to impairment tests. The impact of these adjustments was recorded in the caption "Retained Earnings", included in caption "Other reserves", 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 acquired company either at fair value or at the proportionate share of the non-controlling interest of the acquired company's identifiable net assets. Until 1 January 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 if it happens during the measurement 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 interests in already controlled entities, if 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 Income.

Whenever a disposal generates a loss in control, all assets and liabilities of the disposed entity will have to be derecognized 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 recoverable amount is estimated for each individual asset 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 actual outcomes. Impairment losses related to consolidation differences 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 entities

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 exchange rate differences originated after 1 January 2004 (IFRS transition date) are recorded in Equity, under the caption "Conversion reserves".

Any differences between acquisition cost of investments in foreign subsidiaries and the fair value of the identifiable assets and liabilities of said companies as of the date of acquisition, are recorded in the local currency of said companies and converted to Euro at the Balance statement 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.

These 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 an impact of approximately 4,1 million Euros relative to the re-expression of the year ended in 31 December 2018, related to the effect of updating non-monetary assets and liabilities, opting to record this amount against caption "Retained earnings", as it is the understanding of the Board of Directors that the allocation of CIN Angola's Profit and Loss statement of this amount would distort the aforementioned statement, not providing a truthful and appropriate image of the operational assets of this subsidiary for the year ending in 31 December 2018.

As Angola, in the year 2019, is no longer considered a hyperinflationary economy, since it no longer reunites the conditions established in the referred standard, the Group, from 1 January 2019, suspended the application of said standard to the financial statements of its subsidiary located in Angola.

However, the impacts generated in previous years as a result of the adoption of said standard, namely the ones associated with the reassessment of non-monetary assets and liabilities, will maintain until said assets are disposed, consumed or amortized and until said liabilities are disposed or liquidated.

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

	31 December 2020		31 December 2019	
	Year End	Average	Year End	Average
US Dollar (USD)	1,226	1,141	1,122	1,120
Angolan Kwanza (AOA)	805,117	662,574	540,817	407,995
Mozambican Metical (MZN)	91,862	79,314	68,812	69,889
South African Rand (ZAR)	17,981	18,782	15,756	16,168
Mexican Peso (MXM)	24,393	24,496	21,208	21,549
Turkish Lira (TRY)	9,095	8,036	6,673	6,358

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 that date are recorded at acquisition cost, net of depreciation and accumulated impairment losses.

The impairments that are detected are booked in the year they are estimated, in the "Amortization and depreciation" caption of the Profit and Loss statement.

Amortizations are calculated using the straight-line method, from the date the asset is available for use, over the expected useful life for each group of assets.

The amortization 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 amortized 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 amortized from the date they are concluded or available for use, 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 amortization 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 fulfil 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 expenses and other rights, and software are amortized on a straight-line basis over a period of 3 to 5 years.

Transfers of property are not subject to amortization, being subject to annual impairment tests.

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

Amortization 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 discloses the fair value of Investment properties (Note 10).

d) Financial instruments

• Financial assets and liabilities

Financial assets and liabilities are recognized in the Group's consolidated statement of financial position when they become part of the instrument's contractual dispositions.

Financial assets and liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets or liabilities measured at fair value through the statement of profit and loss) are added to or deducted from the fair value of the financial asset or liability, as the case may be, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or liabilities recognized at fair value through the statement of profit and loss are recognized immediately in the consolidated statement of Profit and Loss.

• Financial assets

All purchases and sales of financial assets are recognized at the date of signature of their purchase and sale agreements, regardless of the date of their financial settlement.

All recognized financial assets are subsequently measured at amortized cost or at fair value depending on the business model adopted by the Group and the characteristics of its contractual cash flows.

Classification of financial assets

a) Debt instruments and accounts receivable

Fixed income debt instruments and accounts receivable that meet the following conditions are subsequently measured at amortized cost:

(i) the financial asset is held considering a business model whose purpose is to maintain it in order to receive its contractual cash flows; and

(ii) the contractual terms of the financial asset give rise, on specific dates, to cash flows that are only payments of principal and interest on the value of the outstanding capital.

The effective interest rate method is a method of calculating the amortized cost of a financial instrument and allocating interest thereon over the period of its validity.

For financial assets that are not acquired or originated with impairment (i.e., assets with impairment on initial recognition), the effective interest rate is the rate that accurately discounts the estimated future cash flows (including fees and commissions paid or received, transaction costs and other premiums or discounts) over the expected life of the instrument at its gross carrying amount on the date of its initial recognition.

The amortized cost of a financial asset is the amount by which it is measured at the initial recognition less capital repayments, plus the accumulated amortization (using the effective interest rate method) of any difference between that initial amount and the amount of the reimbursement, adjusted for any impairment losses.

Interest income is recognized in the consolidated statement of Profit and Loss under the caption "Financial income and gains" (using the effective interest rate method) for financial assets subsequently recorded at amortized cost or at fair value through the statement of profit and loss. Interest income is calculated by applying the effective interest rate to the gross written amount of the financial asset.

Debt instruments and accounts receivable that meet the following conditions are subsequently measured at fair value through other comprehensive income:

(i) the financial asset is held considering a business model whose purpose provides for either the receipt of its contractual cash flows or its disposal; and

(ii) the contractual terms of the financial asset give rise, on specific dates, to cash flows which are only capital payments and interest on the value of the outstanding capital.

b) Equity instruments designated at fair value through other comprehensive income

At initial recognition, the Group may make an irrevocable choice (financial instrument to financial instrument) to designate certain investments in equity instruments (shares) at fair value through other comprehensive income.

The designation at fair value through other comprehensive income is not permitted if the investment is held for trading or if it results from a contingent consideration recognized in the context of a business combination.

An equity instrument is held for trading if:

(i) it is acquired primarily for the purpose of disposal in the short term;

(ii) on initial recognition, is part of a portfolio of identified financial instruments that the Group manages together and where there is evidence of a recent real pattern of short-term profit-making; or

(iii) if it is a financial derivative (unless it is assigned to a hedging transaction).

Investments in equity instruments recognized at fair value through other comprehensive income are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with the gains and losses arising from their variation recognized in the other comprehensive income. At the time of disposal, the accumulated gain or loss generated with these financial instruments is not re-classified to the consolidated statement of Profit and Loss but is transferred only to "Retained earnings".

Dividends associated with investments in equity instruments recognized at fair value through other comprehensive income are recognized in the consolidated statement of Profit and Loss at the time they are allocated / deliberated, unless they clearly represent a recovery of part of the cost of the investment. Dividends are recorded in the consolidated statement of Profit and Loss under "Financial income and gains".

c) Financial assets at fair value through the statement of profit and loss

Financial assets that do not meet the criteria to be measured at amortized cost or at fair value through other comprehensive income are measured at fair value through the statement of Profit and Loss.

Financial assets recorded at fair value through the statement of Profit and Loss are measured at the fair value determined at the end of each reporting period, and the related gains or losses are recognized in the consolidated statement of Profit and Loss unless they are part of a hedge relationship.

<u>Impairment of financial assets</u>

The Group recognizes expected impairment losses on debt instruments measured at amortized cost or at fair value through other comprehensive income, as well as for accounts receivable from customers, other debtors, and assets associated with contracts with customers.

The amount of expected impairment losses on the financial assets referred to above is updated at each reporting date in order to reflect changes in credit risk since the initial recognition of the respective financial assets.

Impairment losses expected for loans granted (accounts receivable from customers and other debtors and assets associated with customer contracts) are estimated using a not collectability matrix based on the credit history of the Group's borrowers in the last 3 years, adjusted for specific factors attributable to debtors, as well as the macroeconomic conditions that are estimated for the future. For this purpose, the balances of customers and other debtors were grouped considering similar credit risk profiles and maturity intervals.

The Group recognizes expected impairment losses for life-long credit from trade accounts receivable and other receivables, as well as for assets associated with customer contracts.

Derecognition of financial assets

The Group derecognises a financial asset only when contractual rights to the asset's cash flows expire, or when it transfers the financial asset and substantially all the risks and rewards associated with its ownership to another entity. If the Group does not transfer or retain substantially all the risks and rewards associated with ownership of a financial asset but continues to control it, the Group recognizes its interest in the asset retained and a liability equivalent to the amount that it will have to repay. If the Group retains substantially all the risks and rewards associated with the ownership of a transferred financial asset, the Group continues to recognize the same. It further recognizes a loan for the amount received in the meantime.

In the derecognition of a financial asset measured at amortized cost, the difference between its written amount and the sum of the consideration received and to be received is recognized in the consolidated statement of Profit and Loss.

On the other hand, in the derecognition of a financial asset represented by a capital instrument recorded at fair value through other comprehensive income, the accumulated gain or loss in the revaluation reserve is reclassified to the consolidated statement of Profit and Loss.

However, in the derecognition of a financial asset represented by a capital instrument designated at initial recognition irrevocably as recorded at fair value through other comprehensive income, the accumulated gain or loss in the revaluation reserve is not reclassified to the consolidated statement of Profit and Loss, but transferred to the caption "Retained earnings".

- Financial liabilities and equity instruments

Classification as a financial liability or as equity instrument

Financial liabilities and equity instruments are classified as liabilities or equity in accordance with the contractual substance of the transaction.

Equity

The Group considers equity instruments to be those in which the contractual support of the transaction shows that the Group has a residual interest in a group of assets after deducting a series of liabilities.

The equity instruments issued by the Group are recognized for the amount received, net of the costs directly attributable to their emission.

The repurchase of equity instruments issued by the Group (own shares) is accounted for at its acquisition cost as a deduction from equity. Gains or losses on the sale of own shares are recorded under "Other reserves and retained earnings".

Financial liabilities

After initial recognition, all financial liabilities are subsequently measured at amortized cost or at fair value through the statement of Profit and Loss.

Financial liabilities are recorded at fair value through the statement of Profit and Loss when:

(i) the financial liability results from a contingent consideration arising from a business combination;

(ii) when the liability is held for trading; or

(iii) when the liability is designated to be recorded at fair value through the statement of Profit and Loss.

A financial liability is classified as held for trading if:

(i) is acquired primarily for the purpose of disposal in the short term; or

(ii) on initial recognition, is part of a portfolio of identified financial instruments that the Group manages together and where there is evidence of a recent real pattern of short-term profit-making; or

(iii) if it is a financial derivative (unless it is assigned to a hedging transaction).

Financial liabilities recorded at fair value through the consolidated statement of Profit and Loss are measured at fair value with the related gains or losses arising from their variation recognized in the consolidated statement of Profit and Loss unless they are assigned to a hedging transaction.

Financial liabilities subsequently measured at amortized cost

Financial liabilities that are not designated to be recorded at fair value through the statement of Profit and Loss are subsequently measured at amortized cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial liability and allocating the interest thereon over the period of its validity.

The effective interest rate is the rate that exactly discounts estimated future cash flows (comprising fees and commissions paid or received, transaction costs and other premiums or discounts) over the expected life of the financial liability in its written amount on the date of its initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are settled, cancelled or expired.

The difference between the written amount of the derecognized financial liability and the consideration paid or payable is recognized in the consolidated statement of Profit and Loss.

When the Group exchanges a debt instrument with another creditor with substantially different terms, such exchange is accounted for as an extinction of the original financial liability and recognition of a new financial liability.

Likewise, the Group accounts for substantial changes in terms of an existing liability, or part of it, as an extinction of the original financial liability and recognition of a new financial liability. The terms are assumed to be substantially different if the discounted present value of the cash flows of the renegotiated financial liability, including any commissions paid net of any commissions received, discounted using the original effective interest rate, is at least 10 per cent divergent from the amount discounted from the remaining cash flows of the original financial liability.

If the change is not substantial, the difference between: (i) the written amount of the liability before the modification; and (ii) the present value of future cash flows after the change is recognized in the consolidated statement of Profit and Loss as a gain or loss of the change.

Financial derivatives

The Group has contracted several financial derivatives to manage its exposure to interest rate risk, and financial derivative instruments are not used for the purpose of speculation. The use of financial derivatives is duly regulated by the Group.

Financial derivatives are initially recognized at fair value on the date they are contracted and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognized immediately in the statement of Profit and Loss unless the financial derivative is designated as a hedging instrument, in which case the recognition in the statement of Profit and Loss depends on the nature of the hedge relationship.

As mentioned above, financial derivatives used by the Group relate to interest rate hedging instruments associated with borrowings. The amount of the loans, interest due dates and repayment plans are generally like the conditions established for interest rate and exchange rate hedging instruments, so coverage is usually highly effective.

The criteria used by the Group in the initial recognition to classify financial derivatives as cash flow hedging instruments are as follows:

a) The hedging relationship consists only of eligible hedging instruments and eligible hedged items;

b) At the outset of the hedge relationship, there is a formal designation and documentation regarding the hedging relationship and the entity's risk management objective and strategy for hedging; and

c) The hedging relationship meets all the following hedge effectiveness requirements:

   i) There is an economic relationship between the hedged item and the hedging instrument;

   ii) The effect of credit risk does not greatly influence the changes in value that result from this economic relationship; and

   iii) The hedging relationship coverage ratio is the same as the amount of the hedged item that an entity covers and the amount of the hedging instrument that the entity uses to cover that amount of the hedged item.

The financial derivatives of interest rate and exchange rate hedges are initially recorded at their fair value. Subsequent changes in the fair value of financial derivatives related to the cash flow hedge associated with the effective hedging portion are recognized in the consolidated statement of other comprehensive income under "Variation, net of taxes, in the fair value of financial derivatives hedged to cash flow" and are transferred to profit and loss in the same period in which the hedged instrument affects the results.

Any existing ineffectiveness of coverage are recorded under "Financial income and gains" and "Financial expenses" in the consolidated statement of Profit and Loss for the year.

Cash flow hedge accounting shall be discontinued if the hedging instrument expires or terminates in advance, if the hedge is no longer effective or if it is decided to terminate the hedge relationship. In these cases, the accumulated gain or loss resulting from the hedging instrument must be recognized separately in equity and is reflected in the results within the same period from recognition of gains or losses on the hedged item.

A financial derivative with positive fair value is recognized as a financial asset, while a financial derivative with a negative fair value is recognized as a financial liability.

Financial derivatives are not compensated in the consolidated financial statements unless the Group has a legal right and an intention to offset them.

A financial derivative is presented as a non-current asset or non-current liability if its residual maturity is greater than 12 months from the reporting date and is not expected to be realized or settled within 12 months from the reporting date of the date referred to above. The remaining financial derivatives are presented as current assets or current liabilities.

e) 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.

f) Lease contracts

At the beginning of each contract, the Group evaluates if its scope is related to a Lease contract or if it contains a lease. That is, if the contract grants a right to control the use of an identifiable asset for a period of time in exchange for remuneration. Lease agreements are recognized as a Right of use and a corresponding liability on the date the leased asset is available for use by the Group. Each lease payment is allocated between liabilities and financial cost. The financial cost is recognized in results during the lease period to reflect a constant periodic interest rate on the remaining balance of the lease liabilities for each period. The right of use is depreciated linearly by the minor between the useful life of the asset and the lease term.

Assets and liabilities arising from a lease are initially measured at their present value. Where there is information to enable it, the Group has elected to segregate the rental component of the service components included in the lease payments for all lease agreements.

The initial measurement of lease liabilities essentially includes the present value of payments to be made during the lease period, which includes fixed-value payments deducted from any incentives received and variable value payments dependent on an index or rate.

In determining the present value of lease liabilities, the Group uses the incremental interest rate determined on the rental start date, where the interest rate implicit in the contract is not determinable on that date. Subsequently, lease liabilities are increased to reflect the increase in interest and reduced by payments made. Additionally, the book value of lease liabilities is revalued if there is a change, a change to the lease period, or a change in the amortization plan (for example, changes in future payments resulting from a change in an index or percentage used to determine the value of the payments). The weighted average rate applied was 2.4% (ranging from 1.59% to 15%), determined taking into account the characteristics of the contract (underlying asset, contract guarantees, currency and term).

The Right of use is measured at cost, deducted from accumulated depreciation and impairment, adjusted when there are changes in lease liabilities. The cost of the Right of use includes the amount of the liability initially recorded with the lease, direct costs incurred with the conclusion of the lease and payments made to the lessor prior to the start date, deducted from any incentives received.

The Group applies the exception of recognition of short-term leases (term less than 12 months) and the exception of recognition of lease agreements whose underlying asset is a low value asset. The payments made in relation with the abovementioned contracts (short term and low value assets) are recognized as expenses linearly through the period of the lease.

The Group's leases mainly refer to lease agreements for commercial facilities and warehouses, with initial contractual rent terms between 1 and 10 years, which can have extension periods. Lease agreements do not impose covenants.

The Group adopted for the first time in 1 January 2019 the standard IFRS 16 – Leases, using the modified retrospective model, considering, on that date, the amount of rental liabilities equal to the amount of the Rights to use the assets. As such, the cumulative effect of the initial adoption of that standard in "Retained Earnings" as of 1 January 2019 was null. The impacts resulting from the adoption of IFRS 16 – Leases in its initial adoption date (1 January 2019) are specified in Note 9.

g) 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.

h) 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 to reflect the best estimate of its fair value as of that date (Note 29). Restructuring provisions are recorded by the Group whenever a formal and detailed restructuring plan exists and has been communicated to those affected by it.

i) 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 the subsidized costs and all conditions to reimbursement are fulfilled.

j) Pension complements

As mentioned in Note 24, 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 actuarial 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.

k) 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 from the sale of goods is recognized only in the income statement when (i) they have been approved by all parties; (ii) to which the Group may identify the rights of each party in relation to the goods and services to be transferred; (iii) to which the Group can identify the terms of payment of goods and services to be transferred; (iv) who have a commercial substance; and (v) for which the Group is likely to receive the payment to which it is entitled for the goods and services transferred to the customer.

The revenue related to each performance obligation included in a contract with customers who has the characteristics defined above, is recorded at the time the customer is invoiced. There are no significant differences between the time the invoice is issued and the time the customer obtains control of the transferred goods and services, which usually occurs at the time of shipment or delivery. Enforcement obligations are generally met at a specific time.

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.

The contracts with clients made by the Group do not contain significant financing components.

l) Income taxes

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 and 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 or in situations where taxable temporary differences compensate the deductible temporary differences in the period of their reversion. At the end of each period the Company reviews its deferred tax assets which are reduced whenever its recoverability ceases to be likely.

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.

m) 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.

n) Balance sheet classification

All assets and liabilities 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".

o) 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 distributable 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.

p) Balances and transactions expressed in foreign currency

Transactions are recorded in the individual financial statements of the subsidiaries in the subsidiary's functional currency, using the exchange rates in effect on the date of the transaction. All monetary assets and liabilities expressed in currency in the individual accounts of the subsidiaries are converted into the functional currency of each subsidiary, using the exchange rates in force at the balance sheet date of each year as exchange rates. Non-monetary assets and liabilities denominated in foreign currency and recorded at fair value are converted to the functional currency of each subsidiary, using for this purpose the exchange rate in force on the date on which the fair value was determined. The exchange rate differences, favorable and unfavorable, arising from the differences between the exchange rates in force on the date of the transactions and those in force on the date of collection, payment or the date of closure of the financial statements, of those same transactions, are recorded as income and operating expenses, in the case of transactions of an operational nature, or as income and financial expenses, in the case of transactions of a financial nature , in the Consolidated Statement of Results. Exchange rate differences relating to non-monetary values whose fair value variation is recorded directly in equity are also recorded in equity.

q) 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 (defined as the highest between the net selling price and its value of use, or as the net selling price for assets held for disposal), an impairment loss is recognized in the statement of profit and loss under the caption "Provisions and impairment losses". 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. This analysis is performed whenever indicators that the previously recorded impairment no longer applies or has decreased arise. 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.

r) 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.

s) 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.

t) 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 periods ended 31 December 2020 and 2019 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 in a prospective manner 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.

u) Risk management policies

The Group is exposed to several risks during 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, linked to a long-term continuity of operations perspective, 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

During its operations, the Group performs non-Euro transactions, thus being exposed to the exchange rate risk. 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 Mozambique	Tintas Cin Mexico	Tintas Cin South Africa	Tintas Cin Turkey
December 31, 2020					
Assets	8 344 065	5 022 434	641 165	1 279 423	786 834
Liabilities	(498 485)	(880 933)	(59 347)	(106 787)	(390 993)
	7 845 579	**4 141 501**	**581 818**	**1 172 636**	**395 841**
December 31, 2019					
Assets	19 771 109	6 305 447	790 393	1 663 431	837 498
Liabilities	(731 844)	(603 298)	(95 547)	(98 321)	(133 784)
	19 039 264	**5 702 149**	**694 846**	**1 565 110**	**703 714**

The risk of translation or conversion of financial statements of foreign entities, also called accounting risk, reflects the potential to change the parent company's net situation by the need to "translate" the financial statements of foreign subsidiaries. The Group's translation exchange risk management policy is to assess the opportunity to cover this risk on a case-by-case basis, taking into account in particular the specific circumstances of the currencies and countries in question and the capital structures of those subsidiaries (as at 31 December 2020, this situation applies only to the subsidiaries presented above).

As mentioned in note 1.2 d), assets and liabilities in the financial statements of foreign entities are converted 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, when appropriate, through futures' market hedging. As of 31 December 2020, and 2019 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 loss to the Group.

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 regular basis.

Group's credit risk is not significate 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 2020 and 2019 are disclosed in Note 29.

As of 31 December 2020, and 2019 the Group does not consider the need for any additional impairment losses, besides those recorded and disclosed in Note 29.

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 price. 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.

The CIN Group's liquidity risk management aims to:

- Liquidity – to ensure permanent, efficient and enough 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. Regarding liquidity and collectability, Group's balances as of 31 December 2020 and 2019 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 equity is not 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 December 31, 2020, and 2019, the financial net debt of the Group amounts to 93.932.344 Euros and 99.201.939 Euros, respectively. These balances are composed of current and non-current loans (Note 22), operating leases (Note 9) and cash and cash equivalents (Note 18) contracted with several institutions, as well as the amount of 10.524.939 Euros (12.839.818 Euros in 2019) included in the heading "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 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 or 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 yield curves.

Sensitivity analysis were performed on a 'ceteris paribus' basis, that is, by manipulating one variable and if 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, an assumption that is unlikely to have happened, the estimated impact on the Group's net income and reserves had been the following:

	2020		2019	
	-0,75 b.p.	+0,75 b.p.	-0,75 b.p.	+0,75 b.p.
Net Income (1)	-16.000	-250.000	-25.000	-250.000
Net Equity (2)	-4.000	2.000	-8.000	4.000

(1) mainly due to the Group's exposure to interest rates on its variable rate loans;
(2) mainly due to changes in 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.

v) Subsequent events

Events occurring after the balance sheet date that provide additional information on conditions that existed at the balance sheet date ("adjusting events") are reflected in the consolidated financial statements. Events after the balance sheet date that provide information on conditions that occur after the balance sheet date ("non adjusting events"), if material, are disclosed in the Annex to the consolidated financial statements.

2. Changes in accounting policies and corrections of misstatements

During the year ended as of 31 December 2020 there were no changes in accounting policies and no material mistakes related with prior periods.

3. Group companies included in consolidation

During the year ended as of 31 December 2020 there were no changes in accounting policies and no material mistakes related with prior periods.:

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%
Terraços do Souto – Sociedade Imobiliária, S.A. ("Terraços do Souto")	Maia	100%	-	100%
Martolar – Building Materials, Lda. ("Martolar")	Alenquer	100%	-	100%
Nictrading – International Trade, Lda. ("Nictrading")	Machico	-	100%	100%
Navis – Marina Paints, S.A. ("Navis")	Maia	55%	-	55%
Atossa Imobiliária, Sociedade Unipessoal, Lda. ("Atossa")	Maia	100%	-	100%
With headquarters in other countries:				
CIN Valentine, S.A. ("CIN Valentine")	Barcelona (Spain)	-	100%	100%
Paintings Cin Canarias, S.A. ("Paintings 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 Paintings & Barnices, SLU ("Cin Paintings & Barnices")	Madrid (Spain)	-	100%	100%
Cin International B.V. ("Cin BV")	Amsterdam (Netherlands)	100%	-	100%
Tintas Cin de Angola, SARL ("Cin Angola")	Benguela (Angola)	1%	99%	100%
Tintas Cin (Mozambique), SARL ("Cin Moçambique")	Maputo (Mozambique)	-	100%	100%
Coatings RE, S.A. ("RE Coatings")	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. ("CIN Celliose")	Lyon (France)	-	100%	100%
Cin Coatings Mexico S of CV RL ("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 ("Cin Monopol")	Valence (France)	-	100%	100%
CIN SORITEC, S.A. ("CIN Soritec")	Girona (Spain)	-	100%	100%
NASA, Sociedad de R.L.	Valence (France)	-	100%	100%
CIN Coatings Turkey Boya Ticaret A.S. ("CIN Turkey")	Istanbul (Turkey)	-	100%	100%
CIN Govesan, S.A. ("CIN Govesan")	Madrid (Spain)	-	100%	100%

These companies were included in the consolidation financial statements using the full consolidation method, as established by IFRS 10 – "Consolidated Financial Statements" (Note 1.2 a).

During the year of 2020, Sotinco-Refinish, S.A., which was no longer active, was dissolved, and the merger was carried out by incorporating the assets and liabilities of the company "Laboratoire des PPC, SRL" into the company "Monopol".

The associated companies included in the consolidation financial statements using the full consolidation method, their headquarters and percentage participation held as of 31 December 2020 are as follows:

Designation	Headquarters	Share Capital held		
		Direct	Indirect	Effective
Cenaris, Gmbg	Alemanha	-	30%	30%

The balance sheet value of this associated company, inclued in the caption "Investments in associated companies" as of 31 December 2020, adds up to 683.060 Euros and the movement occurred in the year is as follows:

	31/12/2020	31/12/2019
Balance as of 1 January 2020	548.003	-
Transfer from "Other Investments" (Note 4)	-	474.546
Application of the equity method in results	135.057	90.492
Other variations	-	(17.035)
Balance as of 31 December 2020	683.060	548.003

The holdings in Boero, Bartolomeo S.p.A and Media Capital are recorded at cost in compliance with IAS 27.

It is the board's understanding that the company Conceitcor – Comércio de Tintas, Lda does not consolidate, considering the value of assets, liabilities, and net income for the year the impact would be immaterial.

4. Subsidiaries excluded from consolidation

The subsidiaries excluded from consolidation, their respective headquarters and the proportion of capital held as of 31 December 2020, are as follows:

			Share Capital held		
Designation	Headquarters	Book value	Direct	Indirect	Effective
Detidas por 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 "CIN Brasil Participações, Ltda." 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, 772 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

During the period ended 31 December 2017, the Group acquired CIN Govesan. The fair value adjustments at acquisition date arose both from contractual demands and contingencies detected through the due diligence performed, from 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;
- Fair value of inventories;
- Fair value of real estate;
- Recognition of unrecorded liabilities.

During the year ended 31 December 2019, the Group began to consolidate by the equity method, the associate Cenaris, Gmbh, based in Germany. This perimeter change did not have any significant impact on the consolidated financial statements as of 31 December 2019 (Note 3).

6. Tangible fixed assets

During the years ended 31 December 2020 and 2019, the movements in the gross value of tangible fixed assets, as well as in the respective depreciation and accumulated impairment losses, was as follows:

	2020							
	Land and natural resources	Buildings and other constructions	Machinery and equipment	Transport Equip.	Administr. Equip.	Other tangible assets and tools	Tangible assets in Progress	Total
Gross Assets								
Opening balance	26.890.070	120.502.507	79.474.048	4.764.159	24.835.036	3.962.131	2.309.131	262.737.073
Additions	-	433.492	552.558	45.273	254.351	56.022	2.977.803	4.319.499
Disposals and write-offs	-	(21.758)	(1.414.379)	(106.496)	(59.298)	(4.221)	-	(1.606.452)
Transfers	-	1.467.300	842.291	(19.642)	113.156	3.475	(2.406.581)	-
Adjustments	-	(575.812)	(2.741)	(138.543)	(47.500)	7.843	-	(755.003)
Closing Balance	26.890.070	121.805.729	79.451.777	4.544.751	25.097.195	4.025.250	2.880.343	264.695.117
Depreciation and amortization Accumulated impairment								
Opening balance	-	71.711.975	64.904.793	3.876.682	21.738.636	2.889.281	-	165.121.372
Depreciation	-	3.481.385	2.934.723	148.507	1.236.584	85.575	-	7.886.774
Disposals and write-offs	-	(21.758)	(1.368.684)	(105.104)	(59.598)	14.715	-	(1.540.429)
Transfers	-	-	(224.235)	20.819	(18.079)	221.495	-	-
Adjustments	-	607.848	124.056	411.404	1.580	165.879	-	1.310.767
Closing Balance	-	75.779.450	66.370.653	4.352.308	22.899.123	3.376.945	-	172.778.484
Net value	**26.890.070**	**46.026.280**	**13.081.124**	**192.443**	**2.198.072**	**648.306**	**2.880.343**	**91.916.633**

	2019							
	Land and natural resources	Buildings and other constructions	Machinery and equipment	Transport Equip.	Administr. Equip.	Other tangible assets and tools	Tangible assets in Progress	Total
Gross Assets								
Opening balance	26.625.904	115.172.783	72.854.993	4.351.922	24.997.536	3.700.939	8.970.856	256.674.933
Additions	227.981	1.787.866	1.023.501	127.662	232.517	110.151	2.218.535	5.728.212
Disposals and write-offs	-	(573.198)	(757.432)	(44.020)	(455.461)	(4.164)	-	(1.834.274)
Transfers	-	3.290.524	6.348.702	-	20.341	15.172	(9.049.097)	625.641
Adjustments	36.185	824.532	4.285	328.595	40.104	140.033	168.827	1.542.560
Closing Balance	26.890.070	120.502.507	79.474.048	4.764.159	24.835.036	3.962.131	2.309.121	262.737.073
Depreciation and amortization Accumulated impairment								
Opening balance	-	68.090.446	62.182.794	3.226.076	20.738.390	2.636.886	-	156.874.598
Depreciation	-	3.287.332	3.123.969	200.889	1.374.539	103.600	-	8.090.329
Disposals and write-offs	-	(572.645)	(678.225)	(18.353)	(409.117)	(852)	-	(1.679.193)
Transfers	-	478.052	146.563	-	1.775	-	-	622.840
Adjustments	-	428.789	129.692	468.071	36.600	149.647	-	1.212.799
Closing Balance	-	71.711.975	64.904.793	3.876.682	21.738.636	2.889.281	-	165.121.372
Net value	**26.890.070**	**48.790.533**	**14.569.255**	**887.477**	**3.096.400**	**1.072.851**	**2.309.121**	**97.615.701**

As of 31 December 2020, and 2019, the caption "Tangible assets in progress" was composed as follows:

	31.12.2020	31.12.2019
Buildings and industrial equipment	1.688.631	548.960
Buildings and technical equipment	926.797	488.988
Remodel of administrative facilities	6.851	378.747
Other Projects	258.065	892.426
	2.880.343	**2.309.121**

7. Goodwill

As of 31 December 2020 and 2019, Goodwill's net book value, which was originated by acquisitions by the Group on the markets referred to with the aim of expanding its operations on those markets, had the following composition:

Country / business	31.12.2020	31.12.2019
Spain		
- CIN Govesan (Note 5)	3.147.178	3.147.178
- Others	7.482.382	7.482.382
France		
- Celliose Group	8.704.940	8.704.940
- Monopol Group	4.243.589	3.693.586
Portugal	3.890.412	3.890.412
	27.468.498	**26.918.498**

CIN Group prepares formal impairment tests reported to the date of the presentation of the annual accounts. The impairment testes of goodwill recorded in the financial statements are prepared in accordance with the business plans approved by the Board of Directors of each company, which operates in each respective market. These tests are prepared in accordance with the following main assumptions:

Main assumptions	
Sales growth 2022 - 2025	2,0% - 15,0%
Discount rate	8,6% - 10,0%
Explicit projection period	2021-2025
Rate of growth of perpetuity	1,5% - 2,0%

A 0.25% increase in the discount rate over the projection years would not imply the need to record impairment losses as of 31 December 2020. Similarly, a decrease of 0.5% on the perpetuity growth rate would not result in significant losses as of 31 December 2020.

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8. Intangible assets

During the years ended as of 31 December 2020 and 2019, the movement in intangible assets as well as in the respective accumulated depreciation and accumulated impairment losses, was as follows:

2020	Instalation expenses	Development expenses	Industrial property and other rights	Transfer of property	Intangible assets in progress	Total
Gross Assets:						
Opening balance	10.843	9.453.953	6.285.705	3.031.493	2.044.441	20.826.434
Additions	-	253.974	34.142	-	678.461	966.577
Transfers	-	2.722.902	-	-	(2.722.902)	-
Adjustments	(2.769)	-	-	-	-	(2.769)
Closing balance	8.074	12.430.829	6.319.847	3.031.493	-	21.790.242
Depreciation and amortization Accumulated impeirment:						
Opening balance	10.843	8.527.996	5.854.969	370.729	-	14.764.537
Depreciation for the year	691	732.589	87.739	17.275	-	838.294
Transfers	-	-	-	-	-	-
Adjustments	(4.433)	-	34.838	(1.327)	-	29.078
Closing balance	7.101	9.260.585	5.977.546	386.677	-	15.631.909
Net value	**973**	**3.170.244**	**342.301**	**2.644.816**	**-**	**6.158.336**

2019	Instalation expenses	Development expenses	Industrial property and other rights	Transfer of property	Intangible assets in progress	Total
Gross Assets:						
Opening balance	11.089	8.702.517	6.269.190	2.460.522	1.593.129	19.036.445
Additions	3.077	628.263	36.829	580.273	451.312	1.699.754
Disposals and write-offs	-	-	-	-	-	-
Transfers	-	123.173	-	-	-	123.173
Adjustments	(3.323)	-	(20.313)	(9.302)	-	(32.938)
Closing balance	10.843	9.453.953	6.285.705	3.031.493	2.044.441	20.826.434
Depreciation and amortization Accumulated impeirment:						
Opening balance	11.089	7.793.633	5.644.600	320.277	-	13.772.599
Amortization for the year	288	752.690	72.808	86.705	-	914.490
Disposals and write-offs	-	-	-	427	-	427
Transfers	(288)	(21.327)	141.829	27.434	-	92.780
Adjustments	(246)	-	(4.627)	(8.818)	-	(13.331)
Closing balance	10.843	8.527.996	5.854.969	370.729	-	14.764.537
Net value	**-**	**925.957**	**430.736**	**2.660.764**	**2.044.441**	**6.061.900**

The caption "Transfer of property" includes the amount of 2 107 069 Euros related to the sales contract celebrated between CIN and the entity Tintas Robbialac, S.A. in 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 transfer of property, 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 according to the business plan approved by the Board of Directors, which is prepared based on 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%.

Transfers recorded in the 2020 financial year from ongoing fixed assets to development expenses refer to the completion of the Group's ERP renewal project in Portugal.

The increase in the amount of "Transfer of property" verified in the year ended 31 December 2019 is essentially related to the acquisition of operational business units (stores) in Spain.

9. Right of use assets and lease liabilities

The movement in the right of use assets in the period ended 31 December 2020, as well as in the respective accumulated depreciations and accumulated impairment losses was as follows:

	2020		
	Buildings and other constructions	Transport equipment	Total
Gross assets:			
Opening balances	9.802.891	3.503.914	13.306.805
First time adoption of IFRS16	2.574.837	686.082	3.260.919
Updating of contracts	(1.046.375)	350.445	(695.929)
Contracts ended in the current period	(1.670.153)	(186.643)	(1.856.795)
Contracts cancelled in the current period	-	(344.237)	(344.237)
Change in accounting policy	-	-	-
Closing balance	9.661.201	4.009.562	13.670.762
Depreciation and amortization			
Accumuled impairment			
Opening balances	2.929.196	1.114.278	4.403.475
Depreciation for the year	3.119.563	1.305.088	4.424.652
Contracts ended in the current period	(1.670.153)	(186.643)	(1.856.795)
Contracts cancelled in the current period	-	(55.477)	(155.477)
Closing balance	4.378.607	2.077.247	6.455.853
Net Value	**5.282.594**	**1.932.315**	**7.214.909**

	2019		
	Buildings and other constructions	Transport equipment	Total
Gross assets:			
Opening balance	-	-	-
First time adoption of IFRS16	9.262.951	2.547.048	11.809.999
New contracts in the current period	809.099	1.077.020	1.886.119
Contracts ended and cancelled in the current period	(269.158)	(120.155)	(389.313)
Closing balance	9.802.891	3.503.914	13.306.805
Gross assets:			
Opening balance	-	-	-
Depreciation for the year	3.197.455	1.230.975	4.428.430
Contracts ended and cancelled in the current period	(268.259)	(116.679)	(384.956)
Closing balance	2.929.196	1.114.278	4.403.474
Net Value	**6.873.695**	**2.389.636**	**9.263.331**

The movement in the lease liabilities in the period ended 31 December 2020 and 2019 was as follows:

	2020		
	Buildings and other constructions	Transport equipment	Total
Opening balances	7.004.289	2.419.487	9.423.776
New contracts in the current period	2.574.837	686.082	3.260.919
Payments made in the current period, net of financial charges	(3.055.985)	(1.297.976)	(4.353.961)
Change / Contracts cancelled in the curent period	(1.180.987)	159.500	(1.021.487)
Closing balance	5.342.154	1.967.092	7.309.246

	2019		
	Buildings and other constructions	Transport equipment	Total
Opening balances	-	-	-
First time adoption of IFRS16	9.262.951	2.547.048	11.809.999
New contracts in the current period	783.631	1.083.354	1.866.985
Payments made in the current period, net of financial charges	(3.042.293)	(1.207.418)	(4.249.711)
Change / Contracts cancelled in the curent period	-	(3.497)	(3.497)
Closing balance	7.004.289	2.419.487	9.423.776

At the balance sheet date, the non-current lease liabilities matured as follows:

	31-12-2020	31-12-2019
Between 1 and 2 years	1.995.807	2.807.600
Between 2 and 3 years	1.061.153	1.602.470
Between 3 and 4 years	337.338	587.728
Over 4 years	467.546	655.861
	3.861.844	5.671.659

10. Investment properties

As of December 31, 2020, the caption “Investment properties” includes real estate assets held by CIN Group, mainly located in Guardeiras, Maia, which are 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 2020, and 2019, the movement in these captions was as follows:

	31.12.2020	31.12.2019
Opening balance as 1 January	15.123.284	11.060.872
Additions	1.139.364	5.272.981
Disposals	-	(1.201.760)
Depreciation of the year	-	(8.809)
Closing balance as 31 December	**16.262.648**	**15.123.284**

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. The Group, in 2018 until 2020, has been developing real estate projects on these assets.

During the year 2019, the Group disposed of a real estate, which was being rented, thus generating a capital gain of, approximately, 243 000 Euros, recorded in the caption "Other operating income".

In 2020, investment properties did not generate relevant operating results in the Group's income statement.

11. Classes of financial instruments

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

Financial assets

	Notes	Debt instruments and account receivables at amortized costs	At fair value through statement of profit and loss	At fair value through other comprehensive income	Assets not covered by IFRS 7	Total
31 December 2020						
Non-current assets						
Other financial assets	12	-	619.329	-	-	619.329
Other non-current assets	14	474.786	-	-	-	474.786
		474.786	619.329	-	-	1.094.115
Current Assets						
Customers	16	29.664.131	-		-	29.664.131
Other current debtors	17	2.960.922	-		-	2.960.922
State and other public entities	27	-	-		3.190.995	3.190.995
Other current assets	18	1.464.228	-		-	1.464.228
Other financial assets	12	10.524.939	-		-	10.524.939
Cash and cash equivalents	19	43.652.839	-		-	43.652.839
		88.267.059	-		3.190,995	91.458.053
		88.741.844	**619.329**		**3.190.995**	**92.552.168**
31 December 2019						
Non-current assets						
Other financial assets	12	-	619.356	2.258.046	-	2.877.402
Other non-current assets	14	462.432	-	-	-	462.432
		462.432	619.356	2.258.046	-	3.339.834
Current Assets						
Customers	16	39.153.739	-		-	39.153.739
Other current debtors	17	3.340.292	-		-	3.340.292
State and other public entities	27	-	-		3.578.601	3.578.601
Other current assets	18	1.707.331	-		-	1.707.331
Other financial assets	12	12.839.818	-		-	12.839.818
Cash and cash equivalents	19	17.427.162	-		-	17.427.162
		74.468.341	-		3.578.601	78.046.942
		74.930.773	**619.356**	**2.258.046**	**3.578.601**	**81.836.776**

Financial liabilities

	Notes	Coverage Derivatives	Financial liabilities recorded at amortized cost	Total
31 December 2020				
Non-current liabilities				
Loans obtained	23	-	107.134.788	107.134.788
Lease liabilities	9	-	3.861.844	3.861.844
Other debts to third parties	26	-	23.174	23.174
Financial derivative instruments		221.743	-	221.743
		221.743	111.019.805	111.241.548
Current liabilities				
Loans obtained	23	-	33.666.088	33.666.088
Lease liabilities	9	-	3.447.402	3.447.402
Suppliers	25	-	32.264.878	32.264.878
Other debts to third parties	26	-	3.674.425	3.674.425
Other current liabilities	28	-	11.050.212	11.050.212
		-	84.103.005	84.103.005
		221.743	**195.122.810**	**195.344.553**
31 December 2019				
Non-current liabilities				
Loans obtained	23	-	73.880.484	73.880.484
Lease liabilities	9	-	5.671.659	5.671.659
Other debts to third parties	26	-	1.112.936	1.112.936
Financial derivative instruments		326.673	-	326.673
		326.673	80.665.078	80.991.751
Current liabilities				
Loans obtained	23	-	46.164.659	46.164.659
Lease liabilities	9	-	3.752.117	3.752.117
Suppliers	25	-	32.207.314	32.207.314
Other debts to third parties	26	-	3.667.680	3.667.680
Other current liabilities	28	-	15.130.008	15.130.008
		-	100.921.778	100.921.778
		326.673	**181.586.857**	**181.913.529**

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.

	31-12-2020 Level 1	Level 2	Level 3
Financial assets measured at fair value			
Investments available for sale (Note 11)	-	-	**619.329**
Financial liabilities measured at fair value			
Derivative financial instruments	-	**221.743**	-

	31-12-2019 Level 1	Level 2	Level 3
Financial assets measured at fair value			
Investments available for sale (Note 11)	**2.258.046**	-	**619.356**
Financial liabilities measured at fair value			
Derivative financial instruments	-	**362.673**	-

At 31 December 2020, the Group has derivative contracts to hedge interest rates on its financing with the following characteristics:

Contracted Fixed Rate		**Nominal Value**		**Fair Value**	
31-12-2020	31-12-2019	31-12-2020	31-12-2019	31-12-2020	31-12-2019
0,19%	0,19%	35.000.000	35.000.000	(221.743)	(326.673)

12. Other financial assets

As of 31 December 2020, and 2019, these captions included financial investments classified as available for sale and had the following movement in the year:

2020	Gross value	Impairment losses (Note 29)	Net value
Investments available for sale:			
Opening balance	4.773.503	(1.896.101)	2.877.402
Transfers	(2.258.046)	-	(2.258.046)
Increases	125.500	(125.500)	-
Decreases	(27)	-	(27)
Final balance	**2.640.930**	**(2.021.601)**	**619.329**

2019	Gross value	Impairment losses (Note 29)	Net value
Investments available for sale:			
Opening balance	4.563.104	(1.738.601)	2.824.503
Transfers	188.921	(157.500)	31.421
Increases	21.478	-	21.478
Decreases	-	-	-
Final balance	**4.773.503**	**(1.896.101)**	**2.877.402**

In the 2020 financial year, the amount of transfers refers to the reclassification of the holding held on 31 December 2019 in the Boero Bartolomeo group, SPA for the associated investment item.

The remaining investments mentioned above represent, fundamentally, small investments in unlisted companies, and the Board of Directors understands that the net value for which they are accounted for is close to its fair value.

As at 31 December 2020 and 2019, the heading "Other financial assets" classified as current included investments in banking institutions that did not comply with the requirements for classification as "Cash and cash equivalents", including deposits and other investments in countries that are suffering from capital movement restrictions.

13. 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 2020, are as follows:

Deferred tax assets:	Opening balances	Effect on results (Note 32)	Effect on equity	Closing balances
Depreciation not accepted for tax purposes	299.935	59.482	-	240.451
Provisions and adjustments not accepted for tax purposes	1.925.022	93.110	59.627	1.772.284
Pension fund (relating to accrued cost)	371.784	(15.864)	-	387.648
Merger reserve	229.221	232.802	-	(3.581)
Tax losses	554.810	752	-	554.057
Valuation of hedging derivative instruments	73.498	-	22.028	51.470
Others	98.022	(22.340)	30	120.332
	3.552.293	**347.942**	**81.685**	**3.122.662**

Deferred tax liabilities:	Opening balances	Effect on results (Note 32)	Effect on equity	Closing balances
Amortization of revaluations not accepted for tax purposes	3.972	(3.971)	-	-
Reinvestment of capital gains	1.829	(1.829)	-	-
Pension fund (relative to deferred cost)	-	-	-	-
IAS Reavaluation of assets	2.039.827	(122.400)	(147.950)	1.769.477
Write-off of provisions	20.239	-	-	20.239
Adjustments in fair value of properties	1.047.072	(72.956)	-	974.116
Others	1.066.258	-	61.940	1.128.468
	4.179.465	**(201.156)**	**(86.009)**	**3.892.300**

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 2019, are as follows:

Deferred tax assets:	Opening balances	Transfers	Effect on results (Note 32)	Effect on equity	Closing balances
Depreciation not accepted for tax purposes	583.814	(224.397)	(59.482)	-	299.935
Provisions and adjustments not accepted for tax purposes	1.948.738	-	27.722	(51.439)	1.925.022
Pension fund (relating to accrued cost)	400.537	-	(28.753)	-	371.784
Merger reserve	423.223	-	(194.002)	-	229.221
Tax losses	553.124	-	1.686	-	554.810
Valuation of hedging derivative instruments	66.691	-	-	6.807	73.498
Others	102.111	-	(4.118)	30	98.022
	4.078.238	**(224.397)**	**(256.947)**	**(44.602)**	**3.552.292**

Deferred tax liabilities:	Opening balances	Transfers	Effect on results (Note 32)	Effect on equity	Closing balances
Amortization of revaluations not accepted for tax purposes	4.456	-	(484)	-	3.972
Reinvestment of capital gains	3.658	-	(1.829)	-	1.829
Pension fund (relative to deferred cost)	12.105	-	(12.105)	-	-
Barnices Valentine's fair value exchange	981.538	-	-	-	981.538
Fair value of investments held for sale	109.718	-	-	6.372	116.090
Write-off of provisions	648.411	-	-	(628.173)	20.239
Adjustments in fair value of properties	2.409.030	-	(195.358)	-	2.213.672
Effect of adoption of IAS 29	1.118.994	(224.397)	-	-	794.597
Others	29.911	-	-	17.619	47.531
	5.217.826	**(224.397)**	**(209.775)**	**(604.181)**	**4.179.465**

The "Merger reserve" is a consequence of the merger held in previous years by former Spanish subsidiaries of subsidiary CIN 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, 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 2017 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 2020.

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 does not also has a time limit.

As of 31 December 2020, 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
Previous to the year 2016	58.991.327	4.219.450
Year 2016	4.681.090	-
Year 2017	7.999.218	-
Year 2018	9.015.573	-
Year 2019	6.525.036	675.760
Year 2020	6.630.310	836.961
	93.842.555	**5.732.171**

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 taxed in accordance with their 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, CIN Celliose and PFI, are also taxed in accordance with their consolidated tax result, in accordance with French legislation.

As of 31 December 2020, and 2019, the tax rates used to calculate the assets and liabilities for deferred taxes can be detailed as follows:

	Tax rates	
	31.12.2020	31.12.2019
Country of origin of the subsidiary:		
Portugal	22,5%	22,5%
Spain	25,0%	25,0%
Luxembourg	24,9%	24,9%
Angola	30,0%	30,0%
Mozambique	32,0%	32,0%
France	29,5%	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 - Canary Islands

According to Spanish legislation, namely "Ley 19/1994, of 6 July – Modificación del Régimen Económico y Fiscal de Canarias", modified by "Real Decreto-Ley 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, to allocate benefits such as reservations, as a reduction of their tax calculation basis, with a maximum of 90% of undistributed profit. The amount of allocated benefit must materialize for a maximum period of three years from the fiscal year in which it was provided, in the realization of the investments and the requirements laid down by that legislation.

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

Assets must remain operational in the company for 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 associated should remain in the Company, and which as of 31 December 2020 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.

14. Other non-current assets

As of 31 December 2020, and 2019, the composition of the caption was up as follows:

	31.12.2020	31.12.2019
Guarantee	474.786	462.432
	474.786	**462.432**

15. Inventories

As of 31 December 2020, and 2019, the composition of the caption was up as follows:

	31.12.2020	31.12.2019
Raw, subsidiary and consumable materials	17.401.648	18.387.987
Merchandise	6.847.320	7.453.664
Finished and intermediate goods	23.451.222	27.888.258
	47.700.190	**53.729.908**
Accumulated impairment losses on inventory (Note 28)	(6.615.586)	(6.788.322)
	41.084.604	**46.941.589**

The cost of goods sold and consumed for the years ended as of 31 December 2020 and 2019 were computed as follows:

	31.12.2019	31.12.2019
Opening balances:		
Raw, subsidiary and consumable materials	18.387.987	17.724.984
Merchandise	7.453.664	6.727.244
Purchases	103.365.552	118.971.586
Inventory adjustments	(474.152)	374.017
IAS 29 effect	(1.353.808)	(1.656.994)
Closing bakance:		
Raw, subsidiary and consumable materials	(17.401.648)	(18.387.987)
Merchandise	(6.847.320)	(7.453.664)
	103.130.276	**116.299.186**

The changes in inventories of finished goods and work in progress for the years ended as of 31 December 2020 and 2019, was calculated as follows:

	31.12.2020	31.12.2019
Closing balances	23.451.222	27.888.258
Inventory adjustments	(231.315)	(912.761)
Exchange rate effect	(699.461)	31.991
Opening balances	(27.888.258)	(26.589.734)
	(5.367.811)	**417.753**

16. Customers

As of 31 December 2020, and 2019, this caption was composed as follows:

	31.12.2020	31.12.2019
Customers, current accounts	28.117.255	37.108.073
Customers, notes receivable	2.713.934	3.592.256
Customers, doubtful accounts	7.485.609	7.479.444
	38.316.797	**48.179.444**
Accumulated impairment losses on costumers (Note 29)	(8.652.666)	(9.026.035)
	29.664.131	**39.153.739**

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 like their respective fair value. The Group does not have a significant concentration of credit risk, as this risk is diluted within a vast number of customers.

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

	31.12.2020	31.12.2019
Not due:	23.209.600	28.991.362
Due and not adjusted:		
0-30 outstanding days	3.554.547	7.013.194
30-90 outstanding days	1.447.640	1.580.024
More than 90 outstanding days	1.452.344	1.569.159
Due and adjusted:		
0-90 outstanding days	686.807	220.262
90-180 outstanding days	73.478	526.563
180-360 outstanding days	360.776	861.449
More than 360 outstanding days	7.531.605	7.417.761
	38.316.797	**48.179.774**

17. Other third-party debts

As of 31 December 2020, and 2019, this caption was made up as follows:

	31.12.2020	31.12.2019
Suppliers debtors balances	264.340	458.748
Personnel	145.550	143.872
Advances to suppliers and suppliers of fixed assets	-	3.524
Others debtors	4.066.190	4.456.159
	4.476.082	**5.062.304**
Accumulated impairment losses (Note 29)	(1.515.160)	(1.722.012)
	2.960.922	**3.340.292**

18. Other current assets

As of 31 December 2020, and 2019, this caption was made up as follows:

	31.12.2020	31.12.2019
Bonus receivable from suppliers	705.721	555.909
Prepaid insurance	12.321	41.925
Prepaid rents	110.288	118.601
Interest receivable	87.262	158.900
Prepaid financial charges	378.378	317.114
Other	170.259	514.883
	1.464.228	**1.707.331**

19. Cash and cash equivalents

As of 31 December 2020, and 2019, the caption "Cash and cash equivalents" was as follows:

	31.12.2020	31.12.2019
Cash and cash equivalents:		
Cash	57.133	45.279
Bank deposits on demand	43.554.072	17.359.357
Cash equivalentes	41.633	22.526
	43.652.839	**17.427.162**

As of 31 December 2020, the Company and its subsidiaries have credit facilities amounting to 49 590 550 Euros available for future operating activities and to meet financial commitments, without any restriction to its use.

20. Share capital

As of 31 December 2020, 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 2020, Pleso Holding B.V. owned 100% of the Company's share capital (Introduction).

21. Equity

Legal Reserve

Portuguese commercial legislation defines that at least, 5% of annual net profit, if positive, 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 they are fully depreciated or if the property subject to revaluation 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.

22. Non-controlling interests

During the year ended 31 December 2020 and 2019, the movement in the caption "Non-controlling interests", is detailed as follows:

	31.12.2020	31.12.2019
Balance as of 1 January	4.885	2.837
Net profit of the year	(1.805)	2.863
Other variations	(1.588)	(816)
Balance as of 31 December	**(2.646)**	**4.885**

23. Loans

As of 31 December 2020, the detail by nature of bank loans was made up as follows:

	Plafond	Amount in use	Current	Non current
Bank loans	10.585.918	5.995.367	5.232.123	763.244
Commercial Paper Programs	111.900.000	66.900.000	3.400.000	63.500.000
Bonds	65.000.000	65.000.000	25.000.000	40.000.000
Investment subsidies	3.014..289	3.014.289	33.965	2.980.324
Effect effective interest rate use	-	-	-	(108.780)
	190.500.207	**140.909.656**	**33.666.088**	**107.134.788**

Bank loans

As of 31 December 2020, the detail of bank loans (except for commercial paper programs) was made up as follows:

Company	Plafond	Amount in use	Current	Non current
CIN Valentine	2.500.000	1.150.136	1.150.136	-
CIN	3.500.000	509.314	509,314	-
Soritec	280.554	30.554	30.554	
CIN Celliose	3.905.364	3.905.364	3.142.120	763.244
Nasa	400.000	400.000	400.000	-
	10.585.918	**5.995.367**	**5.232.123**	**763.244**

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

Commercial Paper

As of 31 December 2020, the Commercial Paper Programs can be detailed as follows:

Emission	Program total amount	Nominal value	Current	Non current	Interest	Book value as of 31 December 2020
CIN- Corporação Industrial do Norte, S.A						
Contract (31.000.000 Euros) 26th Emission	31.000.000	20.000.000	-	20.000.000	108.780	19.891.220
Contract (3.400.000 Euros) 53rd Emission	3.400.000	3.400.000	3.400.000	-	4.250	3.400.000
Contract (12.500.000 Euros) 25th Emission	12.500.000	7.500.000	-	7.500.000	11.719	7.500.000
Contract (15.000.000 Euros) 93rd Emission	15.000.000	7.500.000	-	7.500.000	3.021	7.500.000
Contract (10.000.000 Euros) 29th Emission	10.000.000	7.500.000	-	7.500.000	28.438	7.500.000
Contract (10.000.000 Euros) 22nd Emission	10.000.000	7.500.000	-	7.500.000	37.917	7.500.000
Contract (10.000.000 Euros) 4th Emission	10.000.000	10.000.000	-	10.000.000	15.972	10.000.000
Cin Valentine SL						
Contract (15.000.000 Euros) 79th Emission	Grouped	1.000.000	-	1.000.000	2.528	1.000.000
Amida Inversiones						
Contract (15.000.000 Euros) 91st Emission	Grouped	2.500.000	-	2.500.000	6.319	2.500.000
	91.900.000	**66.900.000**	**3.400.000**	**63.500.000**	**218.943**	**66.791.220**

Commercial Paper Program balances have the following underlying contracts:

Company	Program Total Amount	Beggining date	Maturity
CIN - Corporação Industrial do Norte, S.A.	31.000.000	June 2017	June 2022
CIN - Corporação Industrial do Norte, S.A.	15.000.000	September 2020	September 2023
CIN - Corporação Industrial do Norte, S.A.	12.500.000	June 2017	June 2022
CIN - Corporação Industrial do Norte, S.A.	3.400.000	June 2017	September 2021
CIN - Corporação Industrial do Norte, S.A.	10.000.000	June 2016	July 2024
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	January 2020	January 2023
CIN - Corporação Industrial do Norte, S.A.	10.000.000	March 2020	March 2025
	111.900.000		

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, according to the contracts.

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

Bonds

As of December 31, 2020, this item consisted of four loans, in the amounts of 25 000 000 Euros, 20 000 000 Euros, 15 000 000 Euros and 5 000,000 Euros, respectively, issued by CIN – Corporação Industrial do Norte, S.A. These loans in accordance with their conditions are indexed to Euribor and are due in December 2021, January 2025, March 2025 and March 2025 respectively.

Bond loans to be won from 2021 include Market Financial Covenants.

Reimbursement Plan

As of 31 December 2020, 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 until their term:

	Effective average interest rate	2021	2022	2023	2024	2025	Total
Repayment		-	50.500.000	30.000.000	25.000.000	40.000.000	145.500.000
Interest	1,08%	1.607.500	1.305.194	8.662.634	549.736	49.243	4.377.938
		1.607.500	**51.805.194**	**30.866.264**	**25.549.736**	**40.049.243**	**149.877.938**

The reconciliation of liabilities resulting from financing activities as of the period ended 31 December 2020 can be found below:

Borrowwings	2020	2019
Opening balance at 1 January	120.045.142	126.874.566
Cash-Flows:		
Inflows from financial debt	109.868.179	58.553.755
Outflows from financial debt	(89.031.277)	(65.383.180)
Exchange rate update of the financing obtained	(81.168)	-
Closing balance at 31 December	**140.800.876**	**120.045.142**

24. 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 2020 and 2019 was as follows:

	31.12.2020	31.12.2019
Active	5.582.705	5.200.883
Retired	2.884.719	2.966.509
	8.467.424	**8.167.392**

As of 31 December 2020 and 2019, those liabilities were calculated using the "Projected Unit Credit" method and the mortality table TV 88/90 and disability table SR (Suisse Re table) were used, as well as assumptions, wage growth rates of 0.5% (0.5% in 2019), fund income rates of 4% (3.77% in 2019), zero rate of pension growth in payment, technical interest rate of 4% (3.77% in 2019) and turnover table estimated from the reality verified in the Fund Associates between 1994 and 2018.

The movement in the liabilities for past services for the periods ending 31 December 2020 and 2019 was as follows:

	31.12.2020	31.12.2019
Liabilities for past services as of 1 January	8.167.392	7.749.408
Current services cost	186.454	176.187
Interest cost	304.163	287.853
Actuarial losses (gains)	135.466	252.036
Retirement supplements paid	(326.051)	(328.092)
Liabilities for past services as of 31 December	**8.467.424**	**8.167.392**

During the years 2020 and 2019, the movement in the net assets of the Fund was as follows:

	31.12.2020	31.12.2019
Balance as of 1 January	6.515.015	5.999.242
Contributions	492.000	400.000
Fund income, net	63.563	443.865
Retirement supplements paid	(326.051)	(328.092)
Estimated balance as of 31 December	**6.744.527**	**6.515.015**

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 2020, totaling the balance of this caption to 7 722 896 Euros (1 652 376 Euros as of 31 December 2019).

The movement occurred during the periods ended 31 December 2020 and 2019 for the liability caption "Retirement benefit obligations" related to retirement benefits not covered by the assets of the Pension Fund was as follows:

	31.12.2020	31.12.2019
Balance as of 1 January	1.652.376	1.780.166
Personnel	251.147	244.053
Contributions to the pension Fund	(492.000)	(400.000)
Cost of past services	-	-
Other income	311.373	28.157
Diference related to prior period valuation	-	-
Balance as of 31 December	**1.722.896**	**1.652.376**

25. Suppliers

As of 31 December 2020, and 2019, this caption refers to accounts payable for acquisitions resulting from the normal course of the Group's activities, and has the following composition:

	31.12.2020	31.12.2019
Suppliers – current accounts	31.945.749	31.556.774
Suppliers – outstanding bills	319.129	650.541
	32.264.878	**32.207.314**

As of 31 December 2020, and 2019, payables to suppliers are due within less than four months.

26. Other creditors

As of 31 December 2020, and 2019, this caption was made up as follows:

Current	31.12.2020	31.12.2019
Fixed assets suppliers	2.025.505	1.993.285
Clients credit balance	270.177	512.300
Personnel	238.203	263.672
Others	1.140.540	898.424
	3.674.425	**3.667.680**

Non current	31.12.2020	31.12.2019
Fixed assets suppliers	-	837.738
Others	23.174	275.198
	23.174	**1.112.936**

27. State and other public entities

As of 31 December 2020, and 2019, this caption was made up as follows:

	Asset		Liability	
	31.12.2020	**31.12.2019**	**31.12.2020**	**31.12.2019**
Corporate Income Tax	1.734.521	2.503.741	(3.595.235)	(4.341.858)
Value Added Tax	971.016	313.438	(1.226.267)	(2.031.312)
Social Security contribution	-	-	(1.877.091)	(1.399.639)
Withholding Income Taxes	247.189	183.550	(701.442)	(712.056)
Others	238.269	577.871	(32.962)	(45.736)
	3.190.995	**3.578.601**	**(7.432.997)**	**(8.530.601)**

28. Other current liabilities

As of 31 December 2020, and 2019, this caption was made up as follows:

	31.12.2020	31.12.2019
Accrued costs:		
Accrued payroll	6.480.103	6.165.421
Rappel	976.759	5.874.270
Accrued interest	293.079	72.622
Operating expenses	1.470.462	1.040.841
Others	1.682.725	1.641.429
	10.903.128	**14.767.582**
Deferred income:		
Investments Subsidies	77.257	331.169
Others	69.826	31.256
	147.083	362.425
	11.050.212	**15.130.008**

As at 31 December 2020, the amount of "rappel" decreased significantly compared to 2019, as a significant part of the respective figures were issued in 2020, as opposed to 2019 in which that issue was deferred for the year 2020.

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29. Provisions and accumulated impairment losses

The movement occurred in provisions and accumulated impairment losses for the years ended as of 31 December 2020 and 2019 was as follows:

	2020						
	Opening balances	Increases	Utilizations	Decreases	Transfers	Perimeter changes	Closing balances
Impairment losses in accounts receivable (Notes 16 and 17)	11.738.047	1.104.424	(97.562)	(1.347.664)	-	-	11.397.244
Impairment losses in inventories (Note 15)	6.788.322	2.694.631	(240.771)	(2.626.594)	-	-	6.615.589
Impairment losses in available for sale Investments (Note 12)	1.896.101	125.500	-	-	-	-	2.021.601
Provisions	4.944.796	-	(1.065.448)	(25.000)	-	-	3.854.350

	2019						
	Opening balances	Increases	Utilizations	Decreases	Transfers	Perimeter changes	Closing balances
Impairment losses in accounts receivable (Notes 16 and 17)	12.124.818	2.220.526	(1.582.642)	(1.024.655)	-	-	11.738.047
Impairment losses in inventories (Note 15)	6.012.328	2.816.096	-	(2.040.103)	-	-	6.788.322
Impairment losses in available for sale Investments (Note 12)	1.738.601	157.500	-	-	-	-	1.896.101
Provisions	5.942.523	-	(744.728)	(235.000)		-	4.944.796

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

30. Sales and services rendered by geographic markets

Sales and services rendered by geographic markets during 2020 and 2019 were as follows:

	31.12.2020	31.12.2019
Domestic market	196.628.002	201.627.971
International market	30.309.219	32.818.514
	226.482.550	**234.446.485**

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

31. Financial results

As of 31 December 2020, and 2019, the financial results were as follows:

	31.12.2020	31.12.2019
Financial expenses:		
Interest	1.800.150	1.787.532
Other financial expenses	1.511.253	1.681.678
	3.311.402	3.469.210
Financial results	(2.719.876)	(2.724.784)
	591.526	**744.426**
Financial income:		
Interest	501.700	689.919
Other financial income	89.828	54.507
	591.526	**744.426**

32. Corporate income tax

The Corporate Income Tax recorded in the years ended as of 31 December 2020 and 2019 can be detailed as follows:

	31.12.2020	31.12.2019
Current tax	4.460.940	2.758.530
Deferred taxes (Note 13)	146.786	47.172
	4.607.726	**2.805.702**

33. Responsibilities for guarantees provided

As of 31 December 2020, the Group had assumed responsibilities for guarantees granted to third parties as follows:

Ayuntamiento de Montcada (Spain)	586.885
Câmara Municipal da Maia	75.000
Other	191.062

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.

	31.12.2020	31.12.2019
Profit/(Loss):		
Net profit for the period	13.692.609	9.405.925
Number of shares		
Average number of shares in circulation	25.000.000	25.000.000
Basic earnings per share	0,548	0,376

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 443 745 Euros 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, because of the referred land division plan mentioned in Note 6. The financial statements at 31 December 2020 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 2020, and 2019, CIN ("Mother Company") attributed to its statutory body's members of the parent company the following remuneration:

	31.12.2020	31.12.2019
Board of Directors	504.915	418.950
Supervisory Board	22.785	22.785
General Assembly	9.450	4.725

37. Number of personnel

As of 31 December 2020, and 2019, the number of employees of the companies included in consolidation was 1 315 and 1 369, respectively.

38. Financial statements approval

The consolidated financial statements were approved by the Board of Directors and authorized for issuance as of 15 April 2021. Additionally, the attached financial statements as of 31 December 2020 are pending approval by the General Assembly of Shareholders. However, the Board of Directors believes that they will be approved without significant changes.

39. Relevant events

The pandemic caused one of the deepest crises after World War II, distorting both demand and supply of goods. Your control depends on group immunity.

In our report of the year we defined a set of actions that we were able to achieve almost entirely, and which were fundamental to the performance achieved.

- We have increased the group's liquidity level;
- We reduced some levels of cost, as Covid-19 demonstrated that certain cost structures were superfluous, at least to some degree of intensity, promoting value creation for the business;
- We have improved some supply chain networks, which has been a buffer to a dramatic situation of disruption in the raw materials market, which has been occurring since the end of last year.

We also look at a very complicated few months of 2021, given the delay in vaccination, so we will maintain strong action in preserving liquidity levels and a strong control of costs.

40. Subsequent events

The Group in January 2021 made the acquisition of a majority position in the share capital of the Italian company Bartolomeo Boero. The company operates in the decorative paints, yachting and naval segments. It generated a turnover of 87 million Euros, bringing a recurring EBITDA of 11,4 million Euros, according to P&L Proforma.

Grupo CIN and Grupo Boero
Proforma consolidated results for 2020

	2020		
k€	CIN	Boero	Consolidated
Sales	**226.483**	**87.023**	**313.506**
Gross margin	**117.984**	**53.577**	**171.561**
Operating expenses	-31.595	-21.947	-53.542
Payroll	-50.113	-19.659	-69.772
Other income / (costs)	-265	-552	-817
EBITDA	**36.011**	**11.419**	**47.430**
Depreciation	11.147	-4.619	-17.766
Provisions	-368	-798	-1.166
EBIT	**22.495**	**6.002**	**28.497**
Net income	**13.691**	**3.796**	**17.487**
Non-controlling interests	2	-635	-633
Group attributable net income	**13.693**	**3.161**	**16.853**

41. Environmental area information

The Group shall take the necessary measures in relation to the environmental area, with the aim of complying with current legislation.

In this respect, it should be noted that the CIN Group is monitoring and taking the necessary and appropriate measures in relation to the requirements of Decree-Law No 181/2006 of 6 September, in particular as regards the limits of the total content of volatile organic compounds ("COV") in decorative paints and varnishes, with a view to preventing or reducing air pollution due to the formation of tropospheric ozone resulting from EMISSIONS from OVCs.

The Board of Directors of the CIN Group does not estimate that there are risks related to environmental protection and improvement and did not receive any misdeeds related to this matter during the financial year 2020.

Maia, 15 April 2021

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 Santos Lima, *Member*
Ângelo Barbedo César Machado, *Member*
Manuel Fernando de Macedo Alves Monteiro, *Member*
João Luís Baldaque da Costa Serrenho, *Member*
Fernando Jorge de Almeida Ferreira, *Member*

CIN

Statutory Audit Report

Deloitte.

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May 31, 2021

Cin – Corporação Industrial do Norte, S.A.
Avenida Dom Mendo, Nº831
4471-009 MAIA

For the attention of Mr. Fernando Jorge Ferreira

Dear Sirs,

Please find enclosed a translation to English of our Statutory Audit Certification on the consolidated financial statements of CIN – Corporação Industrial do Norte, S.A. as at December 31, 2020.

This is a translation of a Statutory Audit Certification originally issued in Portuguese on consolidated financial statements prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

Yours faithfully,

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

STATUTORY AUDIT CERTIFICATION

(Translation of a report originally issued in Portuguese)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 2020 (that presents a total of Euro 304,333,194 and equity of Euro 92,086,097, including a net profit of Euro 13,692,609), 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, 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 2020 and of its consolidated financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRSs") as adopted in the European Union.

Basis for our opinion

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 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 ("IFRSs") as adopted in the European Union;
- 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, April 27 2021

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

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